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Paul Hoebink (ed.)

European Development Cooperation

In Between the Local and the Global

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Amsterdam University Press

EUROPEAN DEVELOPMENT COOPERATION

European Development Cooperation

In Between the Local and the Global

Edited by
Paul Hoebink

Amsterdam University Press

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Some Recent Developments in European International and Development Cooperation

An Introduction

Paul Hoebink

Development cooperation by the European Union and its member states is undergoing a process of rapid change. Changes in the international architecture and within the European Union itself are contributing to this process. The first and perhaps most important change is that a large and growing number of new players have entered the arena, while some old players have returned in new guises. Among them are the new member states of the European Union. There is also a wide variety of new multilateral organisations, like the Global Fund, and new emerging donors like China and India, and – one should not forget – non-governmental aid organisations, some of which have considerable funds at their disposal. This proliferation of donors is both impressive and worrying. It is a cause for concern because of the high transaction costs for aid recipients in dealing with a large number of donors, often with small volumes of aid.

A second important change is not only the global compact to focus on eight Millennium Development Goals (MDGs), with 18 targets and 48 indicators, but also the willingness to cooperate, coordinate and harmonise the effort needed to achieve them. While the MDGs emerged from a series of UN conferences in the 1990s,[1] the conferences on financing for development in Monterrey (2002) and Doha (2008), as well as the Paris Declaration (2005) and the Accra Agenda for Action (2008), can be seen as expressions of the combined effort to mobilise a wide range of resources to achieve the MDGs. The MDGs provide both aid recipients and donors with a common goal, which leads to better cooperation and coordination. Although some may say it is not happening fast enough, the Paris Declaration is now rapidly changing how donors cooperate not only among themselves, but also with partner countries.[2]

Thirdly, donors are coming up with new instruments that show much greater respect for the idea of country 'ownership' than former instruments, like project aid.[3] A number of European and other donors still have to make this change, but North European countries in particular have changed to instruments like

Multi-Donor Budget Support (MDBS) and Sector-Wide Approaches (SWAps). A central element of these instruments is that they take recipient governments' plans as a starting point, and that they call for dialogue and harmonisation with the recipient's plans and procedures, and for coordination between donors. They also aim to rationalise recipient governments' budgets through Medium Term Expenditure Frameworks and by fighting corruption.

Fourthly, political relations within recipient countries and between recipient governments and donors are changing. Recipient governments in Asia have always been stronger in their dealings with donors than governments in Africa.[4] But recent economic successes (which the global economic crisis may temper in some way) and successful processes of democratisation in particular have given new legitimacy to a number of African governments, putting them in theory in a better position to negotiate with donors. State capacity in Sub Saharan Africa has been growing slowly in recent decades, hindered by patrimonialism and corruption, but several African governments have witnessed the arrival of a new generation of politicians who are much more closely controlled by the media and civil society.

These changes are all about the aid-relationship and aid itself. Aid is an important ingredient of development cooperation, but not the only one. Relations between Europe and developing countries are wider in scope, encompassing political cooperation and a broad variety of trade relations. Trade relations include access to the European market and exports from Europe to developing countries.[5] Both have been under scrutiny for more than 40 years. Access to the European market, because a variety of restrictions have hampered it, ranges from export quotas to tariffs to subsidies for European producers. The sugar campaign started more than 40 years ago. It promoted the consumption of cane sugar from Third World countries rather than beet sugar, which was highly subsidised by the European Community. This shows that these kinds of subsidies under the Common Agricultural Policy have been the subject of criticism in Europe itself for a very long time. Exports from Europe were criticised because they were often highly subsidised and had a negative impact on world markets. Meat exports to West Africa were was a celebrated case here. The European Union is also subsidising the exportation of overcapacity. The Common Fisheries Policy and Fisheries Agreements are examples of using subsidies to buy access to coastal fishing waters in developing countries, exporting overcapacity, particularly that of the Spanish fishing fleet.

The European Union – and this is a fifth change – has been trying to be more coherent in changing, reducing and abandoning its export subsidies, in reforming its agricultural policies and the fisheries agreements, and changing its access policies. At the same time, however, it has been criticised for changing only after external pressure and for trying to impose new trade relations.

Not all of these changes are dealt with in this volume. It does, however, offer a series of interesting analyses on some hotly debated issues in European development cooperation, and a discussion of some of the instruments, old and new. It takes a look at the policies of 'new' emerging European donors and, finally, provides an insight into local initiatives from regions and municipalities in the field of development cooperation.

The Hotly Debated Issues

Since Maastricht's Triple C – coordination, complementarity and coherence – policy, coherence for development (PCD) has been one of the most hotly debated themes in European development cooperation.[6] Coherence is relatively new as an important concept for development cooperation, being introduced by the DAC at the end of the 1980s. It can be defined as: '*The non-occurrence of effects of a particular policy that are contrary to the intended results or objectives of that policy*'. Policy coherence can be defined either narrowly or broadly. A narrow or restricted definition would be that the objectives of policy in a particular field may not be undermined or obstructed by actions or activities in this same field. A wide or broad definition would be that the objectives of policy in a particular field may not be undermined or obstructed by government actions or activities in that field or in other policy fields. PCD found its way into Europe in Article 130V of the Treaty of Maastricht which reads: '*The Community shall take account of the objectives referred to in Article 130 U in the policies that it implements which are likely to affect developing countries*'. This is known in the field of development cooperation as the Maastricht Treaty's 'coherence article'. It was retained in the Treaties of Amsterdam and Nice under Title XX, as Article 178. After several Commission documents referring to these articles and elaborating on its principles – what Carbone (2009) calls 'a decade of non-decisions' – the European Consensus on Development was signed in 2005 as an ambitious new agenda. In 2007, the European Council adopted the 'Code of Conduct on Complementarity and Division of Labour in Development Policy' and later that year the first biannual report on PCD appeared.

Rolph van der Hoeven, in his article, indicates that increased or improved policy coherence is often proposed as a new and superior goal for activities by international organisations and national actors. He sees policy coherence not as a neutral concept but as value loaded. Achieving better results with policy coherence therefore depends on the national and international political context, as discussed, for example, in the report of the World Commission on the Social Dimension of Globalization. Van der Hoeven also reviews how different interna-

tional agencies approach policy coherence and tries to show that, despite progress in some organisations in establishing institutions or mechanisms fostering policy coherence, actual implementation and results in terms of increased aid, declining poverty or declining inequality are still often found wanting.

PCD is also a contested concept in relation to the Economic Partnership Agreements (EPAs). The Cotonou Partnership Agreement, which succeeded the earlier Yaoundé and Lomé Conventions, retained some of the benefits of these earlier treaties, like their contractual nature and predictability. However, the Agreement also stipulated a change in trade relations, in which there would not be only one form of preferential trade access, as in Lomé, which the Commission considered incompatible with WTO rules, but a differentiated set of six regional trade agreements, the EPAs. The way the Commission negotiated these agreements was seen by many European parliamentarians and others as insensitive to historical relations and as being driven only by a free-trade agenda. The Commission and the ACP countries[7] were under pressure to finalise the negotiations by 1 January 2008, when the WTO waiver expired. The negotiations finally resulted in a series of interim EPAs, which led to serious splits, even between countries in the same regional grouping. Some countries signed interim-EPAs, while others refused to sign any agreement at all.

In his paper, Stephen Dearden, who has previously examined hot topics in EU-Caribbean relations (Dearden 2002), reviews the negotiation of an Interim Economic Partnership Agreement for the Pacific group of the ACP (PACP). He starts with a summary of the existing trade agreements between the PACP countries and their major trading partners, and considers the relative importance of their trade with the EU. He then takes a look at the various impact assessments which have been undertaken to inform the PACP countries' negotiations on an EPA, before considering the progress of the negotiations themselves, identifying the issues which were to prove most problematic. The paper concludes by outlining the Interim Agreement, which was signed only by Fiji and Papua New Guinea, and by assessing the likely prospects of a Final Agreement being achieved by the end of 2009.

Maurizio Carbone also looks at the Pacific and the Cotonou Agreement. In his eyes, the participation of Non-State Actors (NSAs) is one of the innovative aspects and fundamental principles of the Agreement. He assesses this participation by looking at the extent to which NSAs were consulted in the process of formulating Country Strategy Papers (CSPs). In the early years of this century, the first generation of CSPs were especially contested on their sections on PCD, because they were copied from one country to another (Hoebink 2005b). Carbone concludes that a big step forward could be observed, at least in terms of participation.

New Insights into Old Instruments

In addition to sector-wide approaches and budget support, this volume also focuses on a number of older development cooperation instruments. Some of them are uncontested, but have very complex set-ups and frameworks. Others have a long history of discussions on their efficiency and effectiveness in combating the problems they address. Food aid is a good example. The discussion about the inadequacies of this instrument has been going on for more than 40 years now. More recently, however, there have been discussions on energy use and on the role development cooperation can play in fragile states.

Lars Holstenkamp's article provides an overview of European initiatives to provide better access to energy services and more efficient and reliable energy supplies in Africa. The main source of energy on the continent is biomass (in the form of firewood), which causes all kinds of problems, including indoor air pollution. It is often claimed that, without private sector involvement, political goals regarding energy services cannot be reached. On the other hand, private actors are reluctant to invest because of barriers on the supply and the demand side, with regard to the framework conditions, and in the financial sector. Holstenkamp shows that none of the initiatives adequately address demand-side barriers, and that there is a highly complex institutional structure comprised not only of different policies (Africa and development, climate change, energy security), but also several networks and partnerships that serve as forums for exchange and coordination, and operate at different levels (bilateral, EU, multilateral/international).

At the 1996 World Food Summit, the international community agreed to 'promote triangular food aid operations' to fight world food insecurity. In their article on food aid, Francesco Burchi and Sara Turchetti ask why countries chose this delivery method of food aid rather than other methods. Their paper does not take the validity of this objective for granted, but challenges it on a theoretical basis. By developing the concept of 'best food aid', founded on the criteria of effectiveness, efficiency and transparency, they find that the objective of preferring to provide food aid in a triangular operation has a conceptual justification, but that either triangular or local purchases can be the best delivery mode, depending on the context. With this conceptualisation in mind, Burchi and Turchetti analyse food aid trends in four recipient countries in North-East Africa: Kenya, Uganda, Ethiopia and Eritrea. Using data from the WFP they conclude that no significant steps have been made towards better use of food aid. A further empirical analysis outlines differences in food aid practices between major donors. Germany is an example of 'good' practice, while Denmark and the United States are examples of 'bad' food aid practices. As Scandinavian countries are usually considered good models of development cooperation, the authors raise the question whether ad-

ditional quality aspects should be introduced in the more general indicators of development assistance.

Jan Pospisil and Stefan Khittel compare development cooperation of small European states in the context of violent (or potentially violent) conflicts and fragile states. They refer to this as 'security-related development cooperation'. Their main question is whether small states can be characterised by specific, e.g., innovative or conflict-sensitive approaches. They wonder what opportunities could emerge for these states if they were to use their 'smallness' productively to position themselves favourably in the international arena. The article compares the respective strategies and programs of four small European states (Austria, the Netherlands, Sweden and Switzerland) and the tangible activities in four selected target regions (Colombia, Nicaragua, Sri Lanka, and Uganda).

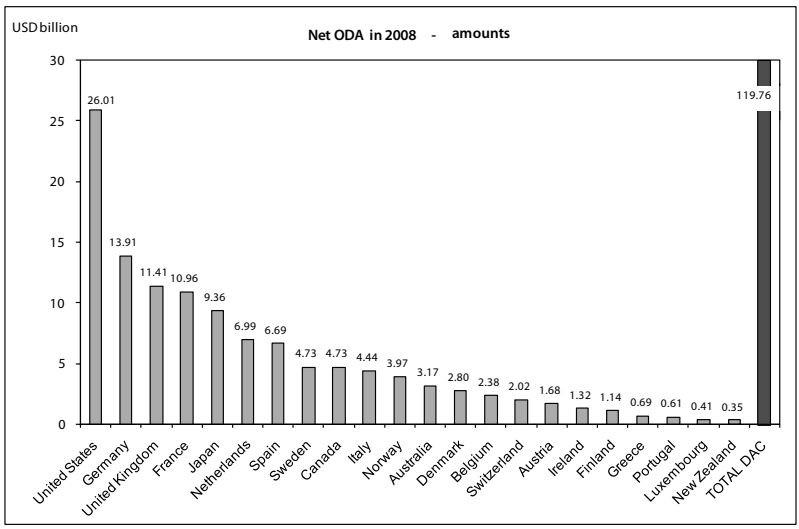
The study concludes that the four donors pursue very different policies, despite the fact that three of them are members of the European Union. These differences reflect different traditions of development policy, which have consequences both in strategic issues and interventions in the field. This shows that the process of unifying European foreign policy at the level of development cooperation is still only in its early stages. The results generally indicate that smallness in itself does not automatically guarantee advantages in the field of security-related development cooperation. Nevertheless, it is possible to use this factor productively under delicate political circumstances, but only if the donor's material (in terms of ODA volume) and political (in the sense of a unified, coherent strategy and working with existing long-term partnerships) commitments are steadfast.

The New Emerging new European Donors

European development assistance has continued to rise in recent years. The EU is the world's largest provider of development assistance. In 2008, the combined assistance of the European Commission and the member states reached a record high of nearly €50 billion (about $67 billion or about 56% of total ODA for that year). In the preparation of the Financing for Development Conference in Monterrey (Mexico) in 2002, the old European member states reiterated that their objective is still to provide 0.7% of their Gross National Income to development assistance. This target was adopted by the General Assembly of the United Nations nearly 40 years ago in November 1970.[8] However, only four member states (Sweden, Denmark, Luxembourg and the Netherlands, plus non-EU member Norway) complied with this figure. The old member states of the EU agreed that they all will reach the 0.7% target by 2015. They have to achieve interim targets of 0.56% collectively and 0.51% individually by 2010. This is reaffirmed in the

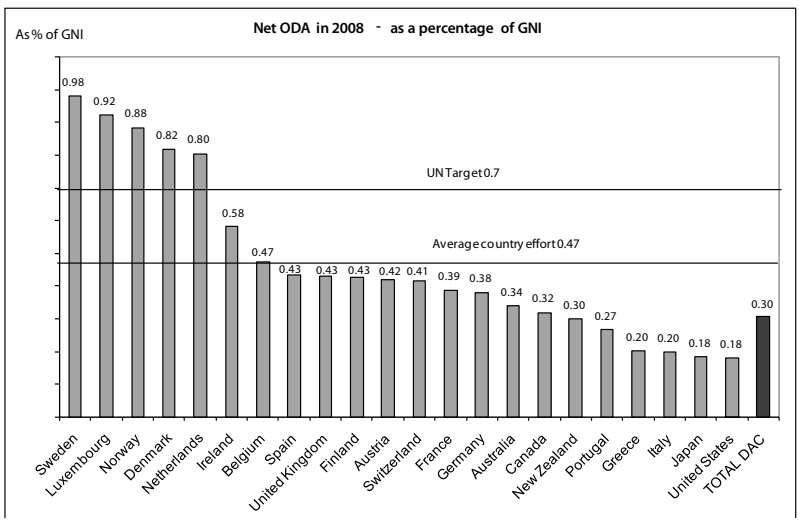
European Consensus on development. At the G-8 summit at Gleneagles in 2005, the attending countries also pledged to double their aid to Africa.

Chart 1 Net Official Development Assistance in 2008



Source: Development Assistance Committee, OECD

Chart 2 Net Official Development Assistance as a percentage of GNI in 2008



Source: Development Assistance Committee, OECD

If we examine the most recent figures, it is hard to believe that the old member states will meet these targets. The United Kingdom, Germany and Belgium still promise to achieve the 2010 and 2015 targets, but others refer to their economic problems or remain silent about these commitments. The country lagging furthest behind is G-8 member and the organiser of the last G-8 summit in Aquila, Italy. Italy's development assistance was artificially high in recent years due to debt relief that was extended by the Paris Club to Nigeria and Iraq, which accounted for more than 60% of Italy's bilateral budget. Italian aid is expected to fall below 0.1% in 2009, which not only means that Italy is a smaller donor than the Netherlands and Spain but also, relatively, a smaller donor than some of the new member states.

The European consensus of 24 April 2005 also indicated that new member states would reach 0.17% in 2010 and 0.33% in 2015. Table 1 shows that half of the new member states (Bulgaria, Romania, Hungary, Poland, Estonia and Latvia) are far behind the projected targets. Only Cyprus and Slovenia will most likely achieve the EU goals. In fact, aid volumes actually dropped to even lower levels in several new member states (i.e., Bulgaria, Estonia and Hungary) in 2008.

Table 1 ODA from a number of Central and East European donors

	Net disbursements in millions of euros					
	2005	2006	2007	2008	2007 ODA/ GNI (%)	2008 ODA/ GNI (%)
Bulgaria	2	1	16	13	0.06	0.04
Cyprus	12	21	18	27	0.12	0.17
Czech Republic	135	161	179	146	0.11	0.11
Estonia	8	12	16	14	0.12	0.09
Hungary	80	119	75	72	0.08	0.07
Latvia	8	10	12	14	0.06	0.06
Lithuania	12	18	30	41	0.11	0.13
Malta	8	7	8	6	0.15	0.11
Poland	165	236	265	264	0.10	0.08
Romania	NA	3	80	94	0.07	0.07
Slovak Republic	45	44	49	65	0.09	0.10
Slovenia	29	35	38	51	0.11	0.14
Total EU-12 (new member states)	479	634	739	805	0.09	0.09
Total EU-27	45,336	47,673	45,668	49,468	0.37	0.40

Sources: DAC (2009); European Commission (2008) and (2009)

When the Eastern bloc collapsed in 1989, the political and economic transformation of the former Soviet bloc in Europe happened quickly. The support provided by the former Soviet bloc to fellow socialist countries or 'friendly regimes' throughout the developing world quickly fell apart and, in a short period of time, the ideological and political underpinnings of the development policies of Central and Eastern European (CEE) states disappeared. In light of this recent past, there are authors who refer to some of the new member states as 're-emerging donors', suggesting that they could turn to their historical experiences as donors in the pre-1989 period. That is arguable, as many of the people who gained that experience have either retired or have been removed from the ministries that undertook these activities. Simon Lightfoot and Irene Lindenhovius Zubizarreta provide an overview of this transition in their article. Upon acceding to the European Union, the ten CEE states (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia) made a commitment to contribute to the EU's development cooperation policy, and, in particular, to meet specific targets for official development assistance (ODA) as a percentage of gross national income (GNI). They also pledged to work towards achievement of the Millennium Development Goals. In their article, Lightfoot and Zubizarreta assess how these new donors are progressing and organising themselves.

Beata Paragi's paper examines the early years of Hungary's contemporary development policy. Hungary joined the OECD in 1996 and became an EU member state in 2004. These steps played a unique role in the realisation of Hungary's participation in the arena of international development cooperation. Hungary's Ministry of Foreign Affairs selected 16 partner countries in 2003. Apart from debt cancellation and international obligations (such as reconstruction in Afghanistan and Iraq) Hungary has been conducting effective and ongoing relations bilaterally with strategic partner countries like Serbia, Montenegro, Ukraine, Vietnam and Bosnia and Herzegovina. Hungary claims to have comparative advantages in these countries ranging from sharing experiences of democratic transition to a professional contribution to water and agricultural projects.

Paragi stresses that, as far as a general evaluation of Hungary's development policy is concerned, there are certain methodological difficulties in analysing or assessing its framework – the relationship between the country's foreign and development policies. In general, ordinary taxpayers in Hungary are not properly informed about the role of development assistance or the need to provide it, though public awareness is an increasing concern. The NGDO sector is only able to raise its voice and assert its values and interests to a limited extent, despite the inevitable role the sector plays in implementing these policies. Furthermore, relevant information provided to the public by the Ministry of Foreign Affairs tends to be inconsistent or statistically obscure.

For Paragi, the most important conclusions are that Hungary's international development cooperation policy and practice have improved a lot over the past six years. Nevertheless, and unfortunately, the accuracy of the data, whether communicated regularly and publicly or provided on an ad hoc basis, is often questionable. Moreover, professional terminology used by Hungarian stakeholders lacks consistency and the evaluation methodology applied by the foreign ministry is not made public. As a result, a lot of progress can still be made, as is the case with the other emerging European donors.

The Czech Republic is a re-emerging donor, but the country is no less integrated into the global economy and migration networks than the other European donor countries. As a new EU member state, its national policies, including those regarding development trade and migration, are being strongly Europeanised. This means that the Czech Republic also has to adhere to the principle of policy coherence for development (PCD). In two case studies on migration and trade, Ondřej Horký tries to analyse Czech discourses and practises of PCD, and its institutionalisation. He explains the positions regarding PCD of the development constituency and of the actors involved in migration and trade policy. He highlights the incoherencies in these policies, involving brain drain, remittances and agricultural subsidies. In the context of the reform of Czech bilateral development cooperation, the case of migration shows that, while PCD is not generally reflected in the policies, it can be used by actors whose roles are endangered by the reduction of priority sectors in development cooperation. The case of trade proves that there are severe conceptual disagreements between government departments and that these prevent a consensus on the significance of trade issues for developing countries. They also hamper further implementation of policy coherence practices. This leads to the conclusion that, when the concept of PCD is applied by 'new' donors, an awareness of incoherencies and agreement at the conceptual and analytical levels is needed as much as institutional provisions.

From the Global to the Local

The new actors entering the development cooperation stage are not limited to only donor countries or philanthropic foundations. European regional and local governments are also becoming more and more active. Municipalities in several European countries have been active for more than 20 to 30 years, and thus cannot really be considered new players. This is often referred to as 'decentralised cooperation' in Southern Europe. Municipal initiatives often stem from citizens' activities supporting local projects in developing countries. Because of globalisation, and the enormous growth of international travel and communication, many

more of these private initiatives have been initiated in the last ten years. Citizens support schools, orphanages and hospitals in developing countries because they have visited places and have more trust in, or place more value on, person-to-person relations. In the Netherlands alone, there are more than 6,000 of these private initiatives, but the trend is also visible in other European countries. Municipalities often support these types of activities with relatively small amounts of their budgets. They also enter into twinning relationships not only with European cities or villages, but also with cities in developing countries. For example, you might find second-hand fire equipment, buses or machinery from French cities in many cities in Mali.

Marike Bontenbal explores the role of European local governments in international development cooperation. She says that worldwide, local governments have become prominent players in the international development cooperation arena. Through various city-to-city cooperation (C2C) structures, cities partner up and seek to contribute to the improvement of local governance and the enhancement of local development in young democracies and areas affected by poverty. Within these structures, local governments share municipal expertise and knowledge to address needs in urban management and service delivery in the South. There is a lack of knowledge of the position of local governments as development agents. This article presents the findings of a comparative empirical research study of four North-South city partnerships between Dutch and German municipalities and partner cities in Latin America and Africa. It examines the conditions under which local governments operate in international development cooperation with regard to existing policies, capacities and political will, and discusses the implications of these factors for the practice of city-to-city cooperation. The findings reveal that, due to the voluntary character of municipal involvement in North-South cooperation, C2C efforts need sufficient local political support and have to be institutionalised in order to be sustainable. This includes a formal international cooperation policy framework and the availability of financial and human capital.

Something that may be rather new is that regional governments are also engaging in development cooperation activities. In Germany, the 'Länder' (states) have more experience in this field while, in Belgium, under the state reform act of the 2001 Lambermont Agreement, the language communities and regional governments have been allowed to implement development programs since January 2004. The 'Länder' and regional governments support NGO activities or private initiatives, usually with relatively small investments. Nevertheless, some regional governments have also selected partner countries. The Dutch-speaking part of Belgium has selected three countries in Southern Africa as preferred partners. Spain also has regions that have become active in the field of development cooperation.

Joki Alberdi refers to European Council regulation 1659/98 of July 1998 on decentralised cooperation,[9] with which the European Union's institutions recognised local public bodies as partners in this kind of cooperation. He observes that the most recent strategy documents on the Union's development cooperation (in particular the European Consensus on Development) go no further toward recognising the activities of European sub-state entities as part of the EU's development cooperation policy. Alberdi concludes that regions and local authorities, unlike member states, are not regarded as relevant actors in Europe's cooperation. Despite the countless initiatives and actions by decentralised (mainly non-governmental) aid actors, there is a palpable lack of coordination between the policies of local entities, European regions, member states and the Community as a whole.

Alberdi indicates that the next revision of provisions for managing decentralised aid may offer a chance to include the growing importance and consolidation of sub-state development aid in general EU policy. He says that sub-state aid needs to be included if European cooperation policy is to become more global in nature. Alberdi provides a review of the legislation, instruments and institutional structures of European decentralised cooperation, with the aim being to search for greater coherence and complementarity between the cooperation policies of non-state bodies. He also analyses possible formulae for the direct and indirect participation of non-state authorities in the Community's aid policy and possible forms of collaboration between public (Community, state and sub-state) administrations. In this context, the article discusses the following topics: the distribution of competence in international cooperation, the limits to development aid from sub-state authorities, their capacity for initiatives in relation to international aid treaties, forms of participation in the Union's institutions that design and carry out the European Union's development policy, and the creation of institutions for dialogue and cooperation between different administrative forms and levels. His article ends with some reflections on the challenges and the dilemmas facing decentralised aid in the European Union.

Conclusion

This book presents a panoramic overview of recent developments in European development cooperation. Of course, it is easy to identify missing aspects or themes. There are no articles on the development policies of the old member states, but that is because they were part of an earlier volume (Hoebink and Stokke 2005). Nor are there any articles on new aid instruments and present coordination and

cooperation between donors and between donor and recipient governments. We hope that they will be subject of a subsequent volume. There is no analysis of the European NGO world and its relations with European governments, because a special volume is being produced on that subject (Hoebink and Schulpen 2010). Other instruments, themes and donor and recipient activities could be identified that are not included here. This book is not an encyclopaedia of European development cooperation, but it does offer insights into a series of topics and new developments.

What can be concluded is that, at the beginning of the new century, numerous important changes have been taking place in European development cooperation. Some of these might be a cause for concern. I repeat that the proliferation of types of donors and the fragmentation of development assistance might in the end hinder the reduction of worldwide poverty. However, the other side of that coin might be that thousands of initiatives produce more drops to erode poverty away than the previous hundreds. Other changes undoubtedly show positive trends, such as the trend towards more policy coherence in the European Union, towards higher volumes of aid in particular from some old member states, towards a better use of the instruments, and towards the improved monitoring of development effectiveness.

Development cooperation has received criticism from many quarters in recent years. It has not only been called ineffective, it has also been accused of fostering corruption and of obstructing democratisation.[10] In general, these criticisms are not very convincing. Most of them echo the negative results of econometric studies on aid effectiveness, ignoring similar studies that show positive results. They also fail to reflect the wide variety of actors with different aid rationales and intentions, different organisation and differences in efficiency that can be found in development cooperation. Finally and surprisingly, they all attach high expectations to aid, overestimating what it can and will do, and thus ending up with a negative view of what it has achieved. Initiatives and activities to reduce poverty must, in the first place, come from aid recipients themselves. It is they who have to do the job. International donors can only offer a climate and a system which offers chances and opportunities, and some assistance in taking advantage of these opportunities. In that respect, aid is and cannot be anything more than a small contribution, an accessory, a temporary relief and at best a catalyst. That being said, it remains important to discuss, study and analyse the different forms of development cooperation so as to ensure, in the end, that it is as efficient and effective as possible, and can make its own contribution to ending poverty.

Notes

1 For summaries and critical reflections see: Black/White (2004) and Summer/Tiwari (2009).
2 Hopefully a new volume in the EADI-series will devote attention to these changes, which are not addressed in this volume.
3 This is not to say that project aid should be stopped everywhere, but that the new aid instruments are better suited to certain sets of circumstances (like in the social sectors), while project aid might be a better instrument in others, like infrastructure. This holds for some very large projects, like road or energy construction works, but might also apply for small projects outside the public sector.
4 For a discussion on donor-recipient relations that does not always correctly capture the tensions between them, see Whitfield (2009).
5 For an overview of trade relations, but not on European exports, see chapters five to eight in Holland (2002).
6 For a discussion and analysis of the concept, see Hoebink (1999 and 2004) and, for some more recent debates, Carbone (2009).
7 75 countries in Africa, the Caribbean and the Pacific which are signatories to the Lomé Conventions and the Cotonou Agreement.
8 The resolution on the strategy Second Development Decade no. 2626 (XXV) reads (para 43): 'In recognition of the special importance of the role which can be fulfilled only by official development assistance, a major part of financial resource transfers to the developing countries should be provided in the form of official development assistance. Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7% of its gross national product at market prices by the middle of the decade'. One can argue that this was a general statement and, although repeated in 1980 and many times thereafter, it was more of a moral than a legal obligation. If one agrees with that argument the European commitments of 2002 and 2005 legally bind European members states to the 0.7% norm for the first time.
9 Council Regulation (EC) No 1659/98 of 17 July 1998 on decentralised cooperation.
10 Dambisa Moyo's *Dead Aid* is an example of this. I am not going to repeat my critique of that book, which can be found on the CIDIN website (www.ru.nl/cidin) and, in an abridged version in NORRAG News, no. 42, June 2009.

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Part I

The Hotly Debated Issues

Policy Coherence

The Newest Fad in the International Discourse?

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Policy Coherence

> It took a considerable amount of time before even economists began considering economic policy as a coherent entity. In most text books on economics or on economic policy, separate components such as trade policy, agricultural policy, credit policy and wage policy are considered without much attention to their interdependence and targets and instruments of each of these components are often considered in isolation. This means that the general coherence has been neglected. This interdependence is a reality, however, and that is why the unit that needs to be considered is the totality of all measures in execution at any given moment or those being proposed simultaneously; this we shall call a system of economic policy or an economic policy.[2]
>
> Tinbergen 1952, p. 68

The above quote stems from one of the major theoretical works of the first Nobel laureate in economics, Jan Tinbergen: *On the Theory of Economic Policy*. Tinbergen[3] clearly explains that coherence lies at the heart of economic policymaking. The quote, although from a 1952 publication, is very appropriate in describing the actual situation. However, when the debate on policy coherence (re)surfaced in the 1990s, Tinbergen's elegant formulation got lost in the literature.[4] In a less well-known sequel to his theory of economic policy, Tinbergen expands his analysis of policy making by introducing multiple actors, each with different objective functions (Tinbergen 1954). Here he demonstrates that in a situation of multiple actors, with different objective functions and with certain boundary conditions, it is difficult to define and achieve an optimum economic policy and to find a maximum solution for the various parties concerned. The latter argument is taken up, as Picciotti (2004) recalls, by Arrow (1963) with his impossibility theorem in

which he argues that only under a full dictatorship can optimal economic solutions be achieved.

Hoebink (1999 and 2004) and others (especially Winters 2002) have indeed argued that any meaningful discussion of policy coherence should first indicate the of what, the by whom and the for what of policy coherence. This simple observation may seem semantic, but many authors and analysts have failed to answer these basic questions. But any assessment of whether policies are coherent depends on what these policies are supposed to achieve and on who can take the necessary action to implement them.

This paper develops the following lines of argument. Most commentators and analysts see *Policy Coherence* as a system to achieve better policy coordination among different actors (e.g., UN 2006), but actors often have different objective functions and that is what we observe in many cases. This leads not infrequently to what Hoebink (2004) calls intended policy incoherence[5]. In this paper we (re) confirm the observations of Tinbergen and Arrow that it remains difficult to achieve policy coherence at a national level, and that this difficulty to achieve policy coherence at the national level is actually reinforced by the current process of globalisation, which is, amongst others, leading to greater inequalities within most countries. Current globalisation often limits policy choices at a national level and therefore leads to or reinforces incoherence between various national economic and social policies. This process of national incoherence, which is manifested, for example, in the growing inequalities within countries, strengthens the calls for increased policy coherence at the international level.

But policy coherence at the international level in the current context of globalisation cannot be isolated from two important questions: Firstly, which countries and which groups are benefiting or losing out in the current process of globalisation? And secondly, does the current process of globalisation actually necessitate a process of growing national inequality for being successful (Pronk 2003). If the latter was the case, one might have to conclude that arguing for greater policy coherence at an international level, without questioning the current process of globalisation itself and the growing inequalities it brings about is naïve and may result in discussing the wrong or less appropriate solutions.

The focus of this paper is consequently on whether coherent policy alternatives exist for a fairer globalisation and under which circumstances policy coherence for a fairer globalisation will achieve poverty reduction and decreasing inequality. A prior version of this paper showed that poverty cannot be reduced permanently and in a sustainable manner through hand outs or transfers and that reducing inequality as well as full and adequately remunerated employment is a '*conditio sine qua non*' for poverty alleviation'.[6]

Different Notions of Policy Coherence for Development in the International Debate

Hoebink (2004), in his detailed analysis of Policy Coherence for development, mentions the coherence debates between, the EU and the OECD DAC secretariat and also refers to the coherence debate between IMF, World Bank and WTO. Since then, more notions of coherence have been proposed, notably in 2004 by the World Commission on the Social Dimension of Globalisation, created by the ILO, which emphasised coherence between economic and social policies at the national and international levels and by the UN panel on System-Wide Coherence in 2006 on improving global governance by the UN and its related organs. See table 1.

Table 1 Overview of Major Strands of Policy Coherence for Development Debates

	Time	*Major publication*	*Purpose in short*	*Brief assessment*
IMF, World Bank, WTO	1994	Marrakech Declaration	Trade, financial and economic policy	Some progress
OECD	1996	Shaping the 21st century and consequent DAC country review	Development	Various attempts, but outcome poor
EU	1992, 1997	Treaties of Maastricht and of Amsterdam	Development	Creation of various institutions for policy coherence , but mixed results
WCSDG/ILO	2004	Report WCSDG	Employment, social and economic policy	Objective accepted, but difficult implementation
UN	2006	Report: Delivering as One	Improved global governance and development	Hardly any progress

An overview of these five major strands of policy coherence for development follows. As argued above, there is a correlation between the lack of national policies for coherence and the coherent policies of international organisations. The World Commission on the Social Dimension of Globalisation has argued that policy coherence starts at home. The following section thus intermittently discusses national and international aspects of Policy Coherence for Development.

Policy Coherence between the IMF, World Bank and WTO

According to the Bretton Woods Project, the first mention of the concept of policy coherence relating to the Bretton Woods Organizations (IMF and World Bank or WB) and the WTO, appears in the ministerial declarations that preceded the Uruguay Round of trade negotiations in 1993 (BWP 2003).[7] Policy coherence was embodied in the 1994 WTO Agreement,[8] as it was assumed that it contributed to more rapid economic development, an objective both for the BWOs and the WTO.

Grabel (2007) provides a useful overview and notes that these original coherence commitments have been reaffirmed and extended in different fora since the issue was first discussed. For instance, the WB and the IMF each signed separate agreements to cooperate with the WTO in 1996. At the 1999 Seattle WTO ministerial meeting, the WTO, WB and IMF issued a 'Joint Declaration on Coherence,' a statement that reflected a shared belief that trade liberalisation was essential to the promotion of global growth and stability (BWP 2001). Following the Doha declaration of 2001, the WTO established a Working Group on Debt, Trade and Finance, which was charged with examining the potential of the organisation to 'strengthen the coherence of international trade and finance policies with a view to safeguarding the multilateral trading system from the effects of monetary and financial instability'.

Grabel (2007) argues:

> In the hands of the IMF-WB-WTO, it is hardly surprising that coherence has come to mean the need for the simultaneous pursuit of complementary policies that further the neo-liberal agenda. Today, the drive toward policy coherence has been entirely subsumed under this agenda.' He goes on to say that 'One of the most visible manifestations of this drive has been the emphasis on trade liberalisation and integration of developing countries into the WTO as critical components of WB-IMF work over the last decade.' Indeed, UNCTAD notes that 'the principle vehicle for trade liberalisation are conditions attached to IMF-WB loans (UNCTAD 1999: 87 in Rowden 2001).

The WB's commitment to facilitate a countries' accession to the WTO began in 1996 with the launch of the 'Integrated Framework' program. These comments point to perhaps the greatest concern about the abuse of the concept of coherence. The emphasis on policy coherence by the WB-IMF-WTO constrains the national policy space available to developing countries, creates a 'locking in' of neo-liberal policies, and validates neo-liberal arguments about the limited role of

the state in the development process. It is becoming far more difficult to pursue diverse types of national policies and for policy makers to engage in any type of policy experimentation because of the interlocking power of the IMF-WB-WTO and because of the formidable dispute settlement mechanisms in bi- and multilateral trade agreements that threaten severe sanctions for any departures from the neo-liberal regime.

A similar concern is being raised by the South Centre (2003), which argues that:

> [A]ll too often today, many developing countries are required under their WTO commitments or 'advised' as a consequence of World Bank/IMF loan conditionality to focus on trade and trade policy in ways that may be inappropriate for them and their development plans. Therefore, at the level of economic policymaking, multilateral economic institutions such as the WTO, World Bank and IMF need to ensure that global trade and financial integration are carefully balanced with the promotion of social and economic development, especially in developing countries.

Its analysis provides an overview of the Coherence agenda at the WTO and tries to inject a new perspective on how such an agenda can be made to serve the development goals and interests of developing countries. It emphasises that the recognition of 'policy space' and the placement of development goals as the central foci of coherence in global economic policymaking, can be used to form the core of a more positive 'Coherence Agenda' in favour of developing countries development interests in the WTO and Bretton Woods institutions.

Winters, is also sceptical on more theoretical grounds of greater policy coherence between IMF, World Bank and WTO. He argues that it make little sense to force more policy coherence upon these organisations because the concept is basically non-operational because it defines no joint issues or positions around which to cohere. According to Winters, coherence is a rhetorical device... (Winters 2004: p. 1).

Policy Coherence for Development: The EU and OECD

The Policy Coherence activities in the OECD and EU are among the most analysed and discussed in development literature (see especially Hoebink 1999; 2004; Picciotti 2004; OECD 2004a etc.; Ashoff 2005).

Although the EU and the OECD are different entities, the nature and details of the discussions on Policy Coherence in these institutions are both concentrat-

ed on spotting and trying to avoid policy incoherence between narrow development cooperation activities and policies, national economic, social and environment policies and policy stances in international fora on these issues.

According to a senior official at the OECD (Lhanalampi 2007), the dimensions of coherence considered are:

- Internal coherence within development co-operation policies
- Intra-country coherence: consistency between aid and non-aid policies of a single donor
- Inter-donor coherence: consistency of aid and non-aid policies of many donors.
- Donor-partner coherence to achieve shared development objectives: consistency of donor and developing country policies.

The OECD, through it Development Assistance Committee (DAC) country reviews, discusses their commitment and application of sound coherence in member states policies with member states. The DAC publication: *Shaping the 21st century: The contribution of development Cooperation* describes policy coherence as a major responsibility of the donor countries, (OECD/DAC 1996, p. 15). The 2001 Development Committee's guidelines on Poverty Reduction also emphasised Policy Coherence for poverty reduction and suggested institutional requirements for improving policy coherence in the shaping of the Millennium Development Goals (MDG) in which the DAC played a major role (OECD/DAC 2001). As a follow-up, it organised a major conference on Policy Coherence in 2004 at which DAC members were asked to report on the progress of policy Coherence (OECD 2005). In reviewing the OECD policies, Ashoff (2005), argues that:

> ... the recommendations focus on policy Coherence primarily from the perspective of the centre of government (Head of government, office of the head of Government)... The call for Policy Coherence is usually voiced by the department responsible for development policy and not by the centre... a study by the OECD Public management Service concentrates on policy management within the system of government and largely ignores the political arena in which government action is taken... (p. 50).

In the EU, Policy Coherence for Development as a notion was introduced in the Maastricht Treaty of 1992 (article 130V). It was first mentioned explicitly in the Commission's decision on Beef export subsidies in 1994 but only indirectly referred to in the Treaty of Amsterdam in 1997 (Hoebink 2004). Political pressure from parliamentarians and NGOs has since resulted in the Commission assuming a much more active attitude on coherence. Hoebink (2004, p. 203-206) describes various drafts of the Commission and discussions in the Council of Min-

isters from 1999 to 2002, with a proposal for impact assessments. The adoption of the Millennium Development Goals (MDG)[9] prompted the EU to become more explicit on Policy Coherence for Development. Communication 2005-134 stated

> The EU commitment to Policy Coherence is not only a key political commitment in the context of the MDGs. It also has a firm legal basis in the EU treaty (Art. 178). The new EU constitution upholds this commitment to coherence in even stronger terms (Art III-202, Art. III-316). When exploring ways to accelerate progress towards achieving the MDGs, the EU is committed to looking beyond the frontiers of development cooperation, and consider the challenge of how non-aid policies can assist developing countries in attaining the MDGs' (EU 2005 pp. 3-4).

In this communication, the Commission also promised a progress report on coherence at the mid-term evaluation of the MDG.

Since the discussions and proposals for Policy Coherence for Development began, in some cases already 10 years ago, it may be useful to gauge whether all these combined donor efforts in the EU and OECD have improved development results. We do this using 3 cases.

Firstly, we analyse a recent review of a major program, which the European Commission launched to foster governance reform in ACP countries receiving donor support from the EU. Secondly, we review the Commitment to Development Index, which the Centre for Global Governance in Washington has been publishing since 2003 to mark progress on donor policy coherence. Thirdly, we use an evaluation on coherence between economic and social policy operations of the World Bank. EU and the OECD members are the major shareholders in the World Bank. Their concern for greater Policy Coherence should thus be reflected in the World Bank's operations.

The Commission of the European Union Governance Incentive Tranche Program

Molenaers and Nijs (2008) describe a European Commission initiative (the *EC Governance Incentive Tranche* – ECGIT-Program) to incite ACP countries to formulate action plans for governance reforms. In this program the countries that formulate effective action plans are rewarded with an additional tranche of EC support. The European Commission regards the ECGIT program as one of its most important and innovative development programs.

Based on desk reviews and interviews Molenaers and Nijs note weaknesses in both the design and implementation of the program. They review whether the

modalities of the program by rewarding different tranches to countries which exhibit 'better governance' and live up to aid effectiveness norms of selectivity, principles of ownerships, harmonisation, alignment and mutual accountability as formulated in the OECD Paris Declaration on Aid (Paris High-level Forum 2005). They conclude that this is often not the case and explain that this is due to incoherent behaviour between three sets of actors, i.e., national interests (EU member states), specifically European interests (emanating from European Institutions and member states) and the bureaucratic interests of the European institutions. They argue that the interplay of these different interests groups in this program that rewards developing countries with increased aid allocations has led to many of the pitfalls of incoherence of earlier aid programs, which the OECD Paris declaration tried to rectify.

The CGD Commitment to the Development Index

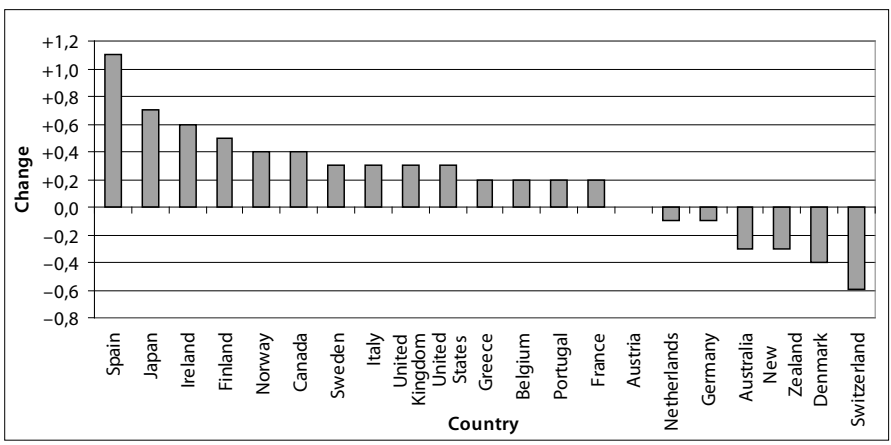
A way to assess the progress in coherence by donors is to track certain indices over a longer period of time. This allows for inter-temporal and inter-country comparisons. Indices are always fraught with methodological problems in determining the different components of the indices and in determining the weighting of the different components in the overall index. Assigning weights to different programs is often based on an implicit notion of a welfare function of those constructing the index. But, as long as the construction of, and the different weights within, the index are explicit, these indices can be a useful analytical tool.

One of the few indices that allows one to review progress on development intentions and activities of major donor countries is the Commitment to Development Index constructed by the Centre for Global Development. The 2007 version of the CGD's Commitment to Development Index is reproduced below (table 2). The purpose of the index is to raise awareness that developed (donor) country policies on various issues such as aid, migration, intellectual property rights, financial policies etc. is important for development and that discussions on development consequently need to include these in conjunction with development aid and aid programs. The index's objective four explicitly states that coherence matters. An analysis of the index over the past years explicitly reveals 3 issues: Firstly, that there is a wide variety in development practices among the major donors (hence, no overall coherence between EU and OECD members states); secondly, that even the countries with the best scores, still score too low in at least one or more areas of development policy (hence, the need for improved national coherence); and thirdly, that the index changes very little over time. It becomes obvious that there is no clear sense of progress among the different countries (hence, inertia in achieving greater policy coherence) (See graph 1). The

Table 2 Commitment to Devolopment Index 2007

Rank	Country	Aid	Trade	Invest-ment	Migra-tion	Environ-ment	Secu-rity	Tech-nology	Overall (Average)
5	Australia	3,1	6,7	7,6	6,5	4,3	6,8	4,6	5,6
10	Austria	2,9	5,4	3,9	10,4	6,2	3,8	4,4	5,3
15	Belgium	5,7	5,4	6,2	2,9	7,0	2,4	4,5	4,9
5	Canada	4,1	7,1	8,0	5,1	4,3	4,3	6,7	5,6
2	Denmark	12,0	5,4	5,8	4,6	6,1	5,9	5,4	6,5
5	Finland	4,9	5,5	6,5	2,9	7,7	5,7	6,2	5,6
13	France	4,0	5,4	6,5	2,7	6,5	3,4	6,9	5,1
12	Germany	2,6	5,4	8,0	6,0	6,5	3,6	4,3	5,2
20	Greece	2,0	5,4	4,9	1,9	5,1	5,1	3,0	3,9
10	Ireland	6,9	5,3	2,8	6,2	7,9	4,8	3,1	5,3
19	Italy	2,7	5,6	6,1	2,7	4,8	3,8	5,0	4,4
21	Japan	1,2	1,5	5,9	1,7	4,7	1,7	6,3	3,3
1	Nether-lands	10,7	5,7	8,0	4,8	7,3	5,4	5,2	6,7
5	New Zealand	3,6	6,7	3,4	7,1	6,8	6,5	5,0	5,6
3	Norway	10,5	0,7	7,5	4,9	8,4	7,1	5,6	6,4
18	Portugal	2,4	5,5	6,5	1,3	5,8	5,6	5,2	4,6
15	Spain	2,9	5,5	7,1	7,1	3,3	2,7	6,0	4,9

Graph 1 "Most-improved" Standings



OECD DAC secretariat has admitted this and has warned that most members have made little or no progress in focusing on the need to improve development policies and increasing development aid.

As indicated above, it may sound unfair to judge the efforts of donor countries based on a simple index, but, in terms of our thesis, a discussion based on the index is appropriate; firstly, because the construction of the index is extremely transparent. All elements are in the public domain and can thus be used to discuss the strength and weaknesses of the index and, secondly, because this overall assessment can feed into the broader debate on policy coherence, rather than have the debate become bogged down in discussions about details.

Coherence in Developing Countries Aid Supported Development Strategies

One of the ultimate aims of Policy Coherence for Development is to enable developing countries to take responsibility for the development assistance they receive. One of the instruments used to achieve this is the so-called Poverty Reduction Strategies, which are elaborated in the so-called Poverty reduction Strategy Papers (PRSPs). The World Bank and the IMF have been introducing these strategies since the end of the 1990's (at the same time as the debate on policy coherence came onto the agenda of the OECD and the EU) as a necessary aspect of securing HIPC debt relief and access to other funds. These strategies are intended to increase national 'ownership' of the poverty reduction programs, through extensive participation of national and donor stakeholders.

Stewart and Wang (2003) argue that

> as far as civil society is concerned, the PRSPs currently permit little significant contribution to program design. Governments appear to have taken a larger role, but are also very constrained, especially with respect to macropolicy. The fact that the content of PRSPs is very similar to previous adjustment packages, suggests that little real change has occurred through this process. Moreover, some large IFI programs are unaffected by the process. Hence, PRSPs do not significantly empower poor countries.
> They may give the appearance of greater ownership, but as long as there is no significant underlying change, a change in perceptions about ownership, which could make IFI designed programs more effective and thereby empower them, is likely to be short lived (p. 1).

Many other observers have also echoed this assessment. For example, Morgandi argues that 'the role that PRSPs have played over recent years in shaping the ac-

tual policies of the World Bank and the country-level operational zing of these policies, as carried out in the Country Assistance Strategy, the WB country business plan, is overestimated'. In effect,

> Poverty Reduction Strategy Papers have had a minimal impact on the policy content of World Bank-IMF operations at the country level, especially where the policies of the PRSPs do not coincide with the pre-established priorities of the World Bank. In effect, the WB Country Assistance Strategy (CAS), which guides all WB country-level lending and programs, selects from the PRSPs only the topics it considers important according to the WB strategic priorities' (Morgandi 2007, p. 1).

Morgandi argues that even in countries where Core Labour Standards (CLS) are highlighted in the PRSPs, the CASs never even acknowledged let alone operationalised CLS in any project. Thus, efforts at the country level to make national laws and policies compatible with each other are undermined if not obliterated by overlapping the WB's own programs and policy blueprints. In more than one case, technical assistance at the country level to improve regulations was reversed, or confuted by subsequent analytical work carried out by the WB. Furthermore, prioritising the PRSPs to focus on employment-intensive investment has been disregarded in actual WB operations, since employment is never considered a progress indicator for WB operations, *even if the government made employment a specific outcome indicator in its own PRSP*.

Morgandi also observes that WB operational successes are never assessed against the PRSPs objectives (such as employment creation), but only against CAS objectives and the PRPS's Joint Staff Assessments (which the WB uses to highlight the elements in the PRSPs that are 'acceptable'). All this does not imply that PRSPs are unimportant; other bilateral donors make some use of them to direct their development strategies, and PRSPs can also still direct the use of national resources and polices (to the extent that donors and creditors do not contradict them directly). However, due to the increased coordination efforts of the Paris Declaration Alignment and Harmonization Process, it will become increasingly important to monitor the policy content of the WB and the IMF, as these institutions are likely to have a greater influence than national PRSs in also coordinating bilateral donors' assistance. Hence, it is essential that more policy coherence be sought both upstream and downstream within the PRSP process, before it can become more development oriented.

World Commission on the Social Dimension of Globalisation: Policy Coherence for Fair Globalisation

The growing importance the international community is giving to objectives such as poverty reduction, full employment, decent work provisions and the reduction of inequalities has necessarily led to a greater demand for the coherence of policies pursued by national governments and the multilateral system. The current practise is increasingly challenged for at least three reasons. Firstly, although the consensus about newly formulated objectives has been large, the policy instruments and the coherence between these instruments still leave much to be desired. Secondly, at a national level, policies are defined and implemented through sectoral and specialised departments and are not always harmonised and coordinated for either practical or political reasons. Thirdly, globalisation of trade and capital flows and the tighter integration of world markets and societies have not only weakened these national coordination efforts, but have also heightened the international consequences of national actions on labour and social outcomes.

These new challenges for policy coherence between economic and social issues stand in contrast to the situation back in the 20th century when policy making, at least in developing countries, was mostly informed by the so-called Washington Consensus, which set the parameters for international policy coherence and was heavily influenced by the policy setting of the IFIs, although it was not accepted by all of the involved parties.[10]

The World Commission on the Social Dimension of Globalization in its 2004 report '*A Fair Globalization: Creating Opportunities for All*' (ILO, 2004), enlarged the then current notion of policy coherence between trade, aid and financial policies and added the need for greater coherence between economic and social policies to it. The World Commission identified particular weaknesses in global governance. 'The normal pressures in national politics to strike a compromise based on a trade-off between competing economic, social and environmental goals are typically absent in the global context' (paragraph 352). The Commission observed that international organisations should 'apply their mandates in practice in ways that do not place their members in contradiction with obligations which they have also undertaken in other international instruments and treaties' (paragraph 603).

The World Commission report makes the point that the benefits of globalisation are not reaching enough people and are badly distributed within and between countries. It concluded that individuals, families and communities judge globalisation positively or negatively mainly based on the impact it has on their lives at work. That the 'jobs issue' is at the heart of people's priorities worldwide is confirmed by polls and politics. If full employment were the norm, the backlash would be significantly weaker.

In this context, the Commission proposed 'decent work for all should be made a global goal and be pursued through coherent policies within the multilateral system. This would respond to a major political demand in all countries and demonstrate the capacity of the multilateral system to find creative solutions to this critical problem.' Specific suggestions were made to promote policy coherence for development. At the national level, the Commission suggested regular national reviews of the social implications of economic, financial and trade policies.

At the international level, the Commission proposed that Policy Coherence Initiatives should be launched by the relevant international organisations to develop more balanced policies for achieving fair and inclusive globalisation. The objective would be to progressively develop integrated policy proposals that appropriately balance economic, social, and environmental concerns on specific issues.

The first initiative addresses the question of global growth, investment, and employment creation. As Lee (2004) argues, an underlying notion in the Commission's reasoning is that the sustained creation of more and progressively better employment can only be achieved in the context of high and stable sustainable growth in the global economy accompanied by domestic policies focussing on productive employment and decent work. This, in turn, depends on ensuring high levels of productive investment and consumption. Moreover, both 'growth' and 'investment' are strategic economic variables that depend on a wide range of policies and institutional arrangements. Those governing the flows of trade, direct foreign investment, finance, and technology are of obvious importance. Each of these is also increasingly interrelated to the others as a result of increasing globalisation. This has been clearly recognised by the WTO, IMF and the World Bank in their arrangements for ensuring coherence between these policies. Employment and Decent Work is not merely a by-product of these economic variables. Labour market policies and institutions also exert an influence on growth and investment through their impact on skill formation, labour mobility, the motivation and productivity of workers, the degree of wage and income inequality, the resolution of distributional issues either through confrontation or social dialogue and the resulting effect of all these factors on productivity. In addition, policies towards enterprise creation and technology development also have an impact on investment, growth and employment. In particular, it is important to focus on institutional and policy reforms to enhance the contribution of the informal economy to growth and employment creation.

The notion of Policy Coherence introduced by the commission clearly emphasised Tinbergen's aforementioned notion and underscores the need for policy space for developing countries.

United Nations Reform and Policy Coherence

Coherence among the policy spheres of labour, finance and trade is central to the original vision of the post-Second World War United Nations multilateral system. These were supposed to be embodied in the ILO, the Bretton Woods Institutions and an International Trade Organization, with each of these institutions having overlapping rather than exclusive mandates among these policy spheres. For the ILO, this vision of policy coherence became further embodied in the Philadelphia Declaration of 1944, which states that 'it is a responsibility of the International Labour Organization to examine and consider all international economic and financial polices and measures in light of this fundamental objective', where the fundamental objective is 'social justice'.

Article I of the International Monetary Fund's Articles of Agreement states that one of the purposes of the International Monetary Fund is to 'facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.'

Provisions for the protection of workers' rights in trade agreements were addressed by the Havana Charter of 1948, which was supposed to lead to the creation of an International Trade Organization. Indeed, Article 7 of the Charter is titled 'Fair Labour Standards' and states: 'The Members recognise that unfair labour conditions, particularly in production for export, create difficulties in international trade, and, accordingly, each Member shall take whatever action may be appropriate and feasible to eliminate such conditions within its territory.' Tellingly, the Havana Charter was the product of the United Nations Conference on Trade and Employment and the participants clearly recognised the link between the two spheres when they pledged to work together under the International Trade Organization to 'facilitate ... solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy'. Instead of an International Trade Organization as proposed by Keynes, there was for a long time only the General Agreement on Tariffs and Trade (GATT) of 1948 dealing with trade issues. When GATT was finally supplanted by the World Trade Organization (WTO) in 1994, not much changed, because neither GATT nor the WTO address labour concerns in their regulations. At the WTO's Ministerial Conference in Singapore in 1996, however, the participants confirmed their commitment to respecting basic workers' rights and further agreeing that the ILO was the appropriate agency in the multilateral system for setting and enforcing international labour standards.

This multilateral system has been challenged recently by globalisation and has thus increasingly stressed the importance of facilitating national and global action in support of sustainable development 'in its economic, social and environmental aspects' as was stated in the 2005 World Summit Outcome.

Such a holistic approach stands in sharp contrast to the current practise of the multilateral system organised along sectoral lines, divided between economic and financial institutions, specialised agencies of the UN system and various funds and programs established for particular purposes and groups. This explains why, alongside the establishment of a global consensus on the creation of 'an environment – at the national and global levels alike – which is conducive to the development and to the elimination of poverty' and the identification of key priorities for development as those found in the Millennium Declaration, calls for an increased coherence of policies have multiplied. Indeed, the Millennium Declaration itself resolves 'to ensure greater policy coherence and better cooperation between the United Nations, its agencies, the Bretton Woods Institutions and the World Trade Organization, as well as other multilateral bodies, with a view to achieving a fully coordinated approach to the problems of peace and development'.

In 2000, the United Nations General Assembly supported globalisation as 'a positive force for all the world's people', noting both the opportunities it offered as well as the uneven sharing of its benefits and costs. Such concerns were reiterated in 2005 when the involved Heads of State 'strongly supported fair globalisation and resolved to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals' (Paragraph 47). Further endorsement came from the UN Economic and Social Council (ECOSOC) in July 2006 through a Ministerial Declaration, which 'Strongly encouraged multilateral and bilateral donor and inter-agency cooperation and coordination in the pursuit of the goals of full and productive employment and decent work for all'.

The Monterrey Consensus on the financing of development (March 2002) squarely established the principle of shared responsibility, committing developing and developed countries to specific principles and objectives allowing for a more equal distribution of the benefits of globalisation. The 2005 World Summit Outcome document recalled that 'It is particularly important for developing countries, bearing in mind development goals and objectives that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments'. The Trade and Development Report of UNCTAD (UNCTAD 2004), echoes similar concerns: 'The need for coherence between the international trading system and the international mon-

etary and financial system has gained in importance with the abandoning of the system of fixed, but adjustable, exchange rates and the adoption of widespread floating, combined with a return of private international capital flows...' (Trade and Development Report 2004, page vii).

Most recently, the UN Secretary General installed a high-level panel on United Nations System-Wide Coherence, which delivered its report on 9 November 2006. Although the report was well received, the political context of the report – commissioned by the outgoing UN Secretary General, which thus deprived his successor of a fresh new initiative – made the authors of the report reluctant to propose drastic changes.

In effect, most of the report's recommendations relate to country-level cooperation and to more coherent policy setting by different UN organisations at a country level. In this context, the role of the United Nations Development Program (UNDP) should be strengthened and, in several pilot countries, joint activities and development programming between various UN organisations are taking place to forge so-called One UN teams. These activities have been enthusiastically supported by various bilateral donor organisations.

However, the recommendations of the report (UN 2006) have been rather muted on important global governance issues and especially on the coherence between activities of the UN and Breton Woods Institutions:

> The United Nations and the Bretton Woods Institutions were established with the intention that they would work together in a complementary way. Over time, both the World Bank and the United Nations as institutions have gradually expanded their roles, so that there is an increasing overlap and duplication in their work. A balance needs to be struck between healthy competition and inefficient overlaps and unfilled gaps. The Bretton Woods Institutions and the United Nations need to work more closely together to remove unnecessary duplication and build on their respective strength (p. 15).

The panel thus recommends:

> ... as a matter of urgency, that the Secretary General, the President of the World Bank and the Executive Director of the International Monetary Fund set up a process to review, update and conclude formal agreements on their respective roles and relations at the global and the country level. These reviews must be periodically updated as ell as assessed (p. 16).

This muted set of recommendations in relation to the important issue of Policy Coherence between the UN, its agencies and the Bretton Woods Institutions appear to be the result of lobbying efforts by major industrialised countries, which wanted to safeguard the 'status apart' of the Bretton Woods Institutions. This attitude by the major industrialised countries could be labelled 'intended policy incoherence' (Hoebink 2004). One reason why some industrialised countries want to maintain the specific status of the BW organisations is that these organisations voice the concerns of some major groups within the developed countries, which want to keep the primacy of national policy making restricted to economic policy making (as recent discussion on the issue of central bank independence and the objectives of price stability and employment creation indicate). Moreover, Winters (2002) also mentions how international recommendations for giving more political power to Central Banks to thus create an order of importance among specific national institutions seems to resolve a problem of policy incoherence at the national level, without, however, dealing with the political implications of this.[11]

Conclusions

The World Commission on Globalization, like many other analysts, has raised concern about growing inequality as a consequence of globalisation. Although, as Kanbur (2005) has argued, it sometimes depends on how and by whom statistics are interpreted, but it remains appropriate to say that, under various circumstances, globalisation will work to the disadvantage of the poor either absolutely or by increasing inequalities, whereby the poor profit less than proportionally. Birdsall (2002 and 2007) argues that these inequalities are created either because the market works – but against the poor – via the stagnating remunerations of unskilled workers caused by growing wage gaps between skilled and unskilled workers, and the fallout from financial crises affecting the poor disproportionately (Van der Hoeven and Luebker 2006) or, by contrast, because powerful groups prevent the market from working for the poor (the case of intellectual property rights and monopolistic behaviour). In both cases, however, the moral foundations of the international system would require policy intervention at both the national and international levels to mitigate or to remove the underlying causes. (Birdsall 2007).

The challenge for the current globalisation process is the fact that – even though markets are integrated – policies dealing with the consequences of these integrated markets are woefully limited or absent. Van der Hoeven (2001), for example, has argued that the integration of markets at a national level in industrialised countries during the industrial revolution in the 19th and beginning of the

20th centuries resulted in the political acceptance of a social welfare state where currently some 10 to 20 percent of GDP is distributed, either as transfers, subsidised access to services, or as an investment for disadvantaged groups (education, loan guarantees, etc.). With the growing integration at the international level, current agreements to transfer less than 0.5 percent of developed countries GNP are difficult to achieve, while most countries also fail to let their markets work for poorer countries and for the poor as the CGD index observes.

The current challenges of globalisation have created a renewed sense of the need for policy coherence in the multilateral system. But, as Kazancigil and Senarclens (2007) argue,

> globalisation has turned the principles of multilateral cooperation and the institutional architecture to govern the international system, established in the wake of the Second World War, upside down. The mechanisms and organisations have in the present day become quite inadequate to deal with the economic and social challenges, foster development and human security, reduce inequalities and poverty, as well as coping with the resulting injustices and violence. However, the universal political and legal principles, as expressed in the UN's charter, the major conventions and resolutions dedicated to justice, human rights or economic and social progress still provide a legitimate normative framework for global governance. These principles have been neglected by the powerful actors of neo-liberal globalisation. Their reactivation is necessary if globalisation and its governance are to serve the common good and operate for the benefit of humankind as a whole (p. 5).

A major question is whether the coalitions among the various disadvantaged groups are strong enough to enhance a different type of globalisation governed by international policies, which take the concerns of all into account and repair the harsh effects of integrated and unregulated or poorly regulated markets. Stewart (2007) has argued that counter tendencies can be observed at various levels, but before these questions can be fully answered more research will be needed. Until then, the call for policy coherence can only remain an indication of the ineffectiveness of the current system that governs globalisation. It might be more the expression of a wish and of a need for a fair globalisation, rather than a programme that could provide ready-made answers and generally applicable policy tools. Policy coherence is perhaps more than a new fad, but the lack of real political will to accept the full consequences of coherent policies for development[12] among the many actors will require continued efforts to improve the policies in industrialised countries to, in turn, foster greater development in developing countries in terms of poverty reduction, lowering inequality and increased employment.

Notes

1 This is a revised version of a paper with the same title, presented at the 12th EADI Conference, Geneva, 24-28 June 2008. The helpful comments by Guido Ashoff, Paul Hoebink and other participants at that conference are greatly appreciated. Correspondence: hoeven@iss.nl.

2 Emphasis by Tinbergen. *On the Theory of Economic Policy*. FULL REF needed.

3 Tinbergen was one of the most ardent supporters of development aid, structural change in the North and better global governance, especially in the latter part of his career.

4 For example, Hoebink, in his very thorough reviews and essays on policy coherence for development (Hoebink 1999, 2004) does not refer to Tinbergen's work.

5 Hoebink has provided various different ways of classifying policies with respect to policy coherence. One of them is the distinction between intended and unintended policy incoherence (Hoebink 2004). An example of intended policy incoherence is the current EU agricultural policy which creates a disadvantage for farmers in developing countries. But powerful pressures in EU countries has forced governments to create incoherence between their domestic farm policies and external development policies. An example of unintended incoherence is bureaucratic inertia between different development directorates.

6 This point is, because of space, not devleoped here, but see Van der Hoeven (2008).

7 '[N]eed to improve the "coherence" of international policy making by establishing better linkage mechanisms between the GATT and the Bretton Woods institutions', (BWP 2003, as quoted in Grabel 2007).

8 '[A]chieving greater coherence in global economic policy-making, the WTO shall cooperate, as appropriate, with the IMF and the International Bank for Reconstruction and Development (WB)...' (Article III.5 of the 1994 Agreement Establishing the WTO, (Caliari 2002: fn 2 as quoted in Grabel 2007).

9 The MDGs have been criticised for lacking a development concept by focussing only on goals and less on instruments, for ignoring inequality within a country and for ignoring national development strategies. See Pronk (2002), Vandemoortele (2003) and Saith (2006)

10 The IFI's strong policy influence in the 1990's was also the consequence of the fact that more than 50 percent of all financial flows in the beginning of the 1990s consisted of official flows. However, since the end of the 1990s, growing capital resources available to developing countries (especially the larger ones and the LDC still depend on official flows) are private flows as a percentage of bilateral development aid and voluntary funding within multilateral resources has declined enormously as a percentage of flows to developing countries. Public capital flows in general support the agreed and newly accepted international objectives as expressed, for example, in the MDGs. However, private capital flows are less concerned with these. Its massive increase requires coherent international regulation to provide more stability as well as to take into consideration the economic and social development of the countries involved.

11 'Interestingly, in most countries this dilemma has been solved (at least for now) by defining the seniority of different intermediate objectives and of institutions. Central Banks and curing inflation take priority, and coherence is expected to emerge as fiscal policymakers recognise this in the discharge of their responsibilities.' Winters 2002, p. 8.

12 'Addressing members of the European Parliament, EU commisioner for development, Louis Michel said last week that [the] EU's policies will not always be coherent with de-

velopment objectives. According to him, as a consequence, Africa will have to learn to live with the adverse effects these policies will sometimes have on their countries' development situation'. Commissioner Michel, 'Africa: Alive with EU's Contradictions', 24 July 2008, www.eucoherence.org, visited 7 October 2008.

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The Interim Pacific Economic Partnership Agreement

Stephen J.H. Dearden

While the Pacific remains of limited political and economic significance for the European Union, both individually and collectively, historic ties and current geo-political concerns, such as the potential for money laundering in Pacific offshore centres ensure its continuing involvement. Only France maintains any significant involvement in this region through its substantial overseas territories of New Caledonia, French Polynesia and Wallace and Fortuna. The South Pacific is very much the 'sphere of influence' of Australia, both economically and politically, but China's influence is slowly extending throughout the area. For the EU, it was not until 2006 that the EC published a Pacific Strategy (EC 2006) outlining the rationale for its continued involvement in the region.

However, as part of the African, Caribbean and Pacific group of developing countries, the Pacific ACPs (PACP) were beneficiaries of the Lomé Convention, which offered both development assistance and trade preferences. But as a result of successful challenges within the World Trade Organisation (WTO) to these existing trade preferences, the successor Cotonou Agreement, signed in 2000, provided for the renegotiation of these concessions by January 2008, when the WTO waiver expired. The new Economic Partnership Agreements (EPA) was to be negotiated with regional groupings of the ACP states. Although the EU committed itself to introducing trade agreements that would not worsen the position of the ACP states,[1] it also required that the new EPAs should be WTO-compatible. While non-reciprocal trade concessions have been offered to the low-income developing countries under the 'Everything But Arms' (EBA) initiative since 2001,[2] the ACP group includes both low-income and middle-income developing countries. WTO compatibility therefore requires the replacement of the existing non-reciprocal Lomé trade concessions with a reciprocal agreement.

The interpretation of WTO compatibility has been one of the major sources of disagreement in the subsequent negotiations. Under Article 24 of the WTO

any agreement must cover 'substantially all trade' between the signatories of a Free Trade Agreement (FTA). Some have interpreted this as referring to the value of trade between FTA members, while others suggest the requirement refers to the coverage of tariff lines. 'Substantial' is also ambiguous, but a minimum figure of 80% of trade between the parties in the previous three years is generally accepted, although any agreement is subject to challenge by other WTO members. There is also the possibility of asymmetric coverage in order to achieve the minimum coverage requirement – i.e., 100% of EU imports and 70% of ACP imports. The issue of the 'substantially all trade' requirement is particularly important for the Pacific ACP States (PACP) since the value of their imports from the EU is small and the commodity composition highly variable from year to year. Only case law would provide a clearer indication of this interpretation of Article 24's 'substantially all trade' requirement.

Article 24 also allows for an interim agreement that leads to the formation of an FTA, but this should take place 'within a reasonable period of time'. The Understanding on the Interpretation of Article 24, signed at the end of the Uruguay Round, suggests that these interim agreements should not exceed ten years except in 'exceptional cases'. There is also the issue of whether the phasing out of trade barriers is 'front' or 'back-loaded' during the transition period and whether such phasing should be asymmetrical. As we shall see, this is a significant issue in the implementation of EPAs.

Table 1 EU Trade Agreements with the Pacific

Cotonou Agreement – Non-reciprocal, duty-free access for all non-CAP products offered to all ACP states. To be replaced by reciprocal WTO-compatible EPA by 2008.
Sugar Protocol – Part of the Cotonou Agreement providing for a quota of duty- free sugar exports to the EU at EU guaranteed prices. Of importance to Fiji. To be phased out by 2010.
Everything-but-Arms – Non-reciprocal trade preferences for low-income developing countries. An alternative to an EPA for Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu.
General System of Preferences – An alternative default to an EPA for the remaining PAPCs. It offers non-reciprocal preferences to all developing countries. The preferences are expressed as a percentage of MFN duties and range from 15% to 100%. The current GSP covers 7,200 products from 179 countries.
GSP Plus – Offered to 'dependent and vulnerable' countries. To qualify for these additional concessions countries must ratify 23 international conventions and demonstrate economic dependence, requirements that have thus far been met by 15 countries.

Under Article 37.7, a review of the negations was to take place in 2004, at which time alternative trade arrangements could be considered. From the beginning of the negotiations the main alternative to the adoption of the EPA has been seen as some variant of the existing Generalised System of Preferences (GSP). The EU's GSP, like that granted by other developed countries, offers non-reciprocal preferential rates of duty for imports from all developing countries. As the GSP does not discriminate between developing countries, it is WTO compatible. The preferences, expressed as a percentage of MFN duties, ranges from 15% for the most sensitive products to 100% for non-sensitive items. In 2006, the current GSP was introduced, covering 7,200 products from 179 countries. In addition, 'GSP plus' was offered to 'dependent and vulnerable' countries. To qualify for these additional concessions, countries had to ratify 23 international conventions (e.g., human rights, labour standards, etc.) and demonstrate economic dependence,[3] requirements that have thus far been met by 15 countries. The EBA, which provides duty-free access for all EU imports from low-income developing countries, is superior to the existing Cotonou Agreement, which provides similar duty-free access for 94% of all ACP exported to the EU. However, access under Cotonou is significantly superior to the existing EU GSP scheme and any enhanced GSP scheme could not discriminate between developing countries if it is to be WTO compatible.

Cotonou's Sugar Protocol has been particularly significant for Fiji because 95% of the value of its € 100 million exports to the EU comes from sugar, 26% of its total export earnings. The Sugar Protocol committed the EU to importing 165,348 tons of sugar from Fiji at EU internally guaranteed prices. Moreover, an Agreement on Special Preferential Sugar (SPS) provides for additional imports from the ACP and India, based upon predicted shortfalls in the maximum needs of the EU's sugarcane refineries. The price of SPS sugar is 85% of the CAP guaranteed minimum price. Fiji has been allocated 30,000 tons (9.3%) under the SPS. The Sugar Protocol has a legal status independent of the Cotonou Agreement but, as it is only available to 18 ACP states, it remained open to challenge in the WTO. Thus, in July 2007, the EU finally denounced the Protocol, and was phased out by October 2009. It has been estimated that this will cost Fiji € 20.9 million during the phasing-out period (South Centre 2007). At the same time, from 2006 to 2009, the 'Everything-But-Arms' trade agreement with low-income developing countries will provide for the phasing in of duty-free access for sugar. These quotas will be counted against SPS allocations, slowly eroding Fiji's allocation. The value of the Sugar Protocol is dependent upon the EU guaranteed price, which will also be reduced by 36% by 2009, but the proposed abolition of EU export subsidies under the Doha Round may raise world market prices. Currently, Fiji's sugar preference is sus-

pended as part of the EU sanctions following the military coup, but Fiji has the potential to establish an internationally competitive sugar industry if structural reforms are successful.

Existing Trade Agreements

Trade between the 14 members of the PACP[4] Intra-PACP is very limited, representing only 2% of their total trade (1% 1995). Nonetheless, the foundations have been laid for the establishment of a FTA through the Pacific Island Countries Trade Agreement (PICTA). Created in 2003, it provides for trade liberalisation within eight years, although sensitive industries would continue to be protected until 2016. However, only the Cook Islands, Fiji and Samoa had commenced trading under PICTA by 2007. In addition, the Melanesian Spearhead Group of Fiji, Papua New Guinea (PNG), the Solomon Islands and Vanuatu committed themselves to moving towards trade liberalisation over an eight-year period from 2005. Complementing these PACP arrangements is the 2003 Pacific Area Closer Economic Relations Agreement (PACER), a non-reciprocal trade agreement between the Pacific Forum island countries and Australia and New Zealand, the PACP's major trading partners. A key feature of PACER is the creation of a Regional Trade Facilitation Programme. PACER also requires, under Article 6, negotiations to move towards an FTA agreement eight years after PACER comes into force or if the PACPs adopt an FTA with a third party. These negotiations are likely to be triggered by any EPA. Although PACER does not commit the PACPs to accepting any subsequent proposal, the principle that Australia and New Zealand should not be disadvantaged in their trade with the PACP's relative to any other developed countries was accepted. Any meaningful assessment of the impact of an EPA upon the PACPs must therefore take into account the extension of such trade concessions to Australia and New Zealand.

Further complications arise for the three PACP states (FSM, Palau, Marshall Islands), which have a Compact of Free Association with the United States. Again, this requires that the US receive favourable market access equal to that of any other country. Thus, any EPA assessment must take into account the extension of duty-free access to US exports.

Only Fiji, PNG, the Solomons and Tonga are members of the WTO. This creates a problem for the EPA, because the EU requires any final agreement to be WTO-compatible. Thus, the EU suggestion that the EPA should employ the WTO dispute settlement procedure would raise serious problems for the non-WTO PACPs.

Another specific interest that the PACPs have in the negotiations is the position of the French Pacific Territories – New Caledonia, French Polynesia and

Wallace and Fortuna. For some PACP states, enhanced access to the high-income territories of New Caledonia and French Polynesia is of greater potential significance than the metropolitan EU. While under Joint Declaration 27 of Cotonou, the EU affirmed that any trade arrangements that applied to French Overseas Departments would not extend to French overseas territories.

Article 41.4 of Cotonou envisages the 'liberalisation of services in accordance with the provisions of the GATS' under any EPA. However, this extension appears to be viewed as a later development and, under Article 41.3, requires the EU 'to give sympathetic consideration to the ACP states priorities for improvements in the EC schedule, with a view to meeting their specific interests'.

EU Trade

In 2005, the EU15 exported goods valued at € 568 million to the PACPs, a 79% increase over 2004/5, and imported goods to the value of € 1,245 million. But the EU accounts for only 2% of total PACP imports and is a minor source of imports for individual PACPs. By contrast, Australia (33% of total PACP imports), Singapore (20%) and New Zealand (13%) account for between 50% to 80% of individual PACP imports, with the exception of the US's 'Compact States'.

Similarly, only Fiji (sugar comprises 95% of the value of EU exports) and Papua New Guinea (palm oil 31%, coffee 27%, tuna 10%) export significantly to the EU. The Sugar Protocol is particularly important for Fiji. In an average year, € 50 million of sugar was exported to the EU, at EU guaranteed prices, involving 35%-40% of its total crop. It also enjoys preferential margins for textile and tuna exports. Nonetheless, there are particular exports from other countries, which are heavily dependent upon preferential access to the EU market. These include canned fish from the Solomon Islands, frozen fish and coconut products from Tonga and Vanuatu. Again, exports from the PACPs are dominated by Australia, New Zealand and the US. Thus, 20% of exports from the FSM (1999), 31% from Samoa (2001) and 26% from Fiji (2001) were to the US. Australia accounted for 29% (2001) of exports from the Cook Islands, 27% from Fiji, 36% from PNG (1993) and 23% from Vanuatu (2001), while New Zealand absorbed 13% of Tonga's exports. Japan is also a significant market for many of the PACP states.

Given the lack of significant manufacturing sectors, services are of particular significance to many PACP states. Tourism is already important in Fiji, the Cook Islands, Samoa, Vanuatu and Palau, and the supply of seamen from Kiribati and Tuvalu. The potential for the further development of the service sectors of the PACP states is thus of particular importance in the EPA negotiations.

Although, as we have seen for most of the PACPs, trade with the EU is relatively insignificant, it nonetheless remains in surplus. The ratio of exports to the

EU relative to imports is 8.9:1 for PNG, 4.94:1 for Fiji, 4.8:1 for the Solomon Islands and 2.7:1 for Kiribati. By contrast, all of the PACPs have bilateral deficits with Australia and New Zealand, which exceeds a ratio of 10:1 for all of the PACP states except Fiji (3.2:1).

Impact Assessments

Economic

The first comprehensive impact assessment of an EPA for the PACPs was undertaken by Scollay (2002). While principally a qualitative assessment, it nonetheless identified the principal issues of economic concern to the PACPs in negotiating any EPA. In terms of the sectoral impact of an EPA, manufacturing is likely to be relatively unaffected. The manufacturing sector is only important in Fiji and PNG, and even here continued protection should be possible while still meeting the 'substantially all trade' requirement. Again, in the case of agricultural production for domestic consumption, any EPA is unlikely to present difficulties as many food products already enter duty-free and local fresh food production has a measure of natural protection against competing imports, given high transport costs. Thus, the major interest for the PACPs is the potential for improving their export performance in those products for which they may have a comparative advantage.

These products include tree crops, kava, garments, beef (Vanuatu) and fish. The fish industry has been identified as offering the greatest potential for future development with tuna canneries already existing in Fiji, the Solomon Islands and PNG. Under Cotonou, these tuna exports enjoy a 24% preference. While fresh fish is exported to the US and Japan, the EU is regarded as a potentially important market for intermediate quality fish. Trade facilitation assistance is regarded as particularly important in the future development of this industry. For Fiji, sugar exports are particularly important, however, the future of the Sugar Protocol has been excluded from the EPA negotiations by the EU.

Of greater concern is the possible impact upon government revenues of any reductions in import duties. Many PACPs have traditionally relied upon import duties as an efficient form of revenue collection. The potential revenue loss depends upon the size of the trade flows and the existing tariff rates. Given the relatively low level of imports from the EU, any EPA would appear to have very little impact. However, as with any broader economic impact, the central issue is the possibility of the extension of any FTA to Australia and New Zealand.

With the adoption of this broader FTA, the risks of trade diversion and the likely adjustment costs are greater, as is the impact upon the PACP's govern-

ment's revenues. An earlier study by Stoeckel (1998) suggested that such an FTA with Australia and New Zealand would yield significant overall economic welfare gains for the PACPs, although the affect upon the Compact States, with their significant trade with the US, is less certain. However, given the PACPs significant imports from Australia and New Zealand, the impact upon government revenues of duty reductions presents more of a challenge. Tonga (import duties are 65% of tax revenue), Kiribati (61%), Tuvalu (48%) and Vanuatu (40%) are particularly dependent upon tariff revenues. There are three options for the PACP states: conversion of tariffs to excise duties, introduction of VAT or exclusion of products from the FTA. Samoa, PNG and the Cook Islands are already shifting the burden of taxation to VAT, while Tonga and the FSM are considering its introduction. The conversion of tariffs to excise duties is an attractive strategy for Vanuatu.

Within this context, Scollay identified the major issues that would need to be addressed if the PACPs were to realise the development potential of an EPA. Firstly, he emphasises the importance of the trade facilitation provisions. As we have seen, the fish industry has been identified as offering the greatest potential, but to realise this will require assistance to meet EU phyto-sanitary requirements as well as the upgrading and expansion of production facilities. Secondly, satisfactory 'rules of origin' (RoO) must be included in the EPA. The Cotonou agreement committed the EU to review its RoO (Article 37.7) as part of the EPA negotiations. Again, RoO are particularly important for fish exports and it was recognised that a number of issues, such as the definition of 'territorial waters', remain unresolved. RoO in fisheries are complicated by the existence of bilateral Fisheries Agreements. Thirdly, the issue of 'safeguard provisions' must be addressed. The Cotonou Agreement (Articles 8 and 9, Annex V) allows the EU to apply 'appropriate measures' where the volume of imports may 'cause, or threaten to cause, serious injury to domestic producers'. The Cotonou provisions are less circumscribed in their application than those in the WTO Agreement on Safeguards and they also do not provide for reciprocal arrangements for the ACP states, who could argue, under the principle of 'special and differential treatment', for their own more generous safeguard provisions. Again, the significance of the safeguard provisions under an EPA would principally be of significance in setting a precedent for any FTA with Australia and New Zealand.

One of the further complications of an EPA for the PACPs is that, unlike other regional ACP groupings, there is no immediate prospect of the creation of a customs union. Thus, although the negotiations have taken place on a collective regional basis, the possibility of only a limited number of PACP states actually subscribing to the EPA remained. For example, for the five low-income PACP

states the EBA provides non-reciprocal duty-free access to the EU market, and as it does not require reciprocal trade concessions, it will not trigger renegotiation of PACER. But Grynberg and Onguglo have suggested further flexibility could be introduced into a Pacific EPA, to accommodate these diverging interests, through the adoption of 'master' and 'subsidiary' agreements. The 'master' agreement would set out the broad principles of the trade and development relations between the PACPs and the EU, offering the EU market access comparable to that enjoyed by other developed countries. The individual 'subsidiary' agreements, to which PACPs could choose to subscribe, would cover such areas as the trade in goods, trade facilitation provisions, investment, services (including 'Mode IV' issues) and fisheries. Scollay found resistance among some PACP states to the inclusion of a fisheries agreement within any EPA negotiations. From an EU perspective, the question arose as to whether there would be resistance to the adoption of such a 'pick and mix' EPA, for, although the PACPs are of little economic and political significance to the EU, any unconventional approach to the EPA negotiations might have set a precedent for other more significant regional negotiations.

Scollay concluded by supporting a three-stage negotiating process; ACP-wide level, regional level (addressing configuration, structure of EPA) and formal regional negotiations. Assurances could be sought to ensure that PACER negotiations are not triggered until the final stage. For the PACPs, the principal issues to be addressed in the formal negotiations were to include rules of origin, safeguard provisions, trade related matters (e.g., competition policy, phyto-sanitary requirements, labour standards, certification etc.) and additional resources (e.g., trade facilitation). The PACPs would also need to develop detailed proposals in regard to fisheries, services and investment and identify products for exemption. There were other issues that lay outside of the EPA negotiations but that determined their context and that, Scollay argued, the PACPs would need to address. For Fiji, the Sugar Protocol was of particular importance, while all of the PACP states had a significant interest in any revision to WTO rules during the Doha Round, given the EPA requirement for WTO compatibility. Further, in anticipation of triggering PACER renegotiation, a number of the PACPs would need to develop alternative revenue strategies.

Adjustment Costs

The most comprehensive assessment of the potential costs of adjusting to an EPA for the PACPs was undertaken by Smith (2006). This study refined the methodology adopted by Milner (2005) in his estimation of the overall ACP adjustment costs associated with an EPA. Milner defined five country-sized categories, the

smallest being populations under one million, which included all of the PACPs. He then identified four categories of economic adjustment costs – fiscal, trade facilitation, production and employment and skill development. Scollay discussed Fiscal adjustment and trade facilitation, while production adjustment and skills development would impose costs through support for the unemployed, the retraining and restructuring of production lines and closures. His methodology involved categorising countries by the potential degree of adjustment necessary under these four categories and then allocating costs based on 14 comparable World Bank projects; with costs interpolated for missing cells in the resulting matrix. His study did not address any costs arising from the need for macroeconomic adjustment, e.g., addressing a balance of payments deficit.

The degree of potential fiscal adjustment was proxied by each country's share of tariffs in total tax revenue. According to his analysis, only the PNG (25% trade tax) required medium adjustment; a reflection of his serious data limitations. The need for trade facilitation assistance is proxied by the share of manufactured exports in total exports. Fiji (35%) is classified as requiring low adjustment while the Solomon Islands (4%) and Tonga (4%) are included in the high-adjustment group. The share of industrial production in GDP is used by Milner to measure the likely need for employment support. Tonga (15%) incurs low adjustment, while Fiji (27%) falls in the medium category. Finally, skills development is represented by secondary school enrolment rates as a crude indicator of human capital; the lower the enrolment rates, the greater the need for adjustment support. Vanuatu (28%) appears in the high-adjustment category.

His overall ACP estimates totalled € 9 billion; € 3 billion for fiscal adjustment, € 2.3 billion for trade facilitation, € 1.5 billion for production and employment adjustment and € 2.3 billion for retraining. To check his estimates, he also employed a 'subsidy equivalent' methodology, which suggested an overall cost of € 6 billion. For the PACPs alone he suggests a total adjustment cost of € 642 million; with a fiscal adjustment of € 210 million, export diversification € 175 million, employment/production adjustment € 82 million and skills/productivity € 175 million. His PACP estimates exclude the Cook Islands, Nauru, Niue and Tuvalu, while data limitations have compromised the classification of the remaining PACPs under particular categories. Questions also remain about his choice of proxies and the appropriateness of the comparative projects underlying his cost estimates. In particular, he assumes a high degree of non-linearity (dis-economies of scale) in adjustment costs, i.e., smaller states incurring significantly higher costs than larger states. This is a particularly important assumption in the case of the PACPs, which all fall into the micro-state category.

Smith (2006) re-estimated Milner's study with additional and more recent data, including previously omitted countries, resulting in a total adjustment cost

of € 861 million. However, Smith regarded the non-linearity as excessive and, based upon lower per capita cost assumptions for the smaller countries, re-estimated the overall PACP adjustment costs at € 430 million. Smith, however, was also concerned that Milner's project comparators were mainly selected from larger countries, which will be of little relevance to the PACP states. He, therefore, revised Milner's categorisation, drew upon more relevant PACP comparator projects and provided a separate estimate for service sector adjustment.

The PACP states were subdivided into four population sizes, while fiscal adjustment was now proxied by trade taxes as a percentage of total revenue, production employment by manufacturing production as a percentage of GDP and trade facilitation by total goods exports as a percentage of GDP. His final category of skills development and productivity enhancement was subdivided, with the latter proxied by the cost of enforcing contracts as assessed in the World Bank Cost of Doing Business Study 2005. For the remaining adjustment costs Smith followed Milner's indicators. For the service sector estimates, Smith further modified the proxy for production and employment adjustment to utilise data on non-governmental services as a percentage of GDP and for trade facilitation, tourism earnings as a percentage of GDP.

Table 2 presents Smith's estimates of the adjustment costs for all of the PACPs and totals € 170 million incurred over a period of five years. Again, the allowance for substantial fixed costs in the nonlinearity assumption may be excessive. If the smallest category of PACPs is excluded then total adjustment costs will fall to only € 121 million. This is considerably less than Milner's study and may be conservative given the need for some PACPs to adopt more export-oriented economic policies.

Smith also discusses some of the institutional innovations that will be necessary to address the challenges of an EPA. The first aspect he addresses is the need for an enhancement of the national competition authorities, together with an integrated regional advisory service, which is estimated at € 15 million. The remaining two initiatives would operate solely at the regional level. An Investment Protection and Promotion Agreement would require support, including the establishment of a regional office of the EU Centre for the Development of Enterprises and ProInvest, technical assistance to support the Foreign Investment Advisory Service and the strengthening of small business advisory services.[5] Smith estimates an additional cost of € 6.1 million. Finally, he considers a Human Resources Development Facility, in particular, to facilitate a temporary labour mobility scheme (Mode IV).[6] This he estimates at € 7.5 million.

Thus, the overall estimate of the EPA adjustment costs for the PACPs totals € 184 million over five years. This contrasts with the existing € 79 million Regional Indicative Programme for the PACPs under EDF 10, covering the period to

Table 2 Adjustment Costs by Country and by Adjustment Category (in € millions)

Country	Country Size	Fiscal Adjustment	Production & Employment	Trade Facilitation	Skills Development	Productivity Enhancement	Total
Papua New Guinea	Very large	3.1	14.5	7.2	3.3	4.7	32.7
Fiji	Large	2.5	0.0	2.9	5.2	3.0	13.7
Solomon Islands	Large	2.5	1.6	4.5	8.9	7.1	24.6
Vanuatu	Large	4.1	1.6	5.4	2.2	5.9	19.3
Samoa	Medium	0.7	1.8	5.3	1.6	1.7	11.1
Micronesia, FS	Medium	0.7	0.3	3.2	2.1	2.5	8.8
Tonga	Medium	2.0	1.8	3.2	2.1	1.7	10.8
Kiribati	Small	0.6	0.1	3.0	1.6	1.3	6.7
Marshall Islands	Small	1.2	0.1	2.0	2.0	1.3	6.7
Palau	Small	1.2	0.3	2.3	2.0	0.5	6.3
Cook Islands	Small	1.2	0.3	2.3	1.5	0.6	5.9
Nauru	Small	1.9	0.1	1.5	6.4	0.6	10.6
Tuvalu	Small	0.6	0.3	2.5	2.0	0.6	6.1
Niue	Small	1.0	0.1	2.5	2.0	0.6	7.2
Total		24.5	22.8	47.9	43.0	32.3	170.4

Source: Smith (2006)

2008. It is unlikely that the gap in funding will be made up through the bilateral National Indicative Programmes. A further enhancement of approximately € 100 million in EU aid to meet the needs of EPA adjustment, would therefore appear to be justified. To manage these funds Smith advocates the establishment of a Pacific Regional Development Fund, encompassing a Trade Adjustment Fund. Given the significance of any renegotiation of PACER, as a result of the establishment of an EPA, such a Regional Development Fund would provide a framework for the EU, individual EU Member States, Australia and New Zealand, to support the necessary adjustment in the PACPs.

Political and Social Impact Assessments

Scollay (2002) offers a brief assessment of the likely social and political impact on the PACPs by an EPA. Fiji and PNG have the largest economies, with substantial rural populations, and would thus be most adversely affected by a

failure to agree to an EPA. For Fiji, the future of the sugar industry is of prime importance, estimated to employ 100,000 people and accounting for 10% of GDP. However, the Sugar Protocol will not form part of the EPA negotiations. By contrast, the future of PNG's exports of tree crops, including palm oil, coffee, copra and cocoa, are heavily dependent upon continued EU market access. The impact of an EPA upon the PACPs urban sectors is likely to be limited, but the extension of trade concessions to Australia and New Zealand under PACER is of far greater significance. The manufacturing sectors of both Fiji and PNG would face significant adjustment costs. In Fiji, the loss of preferential access and enhanced competition from other developing countries has already resulted in the decline of the garment industry. In PNG, the extremely high rates of urban unemployment would make any structural adjustment socially destabilising.

For the other PACPs, the major political challenge will be changing the tax base and moving away from a reliance on customs duties. While the Cook Islands, Samoa and PNG have already commenced fiscal reform, Kiribati, the Marshall Islands and Vanuatu had yet to overcome substantial opposition to change.

The Sustainability Impact Assessment

In 1999, the EC introduced Sustainability Impact Assessments (SIA) to inform its trade negotiations. These are intended to assess the economic, social and environmental impacts of EU trade policy. The first application of this approach were the negotiations undertaken under the Doha Round of the WTO, but subsequently PricewaterhouseCoopers (PWC) (2007) were contracted to undertake an SIA of the EPAs.

The priority sectors for study within the EPA-negotiating configurations were selected in terms of their significance in trade flows, those that were likely to be influenced by anticipated changes in the trade regime and where there was likely to be a potential impact on sustainability. PWC then attempted to estimate the likely impact of liberalisation of trade in goods and services, in comparison with the current state of regional integration and trade preferences, utilising a series of indicators.

In the case of the PACPs' fish and fish products (especially tuna) were selected as the case study. Fish exports account for 7% of the total value of exports of the PACPs and are of particular importance to Palau (90% exports), the Cook Islands (50%), Vanuatu (50%) and Kiribati (18.5%). Canned fish is also an important export for PNG, Fiji and the Solomons. Half of the world's tuna fisheries are located in the PACPs Exclusive Economic Zones, but 80% to 90% of the

vessels involved in the industry are foreign owned. Only one-third of the catch is landed in the region, with 10% of revenues retained in the PACPs (Forum Fisheries Agency) and several tuna species are already over exploited. However, the EU currently has limited involvement in this industry through Bilateral Fisheries Agreements with three PACP states. PWC selected three possible trade measures for impact assessment – market access, phyto-sanitary requirements, and foreign direct investment. The economic impact was indicated by GDP, government revenues, investment, and impact upon small-scale fisheries; the social impact by employment, wages, poverty, gender equality and food security; the environmental impact through measures of fish stocks, pollution and marine habitat. The qualitative assessment provided a large number of recommendations, ranging from the detailed, such as the development of a specific regionally based brand-name, to the more general, such as the establishment of product standards, the development of strong environmental and social protection and capacity-building for greater added value to fishery products through such measures as investment protection. The fisheries component of an EPA should be compatible with the reformed Common Fisheries Policy through the adoption of a Regional Fisheries Agreement. In particular, PWC recommended a lump sum payment for EU vessel access to a regional body responsible for the promotion of a sustainable fishery through improved monitoring and enforcement, and economic development of the industry through such mechanisms as compulsory landing. However, it failed to discuss the important issue of Rules of Origin, which currently inhibit PACP fish product exports to the EU caught by non-EU foreign-owned vessels.[7]

Any SIA presents a challenge in terms of adequate data and robust theoretical models that identify the causal relationship between economic, social and environment impacts and in identifying the adjustment process to a new equilibrium. However, this study left many broader questions unanswered, such as the selection of the base and alternative scenarios or even the selection of the fishing industry itself. Some critics have viewed this selection more as a reflection of EU economic interests than PACP priorities in any EPA.[8] Indeed, the question of the 'ownership' and purpose of the SIA process itself has been raised. The PWC study even offered relatively little detailed analysis of the fisheries sector and mainly drew upon existing work. But most importantly, it failed to address the likely impact of any EPA upon the far more economically significant PACER trade agreement with Australia and New Zealand. Thus, unsurprisingly, we find that this SIA contributed very little to the wider Pacific EPA negotiations.

The Negotiations

The Joint Roadmap

The first phase of the EPA negotiations were launched in September 2000 at the ACP level and concluded in October 2003, with the commencement of PACP EPA negotiations in September 2004. The agreed Joint Road Map (EC 2004) gives some indication of the EC's thinking. It emphasised the objective of the integration of the PACPs into the world economy, with sustainable development and poverty eradication. To achieve these objectives, 'the EC EPA must be an instrument for development and the development dimension reflected in all areas of negotiations'. The EC also places particular emphasis upon the contribution that an EPA can make to further the process of regional integration. Thus, the pace of liberalisation of trade under the EPA will be 'a function of the degree of regional economic integration and realised in a flexible and asymmetrical manner'.

It specifically recognises the need for special and differential treatment for all PACPs to account for their differing needs and levels of development. Such differential treatment is not 'limited only to longer transitional periods and technical assistance (para.14)' and 'may go beyond existing WTO measures'. 'Flexibility will be built into the *broadly agreed framework* to allow individual countries to adjust the pattern and schedules of implementation'. The PIF proposal for a master/subsidiary structure of an EPA thus appeared to be accepted in principle.

However, it reaffirms the requirement that the EPA be 'compatible with WTO rules *then prevailing* (para. 18)'. But it also commits the EU to working with the PACPs to identify and further their common interests in the ongoing Doha Round negotiations, which may change these WTO requirements, particularly in regard to the issues of the definition of 'substantially all trade' and 'special and differential treatment' for the developing countries. The implications of the EPA for PACER and that of the US 'compact states', is specifically acknowledged in the Joint Road Map and 'will need to be reflected in all areas of negotiations' (para. 17). While acknowledging that adopting an EPA will require significant economic adjustment by the PACPs, no clear commitment is made by the EC to the provision of additional financial resources other than reference to the existing aid support mechanisms such as the EDF.

The structure of the negotiations was to follow the normal pattern with a Ministerial-level Regional Negotiating Team (RNT) supported by Negotiating Groups (NG) addressing specific issues. Each NG was led by a senior Pacific trade official and composed of senior officials and technical experts, supported by the Pacific Islands Forum Secretariat. A Regional Preparatory Task Force (RPTF) was also expected to be created to support the negotiation and implementation of the EPA and to address the link between the EPA and development

cooperation. The National and Regional Authorising officers for EDF funding were intended to be members of the RPTF, together with EC representatives of DG Dev, EuropeAid and DG Trade. By contrast, in the RNT, the EC was represented by the Commissioner for Trade and in the NGs by DG Trade officials. It was anticipated that substantive negotiations would be completed by the end of 2006, with a final draft completed by mid-2007, leaving sufficient time for consultation with other relevant stakeholders.

PACP 2006 Proposals

In June 2006, the PACPs presented their draft EPA text to the EC.[9] It proposed the framework and subsidiary agreement structure that had been outlined by Scollay, despite the EC's preference for a unified EPA. The framework or master agreement covers only the broad principles and does not involve any commitment to reciprocal free trade. However, it does include services and investment in the framework as advocated by the EU. It proposes a separate agreement covering Trade in Goods but does not address the issue of the definition of 'substantially all trade' nor the phasing in of the tariff reductions. However, it does focus on the issue of Rules of Origin (RoO), advocating the use of the change in tariff heading at the six-digit level as the criteria. This would mean that any fish caught within the PACPs EEZ would qualify for duty-free access into the EU. The Draft also proposes a non- reciprocal prohibition on the use of anti-dumping measures by the EU against Pacific exports, together with provisions for temporary tariff protection by the PACPs where there is a threat of damage to domestic industry or to support the development of an 'infant' industry. It also attempted to address the issue of an alternative to an EPA, which would still meet the guarantees offered to the ACPs under Cotonou (Article 37.6) by suggesting compensatory payments.[10] At this stage, only PNG, Vanuatu, the Solomons and Fiji had indicated their willingness to negotiate a Trade in Goods agreement.

The Draft proposes a trade facilitation and promotion programme for each PACP and financial assistance for the private sector in Chapter 4. Similarly, for the agricultural sector, the PACPs proposed the establishment of a specific fund to support an Agricultural Development Strategy. However, as we will see, the EU resisted additional funding beyond that provided by EDF 10. The Draft also called for measures to address the restructuring of the sugar industry, principally of concern to Fiji, the establishment of a Regional Fisheries Agreement and the restoration of a mechanism similar to the abandoned STABEX to compensate for commodity price fluctuations.

While the EU had made it clear that it is seeking agreements on services closely modelled upon the WTO's General Agreement on Trade in Services (GATS),

the PACPs sought to introduce a number of safeguards. These included a clear statement of the rights of governments to regulate in the public interest and the right to delay implementing liberalisation until an appropriate regulatory regime is in place. Moreover, they sought exemption from privatisation for public services such as health care, education and water supply. Labour mobility was included as part of the services chapter but applied only to the movement of skilled workers. As this involved the politically sensitive area of Member States' immigration policies, the EU was reluctant to negotiate a collective agreement with the PACPs in this area.

In terms of the investment dimension, the PACPs proposed re-orienting the European Investment Bank, ProInvest and the Centre for the Development of Enterprise towards the needs of small and medium-sized enterprises. The PACPs also advocated a model for investment that limited portfolio investment, safeguarded preferences for local companies, required environmental and social impact assessments and transparency in the terms and operation of foreign investment.

The EC response was mixed.[11] While welcoming the proposed EPA structure, with an Annex on the trade in goods to be adopted by interested PACPs, it rejected a number of other important elements in the Draft. The EC again refused calls for additional funding specifically linked to the EPA to assist with any necessary structural adjustment. While expressing their willingness to include transition periods and other bilateral safeguards, they emphasised the long-term positive benefits of trade liberalisation. The EC regarded the EDF as the appropriate mechanism for linking development assistance to the EPA, and expressed concern that the Regional Preparatory Task Force (RPTF) had not been created. They argued that the lack of an RPTF had seriously inhibited the PACPs' input into the programming discussions for EDF 10. However, the PACPs had chosen not to initiate the RPTF specifically to emphasise the need for separate funding for any EPA adjustment, arguing that without such additional funding the RPTF had little purpose.

The call for a separate Regional Fisheries Agreement was also dismissed, with the EC arguing that the important elements could be integrated into the EPA. Critics, however, questioned whether an EPA would be able to address important issues such as local landing provisions, regulating by-catches and the local crewing requirements.[12]

In regard to the PACPs safeguard proposals for the liberalisation of the service sector, the EC appeared to be maintaining its hostility to any ACP concessions, as reflected in a November 2006 submission to the 133 Committee that coordinates trade negotiations. For example, it introduces a necessity test for a universal service in posts and telecommunications. Despite a WTO agreement on services

that calls for flexibility in relation to developing countries and commitments to 'special and differential treatment' under Cotonou, the EC appeared to be firmly committed to its call for reciprocal liberalisation of trade in services. The EC's response to the request for enhanced rights of entry of unskilled workers into the Member States was specifically rejected as this lay beyond the competence of the EC. As for the investment proposals, the EC emphasises that it will not be able to 'redefine what we have already jointly agreed in Cotonou'; the introduction of general principles for the protection and promotion of investment. The EC was more positive in its response to proposals on Rules of Origin, an issue that was still under internal discussion.

Although the EC recommitted itself to achieving the greatest possible market access for Pacific EPA countries and recognised the need to address the problem of sensitive products amongst PACP imports, it nonetheless expressed concern that a number of major issues remain to be addressed, including government procurement, competition policy and intellectual property rights, 'partly already agreed in the Cotonou Agreement'; the 'Singapore issues' previously rejected by developing countries in the WTO Millennium Round negotiations. 'The submitted EPA draft text will have to undergo substantial amending before it can become a mutually agreeable EPA.' As for addressing the possibility of an alternative to an EPA, this did not appear to be on the EU's agenda.

The EC also pressed for an acceleration of the negotiating process to achieve the 2008 deadline. But Kalipate Tavola, outgoing chief negotiator for the PACPs, in a letter[13] to the EC's Director General for Trade, Stefano Manservisi, rejected this demand. 'We will not merely rush to conclude negotiations due to the deadline and risk ending up with a bad EPA.' Moreover, he emphasised the importance that some PACPs attached to the Mode IV concession (temporary migration) – 'If the EPA is silent on this, then we can envisage reluctance on their part to be signatories of any EPA'. But the make-or-break issue, from his perspective, was the willingness of the EU to enter into a Regional Fisheries Agreement, instead of bilateral agreements. He regarded it as essential to have EU political engagement, as technical discussions with EC officials would be unlikely to deliver success.

Article 37.4 Review

Under Cotonou, a review of the state of the EPA negotiations needed to be undertaken. At a meeting of the PACP Trade Ministers in November 2006, the Pacific Islands Forum Secretariat (PIFS) was requested to undertake such an assessment. The ECDPM contributed to the internal review (Rampa 2007), with the Joint PACP-EC Review Report, which was included as an Annex in the overall ACP-EU final Joint Article 37(4) Review adopted in May 2007.

The ECDPM Report assessed the overall EPA process, unlike the Joint Review, which focused on the outstanding issues for negotiation. The ECDPM Report identified the capacity limitations of the PACPs in undertaking the negotiations and the particular challenges of maintaining negotiating coherence over such a large geographical area. There remained, at the time of the review, considerable divergences within the PACPs in regard to their expectations of an EPA, their position on specific topics and their degree of interest in successfully concluding the negotiations. The negotiations appeared to be being dominated by the larger PACPs, who were imposing their national priorities. Fiji, in particular, was seen as pursuing its overriding objective of defending its interests in the parallel Sugar Protocol negotiations.[14] Not only were the smaller state's governments having difficulty participating but so were other stakeholders, including civil society representatives and the private sector. Serious concern was expressed about the lack of meaningful consultation and transparency. There were serious doubts as to whether the PACPs had the capacity and preparedness to complete the negotiations by the end of 2007 and implement any agreement.

From the beginning, there were differences in understanding between the PACPs and the EU, in that the former believed that any issues could be raised and discussed informally, although not formally negotiated. By contrast, the EC is seen as regarding certain areas as non-negotiable under an EPA. Further difficulties in the negotiation process, according to the PACPs, arose from the slowness of response by the EC and the prevalence of informal 'non-papers' in the discussions.

The Joint Review (PIS 2007) identified five areas where progress was necessary: trade in goods (including RoR), services (including Mode IV), investment, fisheries and adjustment assistance. At this stage, it was anticipated that between six and 11 PACPs might accede to the separate Trade in Goods Agreement. The EC had offered full duty-free quota-free access, subject to certain transitional arrangements for a few sensitive products. The PACPs market access offers emphasised the need for transition periods, appropriate exemptions and safeguard clauses. Both the EC and the PACPs intended to foster trade facilitation through addressing customs reform, sanitary and phyto-sanitary measures and technical barriers to trade. However, in regard to RoO, there remained a clear divergence of views. The EC proposed basing RoO on value-added stipulations, but in the case of the PACPs this would have required the uneconomic import of intermediate products from the EU or distant ACP regions. Thus, as we have seen, the PACPs proposed basing RoO on a change of tariff subheading at the six-digit level. This would allow the PACPs to source intermediate materials from closer low-cost suppliers and would be easier to administer.[15]

In relation to services, the Joint Review acknowledges that, under Article 41 of the Cotonou Agreement, the EPA must encompass the liberalisation of services

in accordance with the provisions of the WTO's General Agreement on Trade in Services (GATS). The PACPs had indicated a strong preference for adopting the GATS methodology in specifying commitments. Again, the PACPs emphasised the importance of Mode IV access to the EC labour market for workers in sectors such as construction, health care and the maritime industry. While the EC, in a Joint Declaration adopted in March 2007, expressed its readiness to support provisions for the cross-border movement of PACP workers, it again emphasised that temporary worker migration fell within the competence of the Member States. In response to the PACPs proposals for reorientation, the EC's financial and technical support institutions in the region (such as the European Investment Bank and the Centre for the Development of Enterprises) concerning small-medium-sized enterprises, the EC claimed that these institutions fell within the realm of the overall Cotonou Agreement and that the potential support for the development of enterprises was best discussed within the context of the RPTF. The EC also acknowledged the importance of the fisheries industry for the future economic development of the PACPs. A detailed legal text had been submitted by the PACPs in January 2007 guaranteeing long-term access to EU flagged vessels to the PACPs EEZ, and addressing issues such as conservation and the development of the industry. The EC was preparing a reply at the time of the Joint Review.

The issue of additional development assistance beyond that provided for under the EDFs remained a major bone of contention. To emphasise their belief that additional funding will be required, not only had the PACPs failed to establish the RPTF, but they had also declined to discuss trade-related issues such as competition policies, government procurement, intellectual property rights, etc. on the grounds that these would be administratively burdensome and therefore would require additional development assistance for implementation. From the perspective of the PACPs, EDF resources were already earmarked for important regional priorities and, as the EPA will outlast the Cotonou Agreement, and its associated aid commitments, it was essential that an aid component should be directly associated with the EPA. As we have seen, Smith (2006) estimated that adjustment costs of € 184 million will be incurred by the PACPs in implementing an EPA over a five-year period. The indicated budget for the EDF10 Regional Indicative Programme proposed € 30 million for agriculture, forestry and fisheries; € 40 million for education and training with € 6.2 million remaining unallocated. In addition, there is the possibility of a further 25% enhancement to support regional integration and EPA adjustment. While making no commitment to additional resources, the EC indicated it would support the creation of a regional financial facility to assist EPA adjustment to be funded by EU Member States' bilateral aid and other multilateral donors.

Interim Partnership Agreement

Negotiations were not improved by the EC's perceived threat to reduce the Pacific EDF10 allocation in the event of a failure during EPA discussions. A meeting of the PACP Trade Ministers in August 2006 expressed 'grave concern and the disappointment' at a Communication from the EC, which they interpreted as implying a reprogramming of approximately 48% of the Regional Indicative Programme in the event of the failure of the EPA negotiations, or some 26% should a goods-only EPA be negotiated. 'Our position remains that EDF10 programming and the EPA are separate processes'. The EC responded by confirming that the funds would merely be diverted from schemes to integrate the regions economies to other projects in the same region. 'If no EPA is agreed [to] such assistance will be reassigned to other jointly agreed objectives within the regional support programmes. The total amount of support will not be reduced in any way. At no time has the EU used development assistance as a bargaining chip in EPA negotiations.' (*Financial Times* August 2007). However, implicit in this response is the threat to reduce the share of the Regional Indicative Programme received by those ACPs that do not participate in the EPA.

By October, it was clear that the EC was reconciled to an Interim Agreement, signed by only a limited number of PACP states, being adopted by its January 2008 deadline (Joint Declaration 2 October). But it was agreed that those PACP states that were not initially party to the Interim Agreement would be able to join at any future date upon comparable terms. The Interim Agreement was to include a goods schedule, Rules of Origin and safeguards and, depending upon the progress, fisheries, competition and development cooperation provisions. The EC had begun to respond positively to PACP proposals on RoO, an 'infant industry' clause and dispute-settlement provisions. The EC also continued to support the PACP States in their negotiations with the Member States of the EU to obtain Mode IV access through bilateral Memoranda of Understanding. The PACPs, for their part, had finally established a RPTF, and the EC confirmed that human resource development would be an important part of EDF10.

Ten PACPs had submitted their goods market access offers in late September 2007, but after intensive negotiations, culminating in a Joint Ministerial meeting on November 14, it was clear that there were too many unresolved technical issues remaining by the end of the year. The EC therefore resolved 'to secure the position of those countries that account for the majority of trade with the EU and who have submitted WTO-compatible market access offers' (Mandelson 20 November). Thus, only Fiji and PNG signed a Trade in Goods Agreement on 29 November. The market access provisions of the Interim Agreement are to remain in force until a full EPA is agreed upon.

Both Fiji and PNG are particularly dependent upon maintaining market access to the EU for their exports of sugar and tuna respectively. For Fiji, sugar exports are worth € 95 million per annum and, although their sugar allocation had been suspended for 2007 in response to the coup, it was expected to be resumed in 2008. A replacement for the Sugar Protocol was also required in October 2009, if Fiji was to maintain access to the EU market. In April 2007, the EU tabled a market access offer for sugar as part of any EPA, with the continuation of current ACP access provisions until 2009 and movement toward a quota- and tariff-free market for ACP sugar by 2015. Thus, by signing the Interim Agreement, Fiji guaranteed its existing preferences and acquired an opportunity to further expand its exports in the longer term. Tuna exports are worth € 40 million per annum to PNG and it requires continued duty-free access to the EU to maintain its competitive advantage over Thailand and the Philippines. The EPA also offered concessions on the Rules of Origin; thus, as long as fish are processed onshore in the PACP, the nationality of the ownership of the vessel and crew will no longer be relevant.

In terms of tariff liberalisation, the Agreement requires PNG to offer duty-free access for 88% of the value of its imports from the EU. But, because 76% of its tariffs are already duty-free, this commitment involves very little cost in duty foregone and will be instituted immediately. A phased reduction in duties on EU imports of Fiji will take place over a 15-year period and will cover 81.6% of EU imports. Only 23% of EU imports will be duty-free upon the enactment of the Agreement. The largest reduction in duties – 40% – will occur in the years 6 through 10. The remaining aspects of the agreement are similar to those concluded in other interim EPAs. These include the provision for a review of the Rules of Origin after five years, clauses covering Sanitary and Phytosanitary Measures and Technical Barriers to Trade, provisions covering anti-dumping, countervailing measures and safeguards, as well as for infant industry protection, a prohibition on new export taxes and a standstill provision preventing new or increased duties.

Conclusion

The EPA provides for the extension of the Interim Agreement preferences to any other PACP signatory with a commitment to conclude a comprehensive EPA 'in-line with the Cotonou Agreement and previous ministerial declarations and conclusions' by the end of 2008. But, as the EU has shown, considerable reluctance to concede to the PACPs in other areas of interest, particularly the employment of PACP nationals in EU territories (Mode IV) and additional aid-for-trade, it is

not clear how motivated the other PACP states will be in coming up with a more comprehensive agreement. More problematically, the Interim Agreement also introduces a non-discrimination most-favoured-nation (MFN) clause.[16] Thus, it would require any additional concessions offered to Australia and New Zealand, arising, for example, from the renegotiation of PACER, to be extended to the EU. More significantly for the PACPs, the Interim Agreement will almost certainly trigger such a renegotiation. Thus the provisions of the EPA have the potential to undermine the region's own trade integration initiatives, including the MSG, especially if other PACPs accede to the Agreement.

Moreover, no additional funds have been allocated to meet the needs of EPA adjustment. However, the EU's new Strategy on Aid for Trade[17] may offer some assistance. The EU committed itself to increasing trade-related assistance (TRA) from the current € 1 billion per annum to € 2 billion by 2010. The cost of this additional assistance will be borne equally by the Member States and the European Commission. Since the European Commission is already allocating € 1 billion to TRA, most of the additional funding will have to be provided by Member States' aid budgets. This raises an element of uncertainty, as does the ability of the EU to achieve policy coherence in this area; ensuring coordination, harmonisation and alignment. The strategy is also intended to be 'demand-driven' and therefore requires potential recipients to be proactive in identifying and presenting qualifying proposals. It should also be noted that the TRA funds are available to all developing countries, not just those from the ACP group.

Although the low-income PACP states[18] will retain duty-free access under the EBA, it does not offer the same Rules of Origin advantages as the EPA. But it still remains a question whether the remaining PACPs, other than PNG and Fiji, will have the motivation to subscribe to either the Interim or a Final Agreement. There is also the question of whether the EU, faced with the rejection of EPAs across a large number of ACP states, will finally address the issue of an alternative. This is because many commentators since the commencement of negotiations have argued that the EU is required to offer an alternative, other than the current General System of Preferences enjoyed by all developing countries, if it is to meet its commitments under Cotonou.

Notes

1 'A framework for trade which is equivalent to their existing situation', (Article 37.6).

2 Of the 14 Pacific ACP states, Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu are low-income developing countries and will qualify for the EBA.

3 Dependence is defined as the five largest sectors of GSP exports accounting for 75% of total GSP EU exports and being less than 1% of total EU imports under the GSP.

4 Fiji, PNG, Solomon Islands, Vanuatu (New Hebrides), Federated States of Micronesia (FSM), Kiribati (Gilbert Isl.), Palau, Marshall Islands, Nauru, Cook Islands, Samoa, Tonga, Tuvalu (Ellice Island), Niue.
5 For a detailed discussion of investment protection and promotion see Hughes and Brewster (2002).
6 See Voight-Graf (2006).
7 For a detailed discussion of the issues involved in a Fisheries Agreement between the EU and PACPs, see Oxfam New Zealand (2006a).
8 For a critique of the Pacific EPA SIA, see Dearden (2005).
9 For a critical review, see Oxfam 2006c.
10 For a discussion of a Pacific attitude to alternatives to the EPA, see Oxfam Slamming the Door on Development. Analysis of the EU's response to the Pacific's EPA negotiating proposals. December 2006..
11 See Letter from Karl Falkenberg 20 October 2006 (12520).
12 See Oxfam 2006b.
13 As reported in *Islands Business*, Suva, 5 Jan 2007.
14 'Fiji's position on the EPA is going to be dictated on what will happen to the sugar negotiations', I. Mataitoga, CEO Foreign Affaire and External Trade (*Fiji Times* 8 November 2006).
15 For a detailed discussion of RoO, see Alavi (2007) pp. 38-48.
16 In the Caribbean, the EPA this requires any concessions to a country accounting for more than 1% of world merchandise exports, or group, which collectively accounts for 1.5%, to be extended to the EU.
17 EU Strategy on Aid for Trade: enhancing EU support for trade related needs in developing countries, October 2007.
18 Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu.

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Mainstreaming Non-state Actors

Assessing Participation in EU-Pacific Relations

Maurizio Carbone

The adoption of the Cotonou Agreement in June 2000 was seen as a watershed in the relations between the European Union (EU) and the African, Caribbean, and Pacific (ACP) group of states. The most radical changes concern aid, trade, and political dialogue: aid would be based not only on needs but also on performance; the existing preferential trade arrangement with the whole group would be replaced by free trade agreements, the so-called Economic Partnership Agreements (EPAs), to be negotiated with six sub-regions; political dialogue would be strengthened and cover new areas of cooperation, including security and migration (Arts 2003; Babarinde and Faber 2005; Holland 2002; Mackie 2008). Another important change, often overlooked, concerns the issue of participatory development. By establishing that a wide range of non-state actors (NSAs) must be involved not only in implementing projects, but also in programming, evaluation, and political dialogue, the Cotonou Agreement set up the most comprehensive framework for integrating civil society in the development process (Bossuyt 2000).

Good intentions, however, do not always match reality. The outcome of the programming exercise in the context of the 9th and 10th European Development Fund (EDF) is mixed.[1] Efforts have been made to involve as many actors as possible, yet the overall quality of participation is not satisfying (Carbone, 2008). While a number of evaluations have been provided on Africa (see, for example, Traub-Merz and Schildberg 2003; Crawford 2006), no attention has been paid to the Caribbean and the Pacific. This paper intends to partially fill this gap by looking at the programming exercise in the Pacific countries, drawing on published and unpublished documents, newspapers, and interviews conducted by the author in January 2004 and between June and July 2005 in several Pacific countries.[2] To be able to do so, this paper is divided into three sections. The first sketches the evolution of the relationship between the EU and the Pacific. The second looks at the framework to involve NSAs under the various EU-ACP partnership

agreements. The third and most substantial section provides an assessment of how the theory of participation has worked in practice, with particular focus on the Pacific region.

Evolving EU-Pacific Relations

The Pacific Islands countries (PICs) present several unique features, which distinguish them from the other two ACP regions. The first element is geographical distance, not only from Europe but also from one another. The Pacific includes a number of islands scattered over a vast area. For instance, Papua New Guinea is 4,500 km from Samoa. The total population of this area is about nine million, with more than half of the them living in Papua New Guinea and 11 states having a population of approximately 250,000. The second element is their diversity in terms of economic and social development, as well as human rights and democratic practices. Economic development is hindered not only by small markets, remoteness, and natural disasters, but also by high transport costs, low levels of food production, a shortage of skilled labour and increased urban migration. Five of the PICs fall in the low-middle income category of countries (Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu), the rest are least developed countries. Most of the PICs do reasonably well in the international rankings of political rights, freedom of expression, and civil liberties. However, in recent years, several coups and cases of civil unrest have made this region instable (Carbone 2006b; Dearden 2008; European Commission 2007b; Gani 2009).[3] The third element is colonial heritage. While the majority of the African and Caribbean countries were either British or French colonies that gained independence in the 1950s or the 1960s, the PICs became independent in the 1970s and in the 1980s (with the exception of Samoa, which became independent in 1962), and not all of them were European colonies.

The PICs have received low levels of foreign aid in absolute terms, but are among the highest in the world on a per capita basis, much higher than the other two ACP regions. The impact of these substantial aid flows on development has raised some controversy. Hughes (2003), for example, argues that not only has aid failed to lead to improved living standards but it may also have contributed to the chaos. Gani (2006, 2009) shows that the structural context (small countries with low population density), together with poor domestic policies are the major hindrances to economic development. Moreover, Gani claims, most of the microstates will continue to be highly dependent on foreign aid. Australia and New Zealand are the largest donors. The US also plays a significant role in some of these countries, while the importance of China's aid has progressively increased.

As for the EU's Member States, only France and the United Kingdom and, more recently, Portugal have shown any interest, though their levels of assistance has remained low. This situation gives the European Union an opportunity to be a significant player (Dearden 2008).

Formal relations between the EU and (some of) the PICs date back to the early 1970s, when Fiji, Tonga and Samoa signed the first Lomé Convention (1975-1980). Kiribati, Papua New Guinea, Solomon Islands, Tuvalu and Vanuatu joined the ACP group under Lomé II (1975-80), after achieving independence.[4] Finally, the Cook Islands, the Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, and Timor-Leste joined the ACP group under the Cotonou Agreement. These latter additions have made this an even more diverse group than before, not only in terms of resource endowment and stages of development, but also in terms of government traditions and political stability (MacRae 2000; Carbone 2006b). For many years, however, the PICs received much less attention than the other two ACP regions. A symbolic change was planned for the successor of the Lomé Convention, which was supposed to be signed in Suva, but the coup in Fiji meant that the signing ceremony was moved to Cotonou.

Aid to the region under the various Lomé Conventions and the Cotonou Agreement has been around € 2 billion, with the EU actively involved in all of the PICs. As mentioned, only a few EU Member States have bilateral programmes, most notably France, the United Kingdom and Portugal. Trade exchanges are small and erratic, though there has always been a trade surplus for the PICs in its exchanges with the EU. The EU accounts for about 10 percent of the region exports and about 5 percent of its imports, with two countries (Papua New Guinea and Fiji for sugar) accounting for 90 percent of the total. In December 2004, the EU and 14 Pacific countries (all PICs except Timor-Leste) started negotiations of the EPA, but no agreement could be reached by the December 2007 deadline. The EU has also signed fisheries partnership agreements with three PICs: Kiribati, Micronesia and Solomon Islands (European Commission 2007b).

Following the strategy for Africa and for the Caribbean, the European Commission in May 2006 presented its strategy for the Pacific, which was later endorsed by the Council. The Pacific strategy focussed on three priorities: a) enhanced political dialogue in a number of areas of common interest with the view to boosting the visibility and political profile of the EU-Pacific partnership; b) focused development action, with particular reference to good governance (including efforts to fight against corruption, money laundering and terrorist activities), better trade opportunities through the EPAs, and sustainable management of natural resources (e.g., marine conservation, biodiversity, tropical forests, dis-

aster preparedness); c) more efficient aid delivery, including better donor coordination and increased budget support (European Commission 2006).[5] With these priorities, the EU tried to make its efforts more effective and visible in a region where the EU struggles for influence opposite Australia, New Zealand and increasingly China (*European Report*, 30 May 2006).

Participatory Approaches in EU-Pacific Relations

Despite the increased interest both at the academic and at the policy level, the role of civil society in the development process suffers from a terminological ambiguity. The lack of consensus regarding a shared definition derives from the fact that there is no such thing as a typical civil society organisation (CSO). Civil society is generally understood as the space between the state and the family, where organisations, which are neither part of the state nor the market, interact with a view to achieving the common good (Lewis 2001). Things got even more complicated when the Cotonou Agreement introduced the term 'non-state actors' to include a wide range of actors (see following section). The interest in civil society in international development is the result of various factors, including the crisis of the state, the process of democratisation, and the emphasis by international donors on participation (Lister and Carbone 2006). In fact, various international donors have over the years substantially increased the level of funds transferred directly to Southern CSOs. The assumption was that these actors were more accountable and efficient in implementing aid programs than their Northern counterparts and that they contributed significantly to enhancing ownership (Carbone 2008).

The proliferation of CSOs was also experienced in the Pacific. While community-based associations and church-related groups have a long tradition here, Pacific-based CSOs in a 'Western sense' are a more recent phenomenon. Many of the earliest CSOs were youth and women groups established by missionaries, with the aim to provide services to the poor. CSOs have become increasingly outspoken since the 1980s, seeking to increase their activities and participation not only in community life, but also in the overall policy-making process. The Pacific Conference of Church, founded in 1966, has championed reformist, radical and social justice causes. The Nuclear Free and Independent Pacific (NFIP) movement was involved in anti-nuclear and anti-colonial campaigning. Greenpeace has often played a visible role in dramatizing environmental issues. Trade unions have been active on several regional political and security issues. But an important step in the Pacific was the establishment of the Pacific Islands Association of Non-Governmental Organizations (PIANGO) in the early 1990s – though it

had a long gestation period – and its various National Liaison Units (Hennigham 1995; Hill 1994; Prasad and Snell 2004).

Nevertheless, the NSA sector has suffered from a number of problems. First, relations between governments and civil society have in some cases been hostile, in other cases tenuous, and in still other cases non-existent. Second, CSOs have lacked adequate financial sources, particularly to meet core institutional costs and build internal capacity. The view from the CSO sector is that while it is more likely to receive funds for projects, donors are less interested in providing funds for core administration issues (e.g., paying salaries, renting building, buying vehicles for projects). Moreover, Pacific governments have never provided funds for recurring costs. Third, CSOs have not developed adequate capacities to design and implement larger projects, principally because their staff is not adequately trained (Klingelhofer 2002; Low and Davenport 2002).

As for EU development policy, civil society started to play a role in the mid-1970s, when a co-financing budget line was set up for European NGOs carrying out projects in developing countries in partnership with Southern NGOs. The co-financing budget line gradually became a victim of its own success, with too many proposals submitted and insufficient funds disbursed. Moreover, a number of thematic budget lines from the EU's budget were made available to CSOs for projects in developing countries. The most important examples are the European Initiative for Democracy and Human Rights (EIDHR), the Food Aid and Food Security budget line and the Humanitarian Aid budget line. As a result, it was calculated that about 20 percent of the EU's overall external assistance was managed by NSAs (European Commission 2002). In November 2002, the European Commission issued a communication on participation, in which European NSAs were marginalized. The European Parliament, by contrast, was more supportive of European NSAs. Similar views came from various Member States in the Council. This debate was protracted in the context of the negotiation of the Financial Perspectives for 2007-2013. A thematic program was eventually agreed upon for non-state actors and local authorities, replacing the co-financing and decentralized cooperation budget lines (Carbone 2006a, 2008).

Under the Lomé Convention, the role of NSAs was rather limited. Initially, a number of micro-projects were implemented mostly in rural communities. Then, the idea of de-centralised co-operation in the 1990s allowed Southern NSAs to access funds without any intermediation by Northern NSAs. Despite some initial optimism, the results were disappointing. The negotiation of a successor to the Lomé IV offered the opportunity to discuss the issue of participation. During the negotiations, which eventually led to the adoption of the Cotonou Agreement in June 2000, the degree of involvement of civil society was one of the most controversial issues, but an agreement was eventually reached in December 1999. The

European Union wanted NSAs to be actively involved in all stages of the development process. By contrast, most of the ACP countries feared that this would lead to further weakening the role of the state (Carbone 2005).

The discussions in the Pacific on the relationship between the EU and ACP group were convened by the Pacific Concerns Resource Centre (PCRC), which, with the assistance of the European Centre for Studies on European and Pacific Issues (ECSIEP), a European NGO based in the Netherlands, was involved in a number of projects. The first project (1997) concerned the debate on the future of the Lomé Convention. Two important meetings were organized, in May 1997 in Suva and in October 1997 in Brussels, to achieve a common position among Pacific CSOs.[6] The second project (1998-2000) concerned the issue of decentralized co-operation. Although national experiences vary among Pacific countries, the decentralized cooperation process allowed CSOs to launch some projects, strengthen the dialogue between civil society and governments, and improve co-operation among CSOs at the national level. Following two pilot seminars in Fiji and Tonga in 1998, additional seminars took place on all of the Pacific Islands in 1999 and early 2000. A final conference was held in Fiji in March 2000. The third project (2001-2002) aimed at enhancing capacity building in the Pacific region. Workshops were held between March 2001 and July 2002 in 13 Pacific countries. A list of NSAs in each country was drawn up and national follow-up activities designed. Following each seminar, it was decided to set up national platforms to engage with governments and the European Commission on the new ACP-EU Partnership Agreement (*Euro-Pasifika*, December 1998 and July 1999; Vere and Emberson 2004).

As mentioned earlier, the Cotonou Agreement established that a wide range of actors must be actively involved in the planning, implementation, and evaluation phases of the ACP-EU partnership. Participation is included among the 'fundamental principles' of the EU-ACP partnership agreement and 'apart from central government as the main partner, the partnership shall be open to different kinds of other actors in order to encourage the integration of all sections of society, including the private sector and civil society organizations, into the mainstream of political, economic and social life' (Article 2).[7] Three types of non-state actors were singled out: 1) private sector; 2) economic and social partners, including trade unions; 3) civil society 'in all its forms according to national characteristics', including human rights groups, grassroots organizations, women's associations, environmental movements, farmers' organizations, indigenous people's representatives, religious organizations, research institutes, cultural associations, and media. Interestingly, European NGOs were not specifically included in this group, though this omission was considered irrelevant by European NGOs (Carbone 2005, 2006a).

Assessing Participation in the Programming Process

For the first time in relations between the EU and the ACP, NSAs were required to be involved in the programming process. The Country Strategy Paper (CSP) provides an outline of the political, economic and social situation of the country and the initial EU response. NSAs are encouraged to offer their views on the country's development strategy. The National Indicative Programme (NIP) identifies focal and non-focal sectors, including the amount of resources allocated for NSAs. It covers five years, but revisions occur halfway (Mid-Term Review, MTR). NSAs should be fully involved in this case as well. The involvement of NSAs in the programming process was seen as a challenge for the Pacific, as noted by a local observer: 'requiring governments to be inclusive towards organizations without an existing tradition for doing so, or where the political culture excludes even contemplating such an idea, will prove challenging' (Koloamatangi 2003: 15).

The 2002-2007 programming exercise

The first opportunity to assess the practice of participation occurred in the context of the 9th EDF programming exercise. According to an unpublished European Commission report (2004), the consultation process was mainly satisfactory. While a wide range of actors was consulted in almost all of the involved countries (62 out of the 68 reviewed CSPs), their inputs led to a change of the CSPs in only about half of the countries (36 out of 68). Various reasons were provided for the lack of effective participation in the remaining cases,: reluctance by local governments; difficulty in identifying credible interlocutors; late involvement or lack of coherent proposals by NSAs (European Commission, 2004).

This optimistic view should be adjusted if a number of independent reports were to be taken into account. Eurostep, a European NGO, sponsored several Southern CSOs to make an assessment of participation in their country. The conclusion of these case studies was that 'participation [was] equated with consultation – which is not the same. These consultations were inadequately prepared, had little consistency, and participation often seemed to be based on an arbitrary selection of civil society representation' (Stocker, 2003: 20).[8] Another study, funded by the Friedrich-Ebert-Stiftung, a German political foundation, showed that CSOs were somehow consulted, but the depth of involvement varied: in the majority of the cases, NSAs were consulted after a first draft had already been prepared (Traub-Merz and Schildberg 2003). However, an authoritative commentator urged people to put things in perspective: not only does it take time to change attitudes in Southern governments, but the CSO sector itself

was suffering from fragmentation, competition, poor governance, and dubious representativeness (Bossuyt 2006).

The outcome for the Pacific region also received mixed results. From the analysis conducted by the European Commission (2004) and by the author in a number of interviews, it seems that consultations occurred, with a degree of variance, in 11 of the 14 countries (see table 1). On one end, we see three countries – Fiji, Samoa and Tonga – that had active NSA involvement in the consultation process. In Fiji, a wide range of actors was involved in various meetings and workshops. Moreover, the Fiji Forum of Non-State Actors (FONSA) was set up to coordinate all the sector's efforts vis-à-vis the EU. A similar process occurred in Tonga, with the new Civil Society Forum in charge of coordinating inputs on the Cotonou Agreement, including reporting on project implementation. In Samoa, the NGO umbrella (SUNGO) was actively involved in the choice of the focal sectors. On the other end, NSAs were not consulted in Niue, Papua New Guinea, and the Solomon Islands. In all three cases, NSAs were active in implementing projects, in economic development at the village level (Niue) and in post-conflict areas (Solomon Islands), in health and education and in the promotion of women's rights (Papua New Guinea). Their capacity to affect the policy-making process was, however, weak. Strengthening the local NGO umbrella (NIANGO) prior to the receipt of EU funding became a priority for Niue. In Papua New Guinea, not only was the government unreceptive, but the NSA sector was also too fragmented and failed to achieve a common position. In the Solomon Islands, trade unions were mainly active in protecting workers' wages.

In between the two extremes, the participation process was limited in Micronesia, Kiribati, Marshall Islands, and Vanuatu. In Micronesia, despite the financial support given by the government to help establish a national umbrella (FSMANGO), NSAs complained about the lack of constructive dialogue with the government. Following the signature of the CSP, however, a National Authorizing Committee was established to deal with EDF matters. Similarly, in Kiribati, after the signature of the CSP (though the consultation process lasted only three weeks), a group of local NSAs established the NSA Committee to consult with the government on EDF issues. This new entity merged with the Kiribati Association of NGOs (KANGO), which had faced a period of crisis. In Vanuatu, consultation was limited to the private sector and to a small number of NGOs. In the Marshall Islands, the inputs of the NGO umbrella were ignored (Author's interviews, January 2004 and June-July 2005; ECSIEP 2001).

The idea of consulting NSAs in the development process was new for the South Pacific. Three kinds of problems can be noted: a) NSAs lacked capacity in terms of human resources and funding; b) governments were slow in institutionalizing NSA participation; c) geographical distance between states and the

two EU delegations in the regions negatively affected NSA participation in the programming process. In spite of these shortcomings, two members of the Pacific NGO community maintained that the Cotonou Agreement 'heralded a major shift in relations between Pacific non-state actors (NSAs) and their governments. This positive climate was never witnessed during the Lomé Convention, mostly due to the lack of information regarding ACP-EU agreements. Within the region, the opportunities available under the decentralized cooperation facility were virtually unknown' (Vere and Emberson 2004: 26).

Table 1 CSP consultation process and allocation of resources for Pacific NSAs in the 9th EDF

	Type	NSA consultation, according to the European Commission	NSA Consultation, according to NSAs	Percentage of NIP to NSAs	Changes in CSPs	Government attitude
Cook Islands	2	Yes	Yes	15	No	Very positive
Fiji	n.a.	Yes, fully	Yes	15	Yes	n.a.
Kiribati	2	Yes, partially	No	10	Yes	n.a.
Marshall Islands	n.a.	Yes, partially	Marginal	15	n.a.	n.a.
Micronesia	n.a.	Yes, partially	Marginal	15	Yes	Improving
Nauru	n.a.	Yes, partially	Marginal	15	Yes	Positive
Niue	n.a.	Yes, marginally	No	10	Yes	n.a.
Palau	n.a.	Yes	Marginal	15		Positive
Papua New Guinea	2	Yes, marginally	No	7.5	Yes	Positive
Samoa	n.a.	Yes, fully	Yes	n.a.	Yes	n.a.
Solomon Islands	n.a.	Yes, marginally	No	15	No	Positive
Tonga	n.a.	Yes, fully	Yes	10	Yes	Positive
Tuvalu	1	Yes	Yes	10	Yes	Positive
Vanuatu	2	Yes, partially	No	5	Yes	Positive

Source: European Commission (2004); Author's interviews, PCRC (2004)

Type 1: relatively high level of participation and an organized civil society
Type 2: some tradition in participatory development and a somewhat organized civil society
Type 3: limited space for participation

The 2004 Mid-Term Review process

A key change introduced by the Cotonou Agreement concerns the issue of rewarding good performers and penalising bad ones. Performance must be assessed 'in an objective and transparent manner' on the basis of progress made in implementing institutional and macroeconomic reforms and on the use of the allocated resources. The purpose of the Mid-Term Reviews is to appraise and adapt the CSPs and NIPs. The EU alone, however, decides on changes in the overall resource allocation, whether a country should be rewarded or penalized. Non-state actors must be consulted in the MTR process, thus contributing to the improvement of the development cooperation program (Bossuyt 2000).

Of the 77 ACP countries, 62 went under a formal MTR process in 2004. The remaining countries had either not signed a CSP or had been signatories of the Cotonou Agreement for too short a period (i.e., the seven new PICs). In 8 cases, a new CSP was drawn up; in 17 cases, allocations were increased; in 15 cases, allocations were decreased; in the remaining cases, no substantial changes were made (European Commission, 2005a). As for NSA participation, according to the European Commission, in 20 cases there was no NSA direct involvement. This was mainly due to a lack of capacity of EU delegations or to a negative attitude of the recipient governments. In 38 cases, NSAs were appropriately involved. In 24 cases, the process was well structured, involving a wide range of actors and resulting in a change of the MTR. In 14 cases, NSAs were simply informed about the MTR process. Most of these consultations took place as a result of an initiative of the EU delegations (European Commission 2005b). A survey conducted by the European Economic and Social Committee (EESC) shows that 71 percent of the surveyed group was not consulted at all. As for the rest, consultations came in the form of information sessions rather than effective consultations; consultations were substantial and NSA views were taken seriously in only a few cases, (Sharma 2004).

In the Pacific region, the MTR process took place in only ten countries (all but Marshall Islands, Nauru, Niue, and Palau). In five cases (Cook Islands, Micronesia, Samoa, Tuvalu and Vanuatu), there was an increase of resources, whereas, in one case (Papua New Guinea), there was a decrease of resources. As for the involvement of NSAs, consultation occurred in eight cases, but only in five of them did this lead to a change of strategy. A successful case was Samoa, where the inputs of the NSAs were of a very high quality. In two countries (Solomon Islands and Papua New Guinea), NSAs were not involved in the MTR process. In both cases, the NSAs were weak, though they had played a significant role during periods of social unrest.

The 2008-2013 programming exercise

The elaboration of the CSPs and NIPs for the 10th EDF programming exercise took place between 2006 and 2007. An unpublished report of the European Commission (2007c) shows that some forms of participation took place in all the countries reviewed (64 in total, including all of the PICs). However, effective consultation occurred in only 33 cases, with a broad range of NSAs being involved, various mechanisms being used, and sufficient time being provided for inputs and feedback. In the remaining 31 cases, dialogue was *ad hoc* and consultation took the form of information sessions at quite a late stage in the process. Effective consultation depended mainly on the national context, though no significant correlation can be drawn from the link between participatory culture and the involvement of NSAs in the development process. In a majority of cases, the EC delegation took the initiative; consultation did not 'come naturally to central governments' and NSAs did not have 'the reflex to demand consultation' (European Commission 2007c). A less optimistic view came from a number of case studies produced by Southern NGOs funded by Eurostep. These studies underlined that the programming exercise not only failed to adequately involve NSAs – lacking transparency in the selection of participants, providing inadequate preparatory information and giving limited feedback – but it also undermined the principle of ownership, with the European Commission often imposing its agenda (Sebban 2006).

The PICs, once again, broadly confirmed this overall trend. In a majority of cases, NSAs were somehow involved in the programming exercise (see table 2). The best examples came from the Cook Islands, Papua New Guinea, Samoa, Tonga and Tuvalu. In the Cook Islands, NSAs were fully involved in the drafting of the CSP, particularly with those NSAs that were already involved in the 9th EDF. In Papua New Guinea, following various preparatory meetings, two workshops were organized on the focal sectors with key representatives of the NSA sector being invited. In Samoa, the focal sectors identified by the NSAs, together with other stakeholders, were eventually passed on to the Cabinet. In Tonga, various NSAs were actively involved in the drafting of the CSP. Similarly, in Vanuatu, the NGO umbrella organization (Vango) participated in the drafting of the CSP. Following the consultations among NSAs, a number of their points were incorporated into the CSP, and the final text was returned to Vango before it was adopted. In Nauru, NSAs were actively involved in the programming exercise, also because the government had a very positive attitude towards the NSA sector. In the Solomon Islands, there were a few meetings held with NSAs, which led to the selection of the focal sectors. In Tuvalu, NSAs were involved in the drafting stage through regular consultations with the NAO. NSAs were also involved, though to a lesser degree, in other countries, such as Kiribati, Micronesia, Niue, and Palau.

Table 2 Consultation process in the Pacific in the context of the 10th EDF programming exercise

	Type	*NSA consul-tation*	*Initiative*	*Form of consul-tation*	*Quality of inputs*	*Changes in CSPs*	*Govern-ment attitude*
Cook Islands	2	Good	Del	Draft CSP sent to NGO platform, followed by discussion	Weak	No	Open
Fiji	2	Limited	Del	Presentations of draft CSP	No inputs	No	Suspicious
Kiribati		Limited	Del	Draft sent to NGO platform, followed by discussion	Weak	n.a.	Open
Marshall Islands	2	Limited, but im-proving	Del & Gov	Information sessions	Weak	No	More open than past
Micronesia	2	Regular dialogue	Del & Gov		Weak	No	Growing ac-ceptance of NSA role
Nauru	3	Good	Del	CSP discussed during mission	Weak	n.a.	Reluctant
Niue	3	Limited	Del	Information session	No inputs	No	Reluctant
Palau	2	Limited	Del	Information session	n.a.	No	Growing acceptance of NSA role
Papua New Guinea	2	Good	NAO	Extensive consultation	Ad-equate	Yes	Positive
Samoa	1	Regular dialogue	Gov	Regular meetings	Good	No	Open
Solomon	2	Continu-ous and informal dialogue	Del & Gov	Information sessions	Weak	Yes	Positive
Tonga	3	Good	Del	Information sessions	Good	Yes	Reluctant
Tuvalu	2	Good	Del	Information sessions	Limited	No	Open
Vanuatu	2	Good	Del & Gov	Information sessions	Ad-equate	Yes	Good

Source: European Commission (2007c)

Type 1: relatively high level of participation and an organized civil society
Type 2: some tradition in participatory development and a somewhat organized civil society
Type 3: limited space for participation

Other Avenues for Participation

In addition to their advocacy role, non-state actors are actively involved in the delivery of services to the poor, but they also participate in the debate on trade issues.

Implementing projects

Non-state actors can access the EU's financial resources in various ways. First, the Cotonou Agreement established that a percentage of the NIP can be directly accessed via the EU delegations and can also be used for raising awareness and for capacity building. No ceiling was set up, but 15 percent of the total resources were established as the normal practice. Second, funds can be made available for micro-projects that do not fit into the focal sectors. Third, non-EDF funds include resources used in partnership with European NGOs, as well resources that can be accessed directly by Southern NSAs.

In the case of the programming exercise for the 9th EDF, the percentage of financial resources earmarked for NSA activities in the PICs was higher than in the other two ACP regions. Seven countries (Cook Islands, Fiji, Marshall Islands, Micronesia, Nauru, Palau, and Solomon Islands) received 15 percent of the total allocations, four countries (Kiribati, Niue, Tonga, and Tuvalu) received 10 percent, Papua New Guinea and Vanuatu received only 7.5 percent and 5 percent respectively. Finally, in the case of Samoa, all of the funding for NSAs came from the micro-projects, which represents about 20 percent of the NIP (see table 1). As for other resources, Pacific NSAs have benefited only marginally from decentralized cooperation, micro-projects, and co-financing. However, Fiji was identified as one of the countries that would benefit from the EIDHR. This entailed a stable allocation for the period 2002-2004 (averaging € 1.3 million per year), which was provided primarily to local NSAs, especially the Citizens' Constitutional Forum (CCF). These resources aimed at enhancing political stability, following the *coup* in 2000 and the process of re-conciliation that was initiated by the new government (Carbone 2006b).

In the case of the 10th EDF programming process, the issue of financial resources earmarked for NSA activities was not considered among the priorities. In fact, the majority of CSPs and NIPs did not contain explicit references to the amount of resources available for NSA activities. It is not surprising that in a general meeting organized by the EU delegation in Suva in August 2006, the most serious concern raised by the NSA sector was the lack of a separate allocation reserved only for NSAs.

Questioning the Economic Partnership Agreement

A radical change introduced by the Cotonou Agreement concerns the ACP-EU trade regime. After a transitional period (2000-2007), during which the Lomé trade regime was maintained, six Economic Partnership Agreements were to be enacted by 1 January 2008. The European Union's objective with these new trade arrangements was to accelerate the integration of ACP countries into the global economy by enhancing local production and capacity to attract investment, whilst taking into account different levels of development (Babarinde and Faber 2005; Holland 2002). The Pacific was the last region to start negotiations in September 2004. Several reasons prevented the successful conclusion of the EPA by the agreed deadline: the geographical vulnerability of the PICs; declining prices for Fiji's sugar; the role of Australia and New Zealand, the two major PICs' trading partners; and the strictness of the rule of origin. There were numerous meetings between Pacific ministers and Commissioners Mandelson and Ashton (in charge of trade) as well as Michel (in charge of development) and between senior officials for both parties, and a joint declaration was issued in March and October 2007 (*European Report*, 11 September 2004).

The role of the NSAs in these discussions was secondary. Relations became tense when a critical report written by Professor Jane Kelsey, but commissioned by the World Council of Churches Office, was released in 2005 (Kelsey, 2005). The Pacific EPA, according to Kelsey, was just a way for the EU to further exploit its former colonies, to impose its views without having done any preventive impact studies. Kelsey's study presented the Pacific NSA views on the EPA. In a meeting held in Nadi (Fiji) in June 2006, NSAs from 12 PICs complained about the lack of consultation and transparency during the EPA negotiation process. 'It seems that it is only government trade officials and their counterparts in the Pacific Island Forum Secretariat who have the knowledge on the EPA and what it offers. The regional CSO group is fearful that the EPA trade negotiations are being carried out purely on the basis of theoretical economic analysis' (www.bilaterals.org).

An interim agreement was eventually signed with Papua New Guinea and Fiji on 23 November 2007. Relations with the other non-LDCs (Cook Islands, Micronesia, Nauru, Niue, Palau, Marshall Islands, and Tonga) were regulated by the Generalised System of Preference (GSP) as of 1 January 2008. The region's LDCs (Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu, and Timor-Leste,) were subject to the Everything but Arms regulation. The regional EPA was discussed in another workshop held in Madang (Papua New Guinea) in April 2008. In general, the Pacific NSAs were concerned that Pacific states were unprepared for the EPAs and that they were being asked to compromise policy space that allowed

governments to discriminate in favour of local firms and suppliers in return for completely unproven and volatile benefits in the form of additional investment and non-binding promises for new development assistance. In particular, a background document prepared for the meeting stated the following:

> We note that European trade negotiators have bullied Pacific Trade Ministers during the trade negotiation process... We note that the EC has undermined regionalism in the Pacific by pursuing a 'divide and rule' strategy in the EPA negotiations with the Pacific countries... We note that the European Union is making considerable new funds available to ACP countries who sign an EPA through the European Development Fund (EDF)... Despite considerable pressure on our governments from the European Union to sign new EPAs, Pacific civil society well understands that there is... no political obligation for Pacific leaders to agree to an EU-imposed model of development (PANG, 2008).

Of course, the European Union rejected all of these claims, stating that the Pacific countries had had plenty of time to prepare for the EPAs. Moreover, it was argued that 'through the EPA, Europe will help the Pacific improve competitiveness, diversify its exports and build regional markets' (European Commission, 2007a: 3). But to do so, the Pacific could not rely solely on traditional approaches, and would need to improve conditions for investment, services and the competitiveness of its exports, addressing longer-term strategic issues relating to trade, services, investment, governance, economic policy and deeper regional integration. The EU's priority, the European Commission claimed, has been to help the Pacific boost its regional integration, gain new markets and opportunities, make it more attractive to investors and hence, foster its development (European Commission, 2007a).

Conclusion

The Cotonou Agreement marked a significant turn in the relationships between the EU and the ACP states. One of the most innovative areas, at least in theory, concerns the idea of participatory development. In the latest Lomé Conventions, several attempts had been made to make decentralized actors full partners in development cooperation, but their involvement had been limited to the implementation stage. While recognizing the right of ACP governments to determine the development strategy for their own countries, the Cotonou Agreement established that non-state actors must be involved in the planning, implementation

and evaluation stages of the development cooperation strategies. Some analysts have seen this as a very positive element while others have raised doubts. Hurt (2003: 172), for example, argues that 'it is possible that the increasing incorporation of democratically unaccountable non-state actors, especially the private sector, into the process may actually serve to weaken the process of democratization... to weaken the dominance of ACP states, especially with regard to a state's economic dimensions, by shifting the political landscape more in favour of neoliberal policies.' By contrast, Bossuyt (2006: 125) maintains that 'the opening of ACP-EU cooperation to non-state actors holds great potential in terms of fighting poverty, promoting growth, delivering social services and fostering democracy and good governance.'

While in theory the Cotonou Agreement can be considered an exemplary framework to promote participatory development, the practice has been different. The participation of NSAs in the first generation of CSPs and NIPs (2002-2007), according to the European Commission's own assessment, was considered satisfactory; the NSAs had been consulted in most countries, and, in more than half of the cases, the final document took into account their inputs. This view needs to be complemented by less optimistic NSAs or independent scholarly research. The Pacific region, however, offered a more positive picture, in spite of the structural constraints faced by the NSA sector and the geographical distance between the EU's delegations and the 15 PICs. Much more was expected from the second generations of CSPs and NIPs (2008-2013). But, in contrast to expectations, little progress has been achieved between the two programming exercises. True, the involvement of the NSAs in the consultation process has certainly increased, but there are still a number of cases in which the participation process has been unsatisfactory, with consultation often equated with information sessions.

Notes

1 The EDF is the main instrument for development cooperation within the ACP group. It is not part of the general EU budget, but is funded by voluntary contributions from Member States, regulated by its own financial rules and managed by a specific committee.

2 It should be noted that this article does not discuss Timor-Leste, which joined the EU-ACP Partnership agreement after the Cotonou Agreement had been signed.

3 For a comprehensive review of the politics of the South Pacific Islands, see Crocombe (2001).

4 Cooperation under Lomé I concentrated on telecommunications and human resources development; under Lomé II, on developing regional transport, energy, telecommunications, training and tourism; under Lomé III, on transport and infrastructures, energy, telecommunications, tourism, agricultures and fisheries; under. Lomé IV-a, on alleviat-

ing constraints of natural resources and tourism; under Lomé IV-b, on human resources development and sustainable development of natural resources (European Commission, 2007b).

5 The European Union has two delegations in the Pacific, one in Suva, Fiji, and another in Port Moresby, Papua New Guinea.

6 All of the discussions stressed the need to agree on a more political ACP-EU agreement, with a particular emphasis on good governance and the protection of human rights; to preserve the transitional period for trade preferences; to improve investment instruments; to increase the role of civil society; to mainstream gender and environment. It should also be remembered that the PCRC was chosen as the Pacific focal point for the ACP Civil Society Forum (Vassort-Rousset, 2001).

7 The importance of civil society was already emphasised in Article 1, which defines the objectives of the Partnership: 'building the capacity of the actors in development and improving the institutional framework necessary for social cohesion, for the functioning of a democratic society and market economy, and for the emergence of an active and organized civil society shall be integral to the approach'.

8 Laryea (2003) has summarised various factors prevented an effective participation such as: a) lack of institutional mechanisms; b) short time set aside for consultation; c) poor quality of information; d) limited range of NSAs involved in the process, which were mostly well-connected and urban CSOs; few attempts were made to involve grassroots or rural NGOs; d) insufficient information supplied to NSAs on the results of the consultations.

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Part II

New Insights on Old Instruments

An Overview of European Programs to Support Energy Projects in Africa and Strategies to Involve the Private Sector*

Lars Holstenkamp

Energy and Development in Africa

Energy services have not been included in the Millennium Development Goals (MDGs) as a separate target. Nevertheless, energy delivery is part of the essential infrastructure needed for a productive life and to reach the goals and targets set by the General Assembly of the United Nations (UN) in 2000. Despite its abundant energy resources, consumption of modern energy in Sub-Saharan Africa (SSA) is the lowest in the world. In rural areas, in particular, the vast majority of the people have no access to electricity. Moreover, in some countries, more than 90% of the energy consumed is produced from biomass, i.e., fuel-wood, charcoal, and dung. Open fires and unprocessed fuel contribute to emissions and indoor air pollution that are responsible for respiratory illnesses.[2]

The way energy is produced and access to energy are important issues in many areas of life, such as healthcare, education, communication and lighting. Energy services have a high marginal value for economic growth and development and are economically costly in many parts of the developing world. Moreover, there are important links between energy services and environmental issues.[3] Modern forms of energy can improve productivity, especially in rural areas, and facilitate income generation at local level. Additional opportunities for employment may be created, thereby diversifying the available income sources.[4] Renewable energy technologies (RETs) can also spur the creation of micro-enterprises. On the other hand, one must guard against excessive expectations. The economic benefits that can be generated also depend on other conditions. Therefore, improvements in energy delivery must be accompanied by complementary actions and integrated into a poverty alleviation strategy encompassing more than (rural) electrification alone.[5]

Though insufficient, improving access to energy is an essential and necessary input if the MDGs are to be fulfilled in African countries. SSA is still a long way

off from meeting the MDGs.[6] Energy crises in countries such as Tanzania show that energy shortages are a bottleneck to economic growth and development. The challenge here is to increase funding for energy access, which has to be at least doubled in a climate in which private funding has declined and is at a low level in African RET markets.[7]

Switching from traditional biomass to kerosene or gas as suggested by the UN Millennium Project (2004) may be a first step but it also increases dependency on fossil fuels. Rising oil prices also have a negative effect on the economies of oil importers and force the poor back down the energy ladder.[8] This is why the main focus of this paper is on renewable energy sources. Moreover, grid extension is not a feasible solution in many rural areas where RETs are sometimes the only economically viable way to facilitate electrification or other energy services. There are lots of different RET project types ranging from large-scale projects like the Inga dam in the Democratic Republic of Congo to transboundary grid routes through Africa, medium-scale hydro-electrical facilities, wind parks, geothermal power, biomass and concentrating solar power, all integrated into the national grid, to rural off-grid centres, household scale appliances, or sustainable household biomass (e.g., improved stoves).[9]

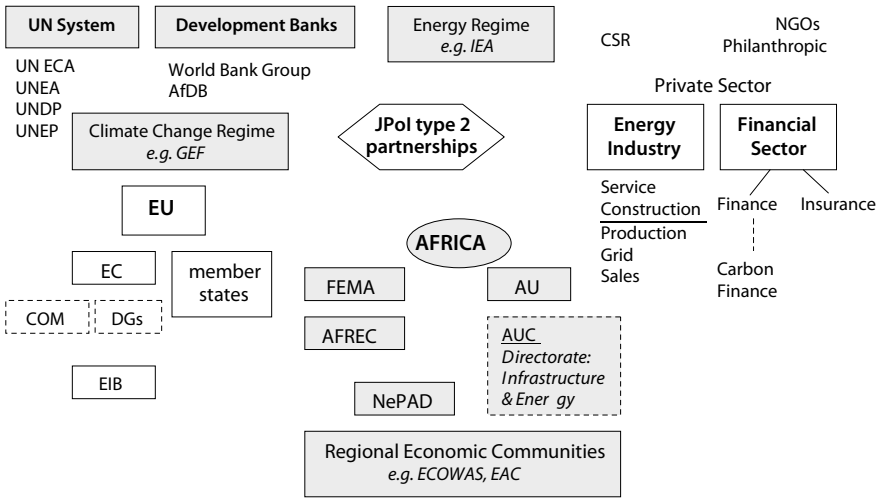
Funding and technical assistance is available from public and private actors at the global, continental, regional and national levels. The following section deals with different private actors and their investment decisions. The problems of RET projects in Africa are described and possible public actions to solve these problems are briefly discussed. These theoretical considerations serve as a background for the overview of European financing initiatives for (renewable) energy on the African continent in the third section of this contribution. Since it is often stressed that investment needs can never be met without private sector participation, this article also examines the potentials and limitations of Public Private Partnerships (PPPs) or other forms of cooperation between public and private actors. It also focuses on the need for (more) coordination and harmonisation among donors, not only within the European Union (EU) and its various institutions, but also between EU and multilateral donors and networks. The article ends with a brief summary of results and conclusions. The work presented here is based mainly on a review of the literature, complemented by several interviews and personal communications with some of the actors in this field.

Private Sector Involvement

Private Sector Contributions

A variety of different public and private entities are active in the field of energy supply in Africa. Figure 1 is an overview of the most important ones. This contribution deals specifically with European initiatives, networks in which the European Community (EC) or EU Member States participate, and the private sector.

Figure 1 Overview of Public and Private Actors



Private sector agents are active in two fields. The first is the renewable energy industry (and related businesses), i.e., the more technical part, and the second is the financial sector which provides capital and risk management instruments for RET projects. Private sector agents may provide training, facilitate the transfer of knowledge and innovative technical solutions, or help build capacity in the recipient country. On the technical side we find the energy companies and business associations. Important actors in the financial sector in addition to the banks are the microfinance institutions, venture capital funds, carbon funds, and insurance companies.

Projects are mainly evaluated on the basis of costs and benefits. These financial motives are not the only considerations, however. Others include sustainability or corporate social responsibility (CSR) in relation to 'green funds'.[10] A not-for-profit sector also exists in which these kinds of motives play a significant role. Nevertheless, the focus of this paper is on the private, 'commercial' sector

and the possible collaboration between the public and private sectors. Investment planning data always includes a degree of uncertainty,[11] which has to be taken into consideration in one of three general ways:

1. Cash flows are adapted to incorporate these uncertainties (e.g., via simulation and, to a certain extent, via sensitivity or scenario analysis).
2. A risk premium is added to the discount rate taken to calculate the net present value (NPV) with capital market models perhaps being used.
3. The amortisation period is shortened, i.e., the period of time after which up-front costs have to have been paid back by revenues.

When choosing between different projects, private investors not only take the risks and returns of a single investment into account, but also the correlation between the risks of different projects. In general, the higher the uncertainties are, the higher the expected returns from an investment have to be. Besides, assets that are not or maybe even negatively correlated with other assets are of special interest due to the possibility of portfolio diversification.[12]

As is shown in the next section, the low level of private investment in RET projects in Africa is due to the fact that they offer 'a low return with an extra portion of risk'.[13] High initial costs and a corresponding long amortisation period, low returns and uncertain cash flows, which lead to high risk premiums, result in a low NPV. This is the reason why most of the projects are 'CSR driven' or take the form of donations rather than commercially viable businesses.[14] Consequently, there is a need to reduce uncertainties and enhance returns in order to encourage private sector agents in addition to the non-governmental organisation (NGO) and philanthropic / CSR sectors.

Problems of RET Projects in Africa

The obstacles and uncertainties facing RET projects can be lumped together into four groups:[15] (1) supply side, (2) demand side, (3) framework conditions, and (4) financial sector. Most of these are common to all RET projects, wherever they are conducted. However, the problems are a lot more severe in the African context.

Supply-side obstacles

The problems on the supply side, which tend to be more serious in the African context because of the more difficult business and financial environment, are:

– Higher operating uncertainties because of the newer technologies and insufficient data for analysis;

– Projects being too small for some financiers. This is especially the case as regards rural electrification with the result being much higher transaction costs per unit produced;
– Longer lead times and high initial costs which result in a higher ratio of capital costs to operating costs, the need for longer-term financing, project exposure to uncertainties over a very long period of time, vulnerability to capital structure and, in particular, political uncertainties.

Moreover, present technologies are not yet fully competitive. Commercialisation and marketing are complicated by the competition between relative new technologies and older ones. Although this also applies in developed countries, especially due to the state of the demand side and regulatory obstacles described below, the problem is more severe in many parts of Africa.

Developers in African countries are mostly less experienced. Completion and operating uncertainties therefore tend to be higher. The track record of developers is, in most cases, limited. Moreover, most developers have a low level of own funds, i.e., little equity and none of the collateral required by banks for corporate finance. There is also a lack of commercial business models and of local capacities to adapt technology.

Low accessibility due to difficult locations aggravates the problems as regards the infrastructure required to deliver services. Huge funds and/or smart decentralised solutions are needed to overcome these physical barriers.

Other uncertainties include those commonly found in foreign projects such as currency uncertainties or credit, economic, and political uncertainties. Once again these are generally more acute in the African context, although a couple of standard risk management solutions have been developed to mitigate such risks.

The last point to be mentioned on the supply side, namely fuel supply uncertainty, is mainly caused by difficulties in assessment (e.g., wind, geothermal) or delivery (e.g., biomass). The lack of reliable data in many African countries may exacerbate this problem. Nevertheless, it has to be stressed that this type of uncertainty is usually understated in the case of conventional power plants. Since there is no correlation between renewable energy and fossil fuel supply, RETs could be used as a natural barrier.[16]

Demand-side obstacles

Supply-side factors play a role in almost every region of the world, although most of these are more problematic in the African context. Meanwhile, demand-side obstacles are present to a much lesser extent in developed countries compared to developing ones. These include:

– a lack of familiarity with RETs and reduced awareness and willingness due to a limited cultural acceptance of RETs;
– problems relating to adequacy and costs that lead to low rates of return and therefore impede investments in RET projects;
– excessively low consumption levels in some areas, which means insufficient productive use in remote rural regions, for instance;
– low ability-to-pay and willingness-to-pay in rural areas in particular, aggravated by high unit costs per consumer;
– low demand for excess supply which can be fed into the grid.

Consequently, there is a need for businesses to be developed and upgraded before or in conjunction with RET projects.

Framework conditions

Transmission access, interconnection, permitting, and liability requirements, location restrictions or prohibitions to sell into the grid are all problems created by inadequate policies and legal frameworks. Moreover, pricing rules play a significant role in the context of energy investments. Tariffs are often too low for RETs to recapture costs. Price distortions such as subsidies or unequal tax burdens also favour conventional sources. Insufficient market performance also hampers RET projects and leads to positive externalities of renewables not being valued and the negative externalities not being internalised into fossil fuel prices. This adversely affects the commercial viability of RETs. Inadequate information may lead to market failures as well as natural monopolies of infrastructures and thus lead to the need for governmental regulation.

While energy policy is a highly competitive field in developed countries, political uncertainties tend to be much greater in African countries. Moreover, weak institutions may deter foreign investors. The structural transition of energy markets in African countries creates further uncertainty. An additional problem concerns excessive or ineffective regulations.

Financial sector

The fourth group of obstacles concerns the financial sector, which is weak or even absent in many parts of Africa. Financial sector obstacles include problems relating to the acceptance of RETs by financiers. Banks or other intermediaries are usually unfamiliar with these types of projects and may be averse to them because they are perceived as new and high-risk. Moreover, financiers have lost faith in energy projects in general due to incidents like the California energy cri-

sis, the Enron debacle or blackouts in the US and Europe. While familiarity with RETs is also increasing in the developing country context, the previous obstacle, however, shows that it remains a general problem. By contrast, excessively small projects and high transaction costs per deal, as well as a risk-return profile (which is considered to be unattractive compared to other types of projects) hampers the willingness to finance RET projects, especially in Africa.

All this leads to a lack of funds and/or financial instruments. Different RETs require different types of financing. Consumer finance and microfinance that are necessary for off-grid and small-scale solutions are often absent in rural areas. It is difficult to secure corporate finance for medium-sized projects due to a lack of collateral and high interest rates. Project finance could be used as a financial tool for large-scale projects, but this is difficult to implement due to the risks for which no party takes responsibility, or there is simply a lack of funds.

The solutions are of a more traditional short-term nature than creatively structured products. If policies are available at all, the insurance premiums are (too) high and the level of local investments tends to be low.

All in all, these problems may create a vicious circle with the reluctance of financiers and manufacturers to invest leading to low levels of production. Higher production levels are necessary to increase the economies of scale. High costs resulting from this further lower demand and therewith deteriorate investment conditions.

Public Interventions and the Possible Role for ODA

There are at least four starting points from which public intervention helps to reduce risks and enhance returns through the improvement of the framework conditions and the provision of various types of subsidies:

- Policy environment and pricing
  Improvements in the policy environment have been taking place in the form of liberalisation in many energy markets. Nevertheless, most energy markets are still in a state of transition. Energy market regulation is a complex task. For instance, it is possible to make revenues more predictable and stable through adequate pricing (price-support schemes, fixed-price schemes, feed-in-tariffs) as shown by experiences in developed countries. Policy advice is, therefore, one of the major roles that official development assistance (ODA) can play in this field.
- Financial (sector) assistance
  Donors could help close the infrastructure funding gaps, provide equity especially for financing during the seed stage, participate in venture capital funds to raise funding for Africa as well as provide loans or grants to large or medium-sized projects, or support the development of risk management tools.

In addition to this, training and awareness raising is necessary in the microfinance sector, although this should be limited to initial stages in order to avoid the crowding out of private initiatives by public funds.[17]

– Additional revenue flows
  Additional revenue flows could be generated for renewable energy projects through the Clean Development Mechanism (CDM) of the Kyoto Protocol, or through Tradable Renewable Certificates (TRCs), which are dealt with in section 3.1.2. Technical support is also needed.
– Business development
  Besides pricing schemes, support for the productive sector might be one way of overcoming demand side problems.

These four types of policies may each help to break the vicious circle described in the previous section in conjunction with technical support for energy companies.

An Overview of European Energy Policy and Initiatives vis-à-vis Africa: The General Framework

Having described the uncertainties associated with RET projects and obstacles to private investments in this sector in Africa, this section provides an overview of a variety of European initiatives. It analyses how far these initiatives address the problems referred to above. The initiatives are imbedded in a general policy framework, which is described first. This is followed by a clarification of the characteristics of some of the funds. Besides these funds, there are a variety of different initiatives and forums in which European actors are involved and this brings up the question of policy coordination, which is the focus of the last part of this section.

When looking at the overall energy policy framework and EU-Africa relations, one has to take three major issues into account. First, the general EU Africa policy and development issues, second, climate change policies and the global climate change regime and third, the issue of energy security. With regard to the first issue, at least two attempts are being made to create a coherent policy framework in the form of the Africa Strategy of 2005[18] and the 2007 Joint Africa-EU Strategy[19, 20] Energy is a key development issue of these strategies and is also referred to as part of the infrastructure challenge and climate change policy. Both strategies address the whole continent, with the African Union (AU) as the partner.

Nevertheless, different institutional arrangements continue to exist for North Africa, the SSA, and South Africa. The Euro-Mediterranean Partnership was created as part of the Barcelona Process, followed by the European Neighbourhood Policy (ENP) with the European Neighbourhood Policy Instrument (ENPI) as

source of funding.[21] The SSA is part of the Africa, Caribbean, and the Pacific (ACP) group with the European Development Fund (EDF) as its main financial instrument. South Africa has its own Trade, Development and Cooperation Agreement (TDCA) with the European Communities and is specifically addressed as a geographical area within the Development Cooperation Instrument (DCI).

Different institutional arrangements based on parts of the continent as well as energy-related topics are mirrored by competencies within the Commission, which are spread over various departments (Department General, DG):

- DG Development for ACP countries and DCI plus EuropeAid as agency;
- DG External Relations for ENP;
- DG Environment for climate change policy;
- DG Energy and Transport for energy policy in general and research in this field.

The second issue, which has, or could have, an influence on energy access and development in Africa is climate change policy. As noted in section 2.3, carbon finance and TRCs could generate additional revenue streams for RET projects. From an investor perspective more or less certain revenues would help to make projects attractive. Since both instruments – carbon finance and TRCs – are still relatively new instruments and their future development highly dependent upon international political decisions, this is a difficult condition to fulfil.

Nevertheless, carbon finance is used as an instrument for RET projects in most regions of the developing world with Africa having only a very small share of the carbon market.[22] Emission-reducing projects can be used to generate Certified Emissions Reduction (CER) certificates, which can then be traded. Projects must be approved by the CDM Executive Board.

Problems associated with CDM projects are the high transaction costs and uncertainties relating to approval. Some of the problems with CDM rules for small projects might be overcome by combining projects and the so-called 'programmatic CDM'.[23] This is one way in which climate change policy affects energy markets.

Promotion of CDM in Africa is included in the EUEI. Nevertheless, Africa has played only a minor role in the Conference of Parties in Bali in December 2007.[24] Besides capacity building in African countries and the initiation of pilot projects as a means of producing successful examples, there is a need to lower transaction costs and uncertainties with regard to regulation, and further improve possibilities for combining smaller projects. These regulatory issues are daily business in the field of climate change policy with impacts on development and energy policy. The use of the CDM in RET projects in Africa can be increased not only through capacity and awareness building but also by reducing uncertainties.

TRCs, also called green tags, green certificates or renewable energy credits are being discussed as a tool by which to integrate the private sector, for example, in the Mediterranean Renewable Energy Partnership (MEDREP) launched by Italy and established as a Johannesburg Plan of Implementation (JPoI) type 2 partnership.[25] TRCs use an unbundling strategy to sell non-energy attributes of electricity produced from renewable sources. These certificates can be bought by residential or non-residential customers who value 'green' electricity more than conventional production. The revenues generated by selling the certificates can be used to finance the RETs projects.[26] Using TRCs will require standardisation and verification procedures. Moreover, it would make sense to test this instrument for North African markets if these are integrated into the EU energy internal market.

In addition to development and access to energy, the third topic on the agenda is energy security, which influences the (public) investment flows to different African regions. Rising prices for fossil fuels and increasing demand, especially in Asia, have, in the eyes of many observers, led to a resurgence of geopolitics based on 'regions and empires' and 'market and institutions',[27] with a focus on market-based solutions, good governance, and multilateralism.[28] Both strands of the energy security discourse lead to questions relating to the links between development, energy security, and democracy. Resource-related conflicts may arise because of energy poverty.[29] Another discussion focuses on whether a 'resource curse' exists, i.e., a decline in economic activity and level of democracy because of a wealth of resources.[30]

While acknowledging Europe's dependency on energy imports, which will become even greater in the future, an attempt is being made to build up a coherent common external energy policy for the EU. Concrete actions, as laid down in the Commission's Green Paper on Energy Security[31] and subsequent documents and communications, are the integration of Maghreb countries into the EU electricity internal market and the negotiation of a Euro-Maghreb Energy Community Treaty. Transport from the SSA is included as a later phase. The SSA is mainly seen as an increasingly important market for fuels, which is clearly affected by China's growing influence.[32] Development issues are no more than a minor point, reflecting the fact that the integration of development and energy policies is at least at an initial stage.[33]

European funds to support energy access in Africa

The institutional fragmentation discussed in the previous section, as well as the differing emphasis put on energy policies vis-à-vis different parts of Africa, are also reflected in the various European funds available to support energy projects on the African continent. Table 1 shows an overview of the characteristics of

three different programmes: The Infrastructure Trust Fund (ITF), the ACP-EC Energy Facility, and the Global Energy Efficiency and Renewable Energy Fund (GEEREF).

Table 1 Overview of European funds

Program	*Infrastructure Trust Fund (ITF)*	*ACP-EC Energy Facility*	*Global Energy Efficiency and Renewable Energy Fund (GEEREF)*
Organisation	under EU-Africa Infrastructure Partnership; managed by EIB	under EDF	managed by EIB and EIF
Funds	€ 146m(€ 10m from ACP-EC Energy Facility)	€ 220m (2005-2007) (€ 198m for Call for Proposals)	€ 80m by ECtarget: € 100m
Target	cross-border infrastructure; energy as 1 of 4 sectors; large-scale projects	energy projects in ACP countries: access, management and governance, cross-border cooperation	broad spectrum of renewables and energy efficiency, regional funds; smaller projects < € 10m
Private sector involvement	co-investment	application for projects, not for profit; call for tenders, subcontracts, participation in PPPs	private sub-funds, private sector involvement on project level
Type of intervention	Co-finance, interest rate subsidies, technical assistance, environmental or social project components, early-stage finance, insurance	Co-finance	fund-of-funds: equity for sub-funds, or: co-investment with regional fund in projects; technical assistance component

Source: Funds' websites as indicated in the endnotes

The Commission, member states, and the European Investment Bank (EIB) have set up the Africa-Europe Partnership on Infrastructure together with the Infrastructure Trust Fund (ITF).[34] The ITF supports cross-border infrastructure projects, including energy, with public or private partners. It can be used as source of co-finance and provides funding for interest rate subsidies, technical assist-

ance/feasibility studies, environmental or social project components, early-stage finance and risk mitigation insurance premiums. The fund is managed by the EIB and € 146 million has been committed so far. Although rural areas might also profit from better connections between different countries, energy projects financed under the ITF are mostly very large-scale ones not specifically targeted at rural populations.

The second fund is the ACP-EC Energy Facility financed from intra-ACP funds under the 9th EDF.[35] € 198 million was distributed to be used for the co-financing of projects. Meanwhile, € 10 million of the € -220 million facility was used to refinance part of the ITF. Eligibility criteria for projects under the facility make it difficult for private actors to participate if profit is involved and, for some, it certainly constitutes a hindrance in taking part. Moreover, the first facility is being phased out. The 10th EDF (2008-2013) is currently under discussion.[36] If countries have included energy in their programming documents, RET projects can also be co-financed. Depending on how much is allocated to the energy sector by national governments in ACP countries, a second facility may be launched. In total € 2.2 billion has been allocated to ACP countries. North African countries have no access to these funds. Instead the ENPI can be used for support.

Third, the GEEREF was founded in 2008 as an innovative financing tool to provide equity for regional funds and/or co-financing projects together with (private) funds.[37] This fund-of-funds is managed by the EIB together with the European Investment Funds (EIF). € 80 million has been pledged by the EC with initial target funding being € 100 million. It is estimated that up to € 1 billion of additional risk capital can be generated. Ten percent of the total fund will be used for technical assistance in order to reduce transaction costs by improving project proposals and business plans. This will lead to higher fund performance.

Although, under GEEREF, a smaller amount is provided compared to the other two funds, the initiators expect a much higher financial impact. Moreover, public money given to the regional funds may be repaid with higher yields if projects work out well. This article focuses on this type of funding in greater detail because it is complementary to other public funding sources.

The basic idea was to construct a private equity fund with the public holding the subordinated shares and granting private investors a preferential profit in the range of 4 to 10%. GEEREF can serve as a lead investor with investments between 10-15%. There is no specified target for profits on the public side, hence the title 'patient risk capital'.

This fund offers a wide range of PPP possibilities at different levels. Private investors might join the fund-of-funds, which diversifies risks geographically and across more projects than the single sub-funds. If the first stages of the businesses are funded to a larger extent by public sources, other private investors might join

at later stages with a shorter period of exposure to risk, lower/less uncertainties, and therefore a shorter amortisation period. The technical assistance facility lowers transaction costs, thereby helping to make projects commercially viable. The equity provided helps to secure other sources of finance such as bank loans, especially at later stages.

There are, however, a number of questions that should be raised and the answers to these will determine whether GEEREF will become a success story or not:

- Considering the wide scope of regions and project types to be addressed, € 80 million seems like a small amount. GEEREF is a fund-of-funds with regional sub-funds to be found in ACP, North Africa, Latin America, Asia and non-EU East European countries. If target funds have capital amounting to approximately € 100 million and GEEREF refinances between 10-15%, there is enough money for one fund per region.
- Target investments are a wide range of projects each worth less than € 10 million and with a proven technical track record. Examples are utility-based projects, manufacturing and assembly businesses, consumers, small and medium-sized enterprises and microfinance intermediaries.
- Consequently, there is the need for more donors and/or private investors to join the initiative. Other interested donors have made a number of pledges. Moreover, the hope is that if this fund works well, it might lead to other similar initiatives.
- Besides the technical assistance component, there is no further support at the project level that would make single businesses more attractive to private investors. As a result, the success of GEEREF depends on the selection of successful target funds, as is the case with all private equity fund-of-funds. Bearing the many obstacles and problems in mind, one might surmise that the possibilities for investing in the SSA after due diligence are few.
- If a lack of equity is not the most prevalent problem and the economic viability of single projects is, then neither a fund nor a fund-of-funds will work. GEEREF could then function as an additional component of a larger package or all those regions where appropriate policies have yet to be installed and markets developed could be left out.

GEEREF and the ITF are managed by the EIB, which contributes its technical and financial expertise to energy projects. In the case of GEEREF, this is complemented by the private equity know-how of the EIF. The EIB also has its own resources for renewable energy projects.[38] Loans and guarantees are provided for economically viable projects with mature technologies. The EIB works together with other donors in consortia with a number of new flexible financing mechanisms, such as the Risk Sharing Finance Facility (RSFF), and are used to provide

loans for research, development, and innovative projects relating, for example, to energy. The RSFF is not a program that specifically targets developing countries. Since it is partly refinanced through the 7th framework program, projects in Africa can nevertheless be funded as well under the general eligibility criteria.

In principle, projects supported by the EIB are only co-funded to a maximum of 50%. Moreover, the EIB only considers projects worth more than € 25 million. Smaller projects do not receive loans directly from the EIB, but only via other banks.[39] This is reflected by the relatively small share of RET projects, especially smaller-scale hydropower projects that the EIB has awarded to African countries (table 2). The non-hydro electric project in 2005 was a large geothermal plant in Kenya. The 2004 loans were awarded to two projects in Morocco, one of which was a wind farm near Tangiers.

Table 2 EIB energy investments in Africa 2004-2007

	2004		*2005*		*2006*		*2007*	
	EUR		EUR		EUR		EUR	
North Africa	468,423,300	93.5%	284,420,140	75.2%	464,000,000	64.7%	465,000,000	71.4%
SSA	32,500,000	6.5%	93,600,000	24.8%	173,000,000	24.1%	98,500,000	15.1%
South Africa	0	0.0%	0	0.0%	80,000,000	11.2%	88,000,000	13.5%
renewables	120,000,000	24.0%	40,100,000	10.6%	98,000,000	13.7%	248,500,000	38.1%
without hydro	120,000,000	24.0%	32,500,000	8.6%	0	0.0%	0	0.0%
grid	0	0.0%	53,500,000	14.2%	250,000,000	34.9%	88,000,000	13.5%
Sum	500,923,300	100.0%	378,020,140	100.0%	717,000,000	100.0%	651,500,000	100.0%

Source: Own calculations; based on information provided by EIB, Financed Projects, retrieved 13 September 2008 from <http://www.eib.org/projects/loans/index.htm>

Moreover, the numbers mirror the geographical preferences for North Africa.

Policy coordination issues

Different policies – Africa and development, climate change, energy security – and various funds with different programs available for energy projects in Africa – such as the ITF, ACP-EC Energy Facility, and GEEREF described above, plus own EIB resources – create the need for coordination. One such platform for

achieving this is the European Union Energy Initiative for poverty eradication and sustainable development (EUEI).[40] There are also a number of other forums, in which various EU Member States and the EC actively participate. Thirdly, there are a number of multilateral agents and initiatives. Although it is beyond the scope of this article to describe these in detail, the third part of this section does discuss some of the coordination problems.

The EUEI was an EU response to the World Summit on Sustainable Development (WSSD) process and was launched during this event in Johannesburg in 2002, along with a number of other so-called JPoI type 2 partnerships of which a selection are briefly described in section 3.3.2. The Africa-EU Energy Partnership launched at the Lisbon summit in December 2007 can be seen as a reinforcement of the EUEI focus on the African continent.[41]

Under the umbrella of the EUEI, facilitation workshops and policy dialogues were organised in Ouagadougou in 2004 and Maputo in 2005 as a follow-up to the 'Energy for Africa' conference with financing provided by the Danish government and the EC.[42] The work was continued by the Partnership Dialogue Facility (PDF) and managed by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ).[43] The PDF aims to integrate energy access into national and regional policy, capacity building, and dialogue with all relevant stakeholders, including regional organisations as well as NGOs, private sector companies and trade associations.

The EUEI was launched during the WSSD together with the ACP-EC Energy Facility through which the 'Intelligent Energy – COOPENER' was funded as part of the DG Energy and Transport's 'Intelligent Energy-Europe' program. This program has now been replaced by the DCI's 'Thematic Program for Environment and Sustainable Management of Natural Resources, including Energy' (ENTRP).[44]

Lastly, GEEREF, which was created by DG Development under the ENTRP, is a branch of the EUEI. The EUEI Finance Working Group discussed ways of closing the funding gap for smaller projects, resulting in a feasibility study for a fund-of-funds. Expertise has been contributed by the EIB, KfW, UN Development Programme (UNDP) and the International Finance Corporation as well as private partners such as Triodos Fund Management b.v. and E+Co.

The EUEI works together with other JPoI type 2 partnerships. Besides the Forum of Energy Ministers of Africa (FEMA) and the New Partnership for Africa's Development (NePAD), the dialogue partners include:

– the Johannesburg Renewable Energy Coalition (JREC),[45] which was initiated by the German government based on participation by all EU Member States and which has, for example, led to the creation of the Patient Capital Initiative under which the EUEI Finance Working Group met;
– Global Village Energy Partnership (GVEP) International,[46] which is a follow-up to the Village Power Conference series and is based on less prominent par-

ticipation by EU Member States, but more prominent participation by the World Bank, United States (US) partners, and some European corporations;
– The Global Network on Energy for Sustainable Development (GNESD),[47] which was facilitated by the UN Environment Programme (UNEP) and a network of 20 'centres of excellence';
– the Renewable Energy & Energy Efficiency Partnership (REEEP),[48] with the United Kingdom (UK) as the largest donor, providing support for a range of activities from funding over policy dialogue to research projects;
– the Global Forum on Sustainable Energy (GFSE),[49] led by Austria, which fosters partnerships and facilitates energy initiatives.

The above can be regarded as an attempt to prevent double work and link the different initiatives. On the other hand, it seems to be almost impossible to coordinate the activities of the various JPoI type 2 partnerships, which serve similar interests but are created by different public and private actors.[50] Although these initiatives might be the flagships of the various key member states in the partnership, they also serve different interests as can be seen in the case of MEDREP, which was initiated by Italy and was supposed to strengthen cooperation in the Mediterranean.

In addition, every member state with its implementing agencies has its own bilateral program. According to the volume of ODA, the EC and Germany are the leading donors as regards energy projects. The only donor that provided equity for RET projects has been the UK.[51] Parallel activities apply in the case of Germany and the Netherlands with JREC, on the one hand, and the Johannesburg Energy & Poverty Platform (JEPP), on the other. Then there is the International Conference for Renewable Energies Bonn 2004 and in the same year a conference on 'Energy for Development' in Noordwijk. Since then, there have been some signs of improved adjustment, as shown by the cooperation agreement between the German Ministry for Economic Cooperation and Development and the Dutch Directorate General for Development Cooperation in the case of the 'Energising Development' program.

Another problem associated with bilateral and multilateral aid in the energy sector is visible at country level. Some countries like Senegal have a partnership of donors responsible for certain rural areas,[52] while other countries like Tanzania have a highly fragmented market and donors have attached only small financing components to their technical assistance. This does not make it any easier to fund RET projects in rural areas where the microfinance sector is at best weak.[53]

In order to overcome this problem, i.e., to pool funds and create a coordinating platform, the World Bank has developed a syndication approach with the African government as syndication sponsor and a donor as lead syndicator. The form of participation and the amount of financial commitment can vary according to do-

nor interests. Nevertheless, this approach enables the donor community to move away from ad hoc donor-by-donor and project-by-project decision-making. Prospectuses will be developed for Senegal and Zambia first.[54]

With regard to the World Bank's 'Clean Energy and Development: Towards an Investment Framework' and 'Energy Access Action Plan for Africa', it has been acknowledged that more coordination is needed with the EUEI and other EU activities[55] with other multilateral agents such as various UN funds and other involved programs.

Problems with rural energy projects are widely acknowledged, and thus further coordination at international level is needed and with regard to emerging rural electrification programs. In Tanzania, for instance, the World Bank is supporting the Rural Energy Fund and priority projects under the Energising Rural Transformation program.[56] The support comprises co-financing grants to RET entrepreneurs in the form of smart subsidy,[57] technical assistance, the negotiation of power purchase agreements with the grid possessing company, and seed finance for micro, small, and medium RET enterprises. These problems are only partly addressed by EC and/or bilateral donors, mostly on a project-by-project basis.

Conclusions and Recommendations

As has been shown in the second section of this article there are four groups of obstacles which may prevent private companies from investing in RET projects in Africa, namely supply-side obstacles, demand-side obstacles, framework conditions and financial sector development or funding gaps. The ITF, ACP-EC Energy Facility and the EIB with its 'standard' programs mainly address the financial obstacles facing RETs projects, resulting mostly from co-financing for large-scale and trans-boundary projects (see table 3) involving private partners which of-

Table 3 Obstacles addressed by the European initiatives

Fund/Program	*Supply Side*	*Demand Side*	*Framework Conditions*	*Financial Sector/ Funding*
ITF				L
ACP-EC Energy Facility	?		x	L/S
GEEREF	S	(S)		S
EIB	L		(x)	L
EUEI	(L/S)		x	L/S

L: large-sized projects, S: smaller-sized projects, x: addressed

ten play a minor role. Technological development is supported financially by the EIB. Best practices are also exchanged at conferences organised within the EUEI. The political and regulatory framework is also addressed via the conferences. Although some of the obstacles are reduced thanks to the funds and programs described in section 3, some problems still remain, namely that only a few initiatives actually address the obstacles to small projects or demand-side problems.[58] Although GEEREF complements the other tools and may help to overcome some of the demand-side problems if microfinance is part of a target fund, the problems in this group of obstacles remain widely unsolved. With regard to large-scale projects and overall investment needs, the amounts provided are still not sufficient to reach the targets that have been set.

Some further observations can be made:

- There is a highly complex institutional structure with different relevant policy areas, which includes a joint Africa strategy, with different programs to address North Africa, the SSA, and South Africa. Various DGs are responsible for different programs and initiatives and there are a multitude of forums including the many JPoI type 2 partnerships and different interacting levels with bilateral programs. There are also various EU initiatives, as well as multilateral development, energy, and environmental organisations. Institutional diversity makes policy coherence difficult, despite the various attempts to integrate different policies into a common framework such as the Africa strategies or the Green Paper relating to energy policy.
- CDM and TRCs may lower some of the demand side obstacles, but will certainly not play a major role as regards smaller-sized projects unless regulations are improved.

With regard to the institutional structure, the following recommendations can be made:

- The relationship between climate change policy, development policy and energy security should be made clear and policies and programs structured in a way that allows the specified goals to be realised.
- Participation in the syndication approach is a step that moves further away from project-by-project approaches. Nevertheless, it must be implemented in a way that is compatible with the other approaches taken.
- There is a need to clarify the status and relationships among networks. The EUEI should be developed in more detail in order to provide a forum in which to coordinate European policies in this field. A task that still needs to be fulfilled is the integration into a coherent European energy policy vis-à-vis Africa and its different regions.

In the field of climate change policy there is a need for further development of project-based mechanisms post-2012. Nevertheless, attention must be paid to interactions between incentives or disincentives set in this area and the overall energy policy of the different countries.

GEEREF is certainly an interesting tool when it comes to financial instruments since the more risky parts are taken care of by public investors, while private investors add to the funds needed for more substantial progress. The results of this and similar financial arrangements should be evaluated and the logical conclusions drawn, for example, that giving more equity might be a more effective way to provide aid.

Lastly, progress in the direction of a more coherent policy away from donations could be improved if other fields such as microfinance and private sector development are integrated. Paying more attention to cross-sector linkages could facilitate the move 'from donor aid to [the development of] sustainable markets'.[59]

These initiatives will be the most effective if different measures work hand in hand. Examples are improvements in the policy and regulatory framework, which can be regarded as preconditions for private initiatives to take place, business model development as well as funding research and development performed by the EIB and EC; improvements in the infrastructure coordinated on an international level and, last but not least, a clear recognition of demand-side obstacles. Otherwise, private participation in rural energy projects will remain unlikely despite improvements in the policy environment, which may well be helpful.

Notes

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more in-depth analysis of the linkages between energy services and development see also D.F. Barnes and M.A. Toman, *Energy*, or Department for International Development, *Energy for the Poor: Underpinning the Millennium Development Goals*, August 2002, retrieved 9 March 2008 from <http://www.dfid.gov.uk/pubs/files/energyforthepoor.pdf> and the literature cited therein.

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11 Uncertainty is used here in a wider sense, comprising risk, where a probability can be assigned to possible outcomes, and uncertainty in a narrower sense, where such an assignment is not possible.

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Is There an Advantage to Being Small?

Security-related Development Cooperation of Four Smaller European States

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This paper examines the strategies, methods and practices of small states in the field of security-related development cooperation. The findings are then used as a basis for evaluating the potential influence and comparative advantages small states might have in the specific context of civil intervention in violent conflict by means of development cooperation in the future.

With that objective in mind, the paper first presents a literature-based hypothesis on potential comparative advantages of small states in development and security policy, two sectors, which overlap in a field referred to as security-related development cooperation. Based on this, we present and compare four case studies that, in turn, serve as an empirical basis for our conclusions and our attempt to assess the actual potential of small states in that particular sector.

First of all, we have to define 'smallness' based on the way it was used during the research, primarily because the concept of 'small states', especially regarding its characteristics, is highly contested. Since the study focuses on a specific policy area in a limited number of European states, it deliberately makes use of a broad concept of smallness and focuses on qualitative criteria and on the role a particular state plays in the international context. Given that smallness in terms of foreign policy capacities is not, or at least not decisively, related to the size of the state territory or the number of inhabitants, it does not make much sense to rely on quantitative approaches.

In the context of the foreign and development policy of European countries, it seems sensible to use a negative approach when identifying 'smallness' as relating to all those countries that do not belong to the group of 'big players'. Of course, by such standards, the concept of smallness can be applied to most 'medium-sized countries', particularly in the context of foreign policy in which there are only a couple of major players.

Within the European Union, those major players can be identified by the relationships between all of the Member States and the influences on decision-mak-

ing processes. According to Hänggi,[1] there is a clear trend in present perceptions and analyses towards identifying Germany, the UK, France, Italy and Spain as the key players (Poland may also be regarded as a key player after the most recent EU expansion). We agree with this tendency and, as a consequence, define all other EU member countries as 'small states'. Furthermore, we expand this concept to include all non-EU member countries in Western Europe (particularly Switzerland and Norway) in that category.

Based on this definition, four different European small states were selected as case studies for the purpose of describing and comparing various approaches and to assess what does or could work and what does not. The four selected countries – Austria, the Netherlands, Sweden and Switzerland – cover a wide range in terms of their foreign policy orientation (neutral countries vs. NATO member states, EU vs. non-EU members, small donors vs. big donors, former colonial powers vs. countries without colonial backgrounds) as well as in terms of their respective 'smallness'.

The scope of this study is restricted to the bilateral level, which means that all of the activities and practices included have to be (at least partly) financed by ODA funds. Multilateral activities are, in particular, not included although the level of multilateral involvement is high. Furthermore, the funding activities of NGDOs are not covered by the scope of this study. Although it is possible for bilateral actors to share a task in terms of funding activities perceived as politically sensitive, the case studies showed that the vast majority of the interventions set by NGDOs in the context of 'working on conflict' were at least co-funded by bilateral actors.

The second restriction is the concentration on ongoing violent conflict and/or post-conflict settings. Conflict prevention activities in regions without a history or the presence of violent conflict are not included since it would not have been possible to identify such practices in a way that would enable comparability, due to the very different approaches of the donors under investigation. In order to investigate the activities on the ground, four recipient countries were chosen as exemplary case studies: Colombia, Nicaragua (as a post-conflict setting), Sri Lanka and Uganda.

To assess the current strategies, practices and, based on that, the abilities of the four selected small states in the field of security-related development cooperation, the study focused on four research questions: (1) How important is the security and conflict prevention aspect in program development and strategic planning of the respective small state donors? What are the preferred methods of intervention? (2) Are there indeed any comparative advantages of small states as donors in the field of security-related development cooperation and, if so, to what extent is it possible to employ them in the course of intervention? (3) What

are the main differences between the donors under investigation and how far do these differences correlate with the particular security policy orientations of those countries? (4) Are there any specific characteristics in terms of cooperation and coordination with major players in international ODA as well as with the institutions of the recipient state and the private and civil society sector? Do small states deliberately try to exploit their 'smallness' in that respect?

Comparative advantages of small states?

In order to discuss those questions it is necessary to generate an assumption on what potential comparative advantages of small states in development and security policy might be. While there are several studies available concerning security and foreign policy issues of small states,[2] comparable studies relating to development policy issues are rare.

The relevant, large-scale empirical studies that deal with the development policy of small states date back to the 1980s,[3] when the international behaviour of Western small and middle-sized states were particularly interesting in the context of the Cold War. Hoadley's study draws the conclusion that there are indeed particular patterns that distinguish the actions of small states from those of the six biggest OECD members countries: small states would tend to give more aid (in relative terms), and would channel this aid more via the multilateral sector. Generally, small states were more strongly committed to internationally agreed principles and targets. The research group led by Stokke identified a similar pattern, and also discovered a particular interest in dealing with matters of peace and international stability.[4] Therefore, as Hoadley emphatically concludes, the size of a particular donor could be used as a better indicator of donor performance than the financial resources.

These results correspond with other, more normatively oriented analyses,[5] some of which also include security-related tasks like peace building and conflict prevention.[6] Drawing on those studies, it is possible to classify the perceived advantages of small states in the field of security-related development cooperation into three specific types: the advantage of trust, the advantage of structure, and the advantage of perception. These three advantages, which are briefly illustrated below, serve as the hypothesis that will be tested against the concrete experiences of the four donors selected as case studies.

(1) *Advantage of trust*: The argument of a specific advantage of trust, which distinguishes small state donors from the 'big players' in the OECD-context, is based mainly on two assumptions. Firstly, most small states have no, or only a very limited history as colonial powers (with the Netherlands and Belgium as

two important exceptions). Austrian development cooperation, for instance, refers to this fact when explaining its particular trustworthiness.[7] Secondly, small states have limited resources or power (economically, politically, and military) compared to the global players in the international system. The reasoning is that, given these restrictions, small states are perceived as having a comparatively limited strategic interest in the respective recipient country. This assumption is particularly strong if the small state has positioned itself as neutral, as have three of the four selected case studies (Austria, Sweden, and Switzerland).

(2) *Advantage of structure*: Zapotoczky[8] argues that the smallness of states is most likely accompanied by lean structures and institutions. Compared to the often huge apparatuses of the big donors, this should, or at least could, result in better coordination and, furthermore, in a useful geographic and thematic concentration. Given the frequent experience of the qualitative success of projects and programmes with comparably small funding and limited resources within development cooperation, such concentration could serve as a significant advantage. Furthermore, a geographic concentration should result in synergies with the advantage of trust of the respective small state donor, since it should favour long-term commitment and deepened partnerships with the selected partner countries. However, on the other hand, small structures also suffer the disadvantage of quickly becoming overstretched when new funds and tasks are allocated – a considerable risk in a booming sector like the developmental work in the area of violent conflict.

(3) *Advantage of perception*: This potential advantage draws on the assumption that, due to their 'smallness' and the above-mentioned presumable lack of strategic interest, small states as such have a different perception of the conditions and needs of a particular recipient country or region. Building on the advantages of trust and structure, small states could have a specific sensitivity in terms of analysis. Consequently, intervention which, given the assumed long-term commitment to a limited number of partners, should be accompanied by salient regional and local knowledge. Therefore, especially in the context of peace building and conflict-related measures, small states are described as having unique competences.[9]

Comparison of selected donors

These three assumed advantages serve as a background for a discussion of the following analyses of four small states as donors in the field of security-related development cooperation. First, the analyses critically describe the history and strategic approaches of the respective donors, and then assess these approaches on the basis of concrete interventions undertaken by the donors in the four recipient countries Colombia, Nicaragua, Sri Lanka and Uganda.

Before examining the case studies in more detail, the profiles and specific roles played by the four small states within the international donor community are highlighted using quantitative data. The first remarkable finding concerns the ODA commitment of the respective donors in absolute terms. Here it becomes obvious that two of the countries under investigation, the Netherlands and Sweden, undoubtedly have to be characterised as big donors in both relative and absolute terms (cf. table 1, column 1), although there is a significant gap separating them from the top five.

Table 1 2006 ODA Commitments (Total, %GDP, DAC Code 150) of Selected DAC members[10]

(In millions of US$)	*Total*	*%GDP*	*Code 150*
United States	22,738.75	0.17	2705.74
United Kingdom	12,606.91	0.52	799.51
Japan	11,607.91	0.25	377.86
France	10,448.19	0.47	138.59
Germany	10,350.89	0.36	676.94
Netherlands	5,451.50	0.81	634.63
Sweden	3,967.33	1.03	412.18
Canada	3,713.14	0.3	461.36
Norway	2,946.31	0.89	435.14
Denmark	2,236.12	0.8	121.45
Australia	2,127.50	0.3	443.61
Switzerland	1,647.49	0.39	143.15
Austria	1,498.43	0.47	56.99
DAC Countries, Total	103,996.07	0.3	8072.24

However, this gap is not noticeable if ODA commitments are compared in relative terms (in relation to the GDP, cf. table 1, column 2). Here, small states are far ahead of the big states, which are also the major donors in absolute terms. Sweden is actually the leading DAC member in that it is the only one with an ODA volume of more than 1% of its GDP. Furthermore, even Switzerland and Austria, rather small donors given their absolute contributions, score above the DAC average of 0.3 % of their GDP.

In judging the particular involvement in the field of security-related development cooperation in quantitative terms, a comparison of the respective commitments for DAC code 150 – 'Government and Civil Society' – and therein code 152 ('Conflict, Peace and Security'), helps to give at least some idea (cf. table 1, column 3). Despite acknowledged limitations, since by far not all development measures that fit under the umbrella security-related are included in code 150, this data conveys a good sense of comparison, based on shared definitions.

The data shows that Sweden and the Netherlands are major players in the field. Even in absolute terms, both are among the top spenders in that category (apart from the US and the UK, which are by far the two main players in the field). On the other hand, the contributions of Switzerland and Austria are rather limited, even if we take their role as small donors into account. In 2006, Austria remains one of the smallest actors concerning measures that fit under code 150.

Summing up, we have to conclude that, judging from quantitative data, the only common pattern among the four donors is a relatively high ODA volume (measured against the respective GDP). However, the other categories suggest fairly huge disparities in absolute terms between big donors, which are also among the leading actors regarding measures within DAC code 150 (the Netherlands and Sweden) and those that are not (Switzerland and Austria). The following qualitative analysis builds on these results and aims to find out if such contradictions are reflected in the ongoing practices of the respective small states.

Austria

Traditionally, development policy in general and development cooperation in particular has been a rather weak sector in Austria in terms of competence – where Austria usually follows the big players, especially Germany – and in terms of funds.[11] These weaknesses are also present in the concept of civil crisis prevention and conflict management by developmental means.[12]

Nevertheless, since 2004, Austria has taken several steps to improve its capacity of development cooperation in the security segment. At first, a specific budget for conflict prevention and peace building was introduced, which followed the newly introduced DAC Subcode 152. Furthermore, 'conflict prevention and peace building' became one of the three main targets and, as a consequence, focal points of Austria's development activities, alongside poverty reduction and environment. Furthermore, the establishment of the Austrian Development Agency ADA in 2004 led to the creation of two desks, which were specifically dedicated to the topics of human rights and peace building, with one position at the foreign ministry also being responsible for these tasks.

In 2006, three guidelines for the topics of good governance, human rights, and conflict prevention and peace building were published in order to clarify the content of the sector and to consolidate the available expertise.[13] The approach used in these guidelines shows two characteristics: it is governance-focused – human rights and conflict prevention are both defined explicitly as subfields of good governance – and rights-based. Consequently, good governance is defined in an obviously political way, focusing not only on stringent economic processes and administrative efficiency, but also on democracy, rule of law, human rights and participation.[14]

Along with this programmatic focusing, the volume of funds for this sector has gone up. As a result, there has been an increase in the number of projects to the extent that presently one-third of all projects funded or co-funded with Austrian ODA money deal with topics of governance, human rights and peace building. Unsurprisingly, the main emphasis is on governance issues and on measures in the justice and human rights sectors. In addition to the concrete interventions in those particular sectors, Austria is also quite active at international level: Austrian Development Cooperation is part of the DAC working group on fragile states, and Austria is one of the driving forces in the Human Security Network (HSN), a group of 13 like-minded countries promoting the concept of Human Security.

Nevertheless, these efforts designed to concentrate the interventions along priorities set in the guidelines are contrasted by a wide and, in most cases, only very loosely connected range of activities that often exist mainly because of historical reasons. Furthermore, this demonstrates two severe weaknesses in the guidelines and the process of strategic orientation within Austria's development cooperation as a whole.

Firstly, there is no tradition of interconnection with research as, for instance, in Sweden, or increasingly in the Netherlands and Switzerland as well. As a consequence, the guidelines offer little in terms of innovative thought and strategic decision-making, but mainly mirror the results of international debates (mainly in the UN and the DAC) and approaches from other development agencies (mainly from Germany). Instead of representing a genuine and consistent approach, the guidelines appear to be a patchwork of phrases and concepts used by other actors in barely comparable contexts.

This highlights a second major weakness: a trend toward presenting simplistic mind games as potential avenues of intervention instead of building on existing experiences and shaping them into a strategy. One such example is the proposed emphasis on security sector reform (SSR), where – apart from very limited activities in South East Europe – no long-standing expertise exists. The problem is aggravated even further by the traditionally strong role of civil society organisa-

tions in the process of implementation, which often leads to inconsistencies in designing programs and country strategies from bottom-up.

The experiences in the recipient countries underline this trend. Especially in Nicaragua, the determining role of Austrian NGOs – not only in the implementation, but also in the design of interventions – effectively undermines every attempt at programmatic steering. In Sri Lanka, on the other hand, a potentially promising project by an Austrian NGO, which is working on specific peace building via a dialogue group involving several important actors in the Sri Lankan conflict, has to deal with official disengagement. While this is, of course, a legitimate position, given the fact that Sri Lanka is not a partner country of Austria's development cooperation, it is apparently inconsistent to fund a project based in the political sphere in one case and to remain diplomatically and politically aloof in the other.

A striking case is Austria's engagement in Uganda, which is relatively large and therefore demonstrates the above-mentioned weaknesses in a very clear way. Since 1986, Uganda has been one of the main partner countries of Austria's development cooperation (mostly due to the good connections the National Resistance Movement, which took over power at that time, had with Austria). For the next 16 years, Austria was very actively involved in the development in the South and West of the country and accumulated not only exceptional expertise but also a trustworthy relationship with the Ugandan political leadership. However, Austria resisted an engagement in the war-torn North of the country, where the government fought a bloody war against several guerrilla groups such as the Holy Spirit Movement or, subsequently, the Lord's Resistance Army.

This changed in 2002/03, when the development section in Austria's foreign ministry decided to get involved, motivated by the international discussions on using developmental means for peace building and the outcry of multilateral agencies over the devastating situation in Northern Uganda. A specific 'Northern Uganda Strategy' was elaborated (by an external consultant[15]) and funds of € 400,000 allocated for the period of 2004 to 2006. These funds were used to finance a wide range of activities aimed at 'Empowerment, Encouragement and Strengthening of Social Infrastructure', particularly in connection with the target groups of women, youth and traditional and religious leaders.

Given that the projects were identified via a call for proposals from Austrian developmental NGOs and project partners in the lively market of peace building NGOs in Northern Uganda, it is hardly surprising that the interventions undertaken not only lacked any strategic orientation, but were mostly redundant (overlapping with some other initiatives in the vastly increasing project market of Northern Uganda) and were more suited to the quite abstract call that reflected

Austrian's rights-based focus than the on-the-ground realities. Here, the mind games visible in the guidelines could also be seen in the various donor-driven activities that mainly serve as an end in themselves.

Switzerland

It was only after the end of the Cold War that a re-orientation development policy began to emerge in Switzerland. A new central document was written and implemented for foreign policy, which includes development policy. The ongoing North-South division was viewed as a problem and Swiss policy had to be coordinated accordingly. Interestingly, from that 1993 document, peace and security have been central issues of Swiss foreign policy.

Swiss development cooperation is organised into two main branches, the Federal Department of Foreign Affairs and the Secretariat for Economic Affairs (SECO). Within the Federal Department, two major branches deal with development cooperation. One is the SDC (Swiss Agency for Development and Cooperation) and the other is Political Division Four (PA IV). The SDC also administers humanitarian aid whereas the PA IV deals with overlapping and cross-cutting sectors of foreign policy and development policy and their application in the field. A major problem, perceived as such by the *Geschäftsprüfungskommission des Ständerates* (Auditing Commission of the Council of States),[16] is that the various institutions write their own strategic papers for their respective field of activity without much consulting or coordination.

This is why the fairly early efforts relating to policy and coherence issues and the fact that Switzerland has a long tradition in offering 'good services' made the following implementation into the practices of development cooperation relatively difficult. In 2001, sections of Good Governance and Conflict Prevention and Transformation (COPRET), the latter with a specialised staff of four, have been established within the SDC. This was directly due to the implementation process of a new strategy, which included conflict prevention and transformation as well as good governance among the five main priorities of Swiss development cooperation. The latter included an emphasis on human rights, too.

In 2003, a guideline for peace and development offered 10 commandments for how development cooperation should deal with conflicts. This list owes most of its content to the principle of 'do no harm' publicised by Mary Anderson and other handbooks in the market about dealing with armed conflict in development cooperation. As a result, the emphasis on conflict and gender sensitivity is clear, and the grouping into working around, in and on conflict is repeated. A Swiss exception may be the principle that even humanitarian and emergency aid should

have a longer perspective so that humanitarian aid and classic development cooperation overlap extensively.

In the case of conflict transformation within the Federal Department of Foreign Affairs, the PA IV and the SDC cooperate in the sense that country-specific activities on Track 1 are usually executed by the PA IV, whereas COPRET carries out Track 3 and sometimes Track 2 activities as well. Usually, these efforts are closely coordinated within Switzerland, but also with the staff on the ground in the respective target regions as precise knowledge of local conditions has proved to be an indispensable prerequisite for positive results.

In order to achieve this local competence, the Federal Department of Foreign Affairs not only has 70 staff members but also commands an expert pool and finances substantial parts of Swisspeace with FAST – an early warning system which is also used for Swedish, Austrian and Canadian development agencies – and KOFF (Center for Peace Building) as centrepieces. Of course, staff at the embassies and SDC are also involved in local peace building activities.

Sri Lanka and Colombia (along with Nepal, which is beyond the scope of this research) represent typical cases of Swiss operations. In the case of Colombia, the PA IV has a special ambassador for peace negotiations and is involved at many peace-building levels. At the foreign policy level, continuous efforts are being made to highlight issues of peace and the Swiss government is one of the few remaining channels open for communication between the Colombian government and the FARC. It is also one of the few countries that support the peace initiative *casa de paz* (House of Peace) as a platform for initiating peace negotiations between the ELN and the Colombian Government. At the same time, the PA IV supports civil society efforts to promote peace via SUIPPCOL in coordination with Swiss civil society organisations. Simultaneously, the SDC is providing humanitarian aid, which has a long-term perspective and, as such, is almost indiscernible from more traditional approaches of development cooperation.

An initiating peace process has been supported since 2001 in Sri Lanka as well, based on an interesting and, to a certain extent, successful experience in Nepal. The Berghof Foundation has been vigorously supported in its efforts to build peace, but the aforementioned expert pool also provided valuable staff to perform the work there. The rather limited Swiss resources in the beginning were considerably increased by Tsunami Aid funds from 2005 on, which consequently created new issues and problems of coordination among the Swiss players. This coordination effort resulted in a new program based on the concept of Human Security, which aims to unify the diverse visions and themes of Swiss efforts in Sri Lanka. The Swiss vantage point is that they are not bound by EU declarations of condemning the LTTE as a terror-

ist group and have more options when negotiating with such groups and its members. The fact that Switzerland also has a large Tamil immigrant population (and Sri Lankans in general) may have increased interest on the Swiss side.

The conclusion is that smallness is in itself not as important an asset for the Swiss as its neutrality and the diplomatic tradition of offering 'good services'. Not being one of the major players in the EU or NATO gives Swiss development cooperation more leeway to operate in the field of peace building and conflict transformation. This margin is actively sought by both Swiss diplomats and development staff. Despite these rather positive trends, the efforts are sometimes hampered by the rather low level of resources, which are also split into many priority countries and regions and the sometimes complex structures that are relevant for activities in the field, all with their respective institutional sensibilities and strategies. At least there is a certain intention of wanting to play an important role in peace building efforts, which, in some cases, leads to a prominent role for Swiss development policy in this area.

Sweden

The work that focuses on international peace and the resolution of violent conflicts is a salient and long-standing tradition of Swedish foreign policy.[17] It is also used as an argumentative background for designing its development policy accordingly.[18] Since a reform of its general orientation in 1995, the expansion of non-military activities in the sector of crisis prevention have taken centre stage in particular,[19] whereas Sweden's setting as a neutral small state is used explicitly as an explanation.[20]

Back in 1999, the Swedish development agency Sida developed a strategy for dealing with violent conflict and shifted its multilateral activities as well as its bilateral program and project portfolio. Human Security became the main point of reference in a 'holistic approach', which focuses on the security of both the state and the individual'.[21] As a neutral country, Sweden is therefore using a similar approach to that of the other neutral actors, Austria and Switzerland.

This is also reflected in the main sectors of activity where, like in Austria and Switzerland, the rights sector, human rights on a multilateral and bilateral level and rights-based approach in the sense of 'rule of law' takes centre stage. Rule of law in the Swedish approach is conceptualised as one of the key ingredients of democracy promotion.[22] The respective priorities in concrete intervention lie in the security sector, in the governance-related work within administrations in general, in DDR, and in the justice sector, in which 'transitional justice' in post-conflict situations is one of the focal points.[23]

A striking feature of Swedish development policy in general is the close interconnectedness with, and the heavy use of, scientific research. While it is very active in the international debates, Sweden refrains from simply adopting blueprints from multilateral actors like the UN and DAC. It prefers to promote (for example, via a research fund financed by Sida) or produce its own research. In particular, this can be seen in the division that works on peace building and conflict resolution, where some remarkable studies were produced at the beginning of the decade.[24] However, at that point, the structural limitations of Sida as a bureaucratic agency became obvious: their studies failed to be acknowledged accordingly within the agency since officers working in the office and in the field lacked the time, the specific competence, or both to connect the scholarly work with their daily chores. It remains to be seen whether the decision taken by the peace building division of Sida, to refrain from these kinds of studies in the future, is the right answer to that problem.

At the level of concrete interventions, Sweden suffers from similar problems as Austria, albeit at a qualitatively higher level given the much higher ODA commitments. The high proportion of NGOs involved in project design and realisation tends to work against the implementation of the strategic guidelines. For example, this is visible in Colombia, where a large number of sometimes very successful projects have been implemented. However, these projects remain largely unconnected from the program point of view. The same is true in the context of Northern Uganda. Whereas Sweden is one of the most active countries in terms of donor coordination and joint strategic planning, its intervention in Northern Uganda, which started in 2004/05, suffers from the same shortcomings as the Austrian intervention there does. Involvement for involvement's sake, without available local expertise and with a heavy dependence on third actors as partners, tends to replicate already existing avenues and therefore has led to redundancy and potentially more harm than good.

In Nicaragua, Sida took the opposite path and continued projects that initially built on the consequences of the violent conflict, shifting them in their priorities to pro-poor development. This, along with projects in the governance sector and particularly police training, results in a coherent and productive presence in the partner country. To some extent, the same holds true for the Swedish engagement in Sri Lanka, where some long-standing project partners, mainly in the political field of conflict resolution, are supported.

Nevertheless, the activities suffer from severe limitations that represent difficulties, which can be found at many of the Swedish interventions in the context of security-related development cooperation. Given the scope of its involvement, the number and the qualification of the staff remained limited, which led to the self-perception that Sweden was indeed a small player, unable to take a leading

role within the international community in Sri Lanka. This, in turn, resulted in actions against accepting coordinative functions (such as periodic leadership in the Sri Lankan 'Donor Peace Support Group') or leadership roles in diplomatic initiatives.

Keeping such a disproportionally low profile is, however, not specific to the Sri Lankan case. We have to agree with Wenger et al. that, despite its numerous efforts, Sweden continues to be quite reluctant to act in the field of civil peace building; it shies away from taking a leading position and the realisation of foreign policy visions.[25] Such reasoning contrasts with Sweden's position as one of the largest donors in the international arena – even in absolute terms – and having one of the best reputations as an international mediator at a diplomatic and political level.

It is interesting that it seems to be exactly Sweden's position as a small state in the international arena that is used to sustain the argument of 'we are too small' in respect of pronounced foreign policy interventions, where security-related development cooperation could take a leading role, given Sweden's profile as a donor and its openness to innovative and unconventional approaches.

The Netherlands

The beginning of the Dutch interest in peace building, conflict prevention and post-conflict reconstruction is clearly demarcated by the end of the Cold War.[26] Despite the growing interest under the long-time ministership of Jan Pronk, there was no systematic framework for conflict prevention and peace building, despite repeated warnings about the threat of internal conflicts and new wars. As Paul Hoebink showed,[27] there had been shifts in discourse in Dutch development policy, albeit, the changes were barely noticed in the concrete practices of development cooperation. Subsequent changes of government led to shifts in the focus of development policies. In the field of human rights and, directly concerning the topic of this paper, a directorate for human rights, peace building and human development was implemented under Minister Agnes van Ardenne. In 2007, Minister Bert Koenders commissioned the formation of a special unit for fragile states.

The *Rehabilitation, Sustainable Peace and Development* project can be seen as the starting point for a systematic approach in the field of peace and development. The Conflict Research Unit of the Clingendael Institute deals with a wide range of possible strategies and best practices and this paper already contains a focus on post-conflict reconstruction, which should be one of the constants of Dutch policy. Furthermore, the integration and concentration of all areas of foreign and development policy is part and parcel of Dutch policy. Unsurprisingly then, the document urges the development of a coherent stra-

tegic framework in this area.[28] As a consequence, memoranda on conflict prevention, on reconstruction (both in 2001) and also regionally on Sub-Saharan Africa (in 2003) were issued.

However, the major new introduction has been the stability fund, established in 2003. This fund has been implemented in order to focus on Dutch efforts for peace in the world, mainly using development cooperation methods although the military provide some of the resources. The fund is intended to enable the Netherlands to act fast and react flexibly whenever and wherever the Foreign Ministry perceives the necessity to intervene in countries and regions suffering from violent conflicts or where such conflicts are threatening to erupt.[29] The bulk of the money from the first two years went to the East African Greater Lakes Region, but the fund was also used to support Dutch activities worldwide.[30] Most of the DAC code activities 150 and especially 152 received their resources from this fund.

The support of the demobilisation process of the paramilitary forces in Colombia is also financed through this fund. There the Dutch and Swedish governments played a crucial role in leading the OAS-backed process of demobilisation and reintegration of paramilitary combatants because of the unwillingness and pessimism of other European states in this particular DDR process. Together with Sweden, they not only sustained the OAS mission in the beginning, but also set an example for other countries. In this case, the Netherlands may have been even more crucial because the Swedish tended and still tend to exclude the Colombian government from cooperation programs, which meant that the diplomatic side was largely a Dutch responsibility.

In their evaluation of the first two years, Klem and Frerks concluded that the stability fund is definitely an overall improvement for Dutch development and foreign policy initiatives in the overlapping areas of peace, security and development.[31] They made some critical points about the regional distribution resources of the fund as well as the results in the main project in the Greater Lakes Region. Finally, they perceived a certain inconsistency between the priority countries of the fund and the priority countries for development.

In general, Dutch development cooperation in the field of peace building, conflict prevention and post-conflict reconstruction is quite well integrated into foreign and development policy administratively. Country desks are responsible for all aspects of Dutch relations with a target country. For especially 'fuzzy' cases, the stability fund provides a promising instrument to bridge gaps between countries, policy areas, and the sometimes-delicate civil-military relations. Furthermore, the Dutch embassies have a very high degree of responsibility and lots of room to manoeuvre in, which, in theory at least, can bring local competence to the fore. There are many other tools for analysis and action in the field, which

help determine the staff both at the ministry and the embassies or representations in the target countries. However, there is still no clear overall strategic framework.

Conclusion

The comparison shows that the four donors behave quite dissimilarly, despite the fact that three of them are members of the European Union. These differences reflect varying traditions of development policy, which have consequences on both strategic issues and interventions in the field. This shows that the process of unifying European foreign policy at the level of development cooperation is still only incipient. This is not necessarily a disadvantage if the various donors act in a coordinated and – especially in foreign policy issues – coherent way. We have demonstrated empirically that this is not the case.

Nevertheless, it is possible to draw some general conclusions concerning the three potential advantages of small states in the field of security-related development policy as we framed at the beginning.

1 Regarding the *advantage of trust* it must be stated that political influence and trust from the partner countries does not automatically go hand in hand with smallness of scale. It mostly depends on the commitment of the donors, with the respective ODA volume as a crucial factor. For that matter, committed small states can make a difference in a specific target country. A second crucial aspect of trustworthiness, especially in political terms, is the general political environment, where the factor of EU membership plays a particular role (e.g., Switzerland in Sri Lanka).
2 There is no noticeable *advantage of structure* for small states. The challenges of – and shortcomings in – institutional and inter-agency cooperation are the same as with the big players. Although the lack of specialised personal is a relevant problem within the development structures of small states, at least it can be stated that there is no particular overstretching compared with the large-scale donors, where the development and engagement of qualified staff is also a well-known problem.
3 Finally, an *advantage of perception* is also not an identifiable general trend. However, in specific situations and contexts, there is usually some noticeable advantage compared with the larger players. This is demonstrated particularly in the activities of Switzerland in Sri Lanka or the (eventually failed) efforts undertaken by Sweden to elaborate a more complex background for its interventions in the security-related sector. In any case, however, such highlights are always a consequence of a particular commitment to a certain problem or a certain situation.

Generally, the results indicate that smallness in itself does not automatically guarantee advantages in the field of security-related development cooperation. Nevertheless, it is possible to use this factor productively under delicate political circumstances, but only if the material (in terms of ODA volume) and political (in the sense of a unified, coherent strategy) commitments of the respective donor are steadfast.

There are three key recommendations that can be deduced from the results of our research that appear relevant for small state donors:

1 Being a small state is – in itself – not a factor on which a strategy that connects development and security issues can be built. Nevertheless, it is feasible to include the distinction of being a small state. In order to be able to use this factor effectively a long-term commitment for a relevant engagement in the target regions is crucial. To put it more blatantly: Small states can only play a productive role, if they are comparably big donors.

2 A formidable obstacle to a strategic policy development in the area of security relevant development cooperation is the interaction of the various institutional levels of foreign and development policies. This problem affects all of the donors that we analysed. Development policy in particular suffers from a lack of integration into the general outline of foreign policy. The solution to this problem requires focused efforts without which the efficacy of security-relevant development cooperation will remain quite limited, with it being imperative to avoid 'doing security' because it is trendy and only to become engaged if there are significant competences and capacities as well as long-standing partnerships to build on.

3 The detailed knowledge of local contexts and situations is the decisive factor at the stage of intervention in the field. Furthermore, it seems inappropriate to devise measures based on blueprints, which are, in turn, based on politically negotiated policy papers or general papers of multilateral organisations. There is no universal silver bullet for intervention in this particular area of development cooperation. This neglect of local conditions amounts to a disregard of a crucial component of the 'do no harm' principle, which should not only stand for an adaptation of a universal blueprint but also for the development of a new design for each concrete intervention from scratch. Without this admittedly complex and onerous procedure, development cooperation in areas in which there is an overlap with security policy will be beset with the errors that have characterised the last four decades of development policy.

Notes

1 Heiner Hänggi, 'Small State as a Third State: Switzerland and Asia-Europe Interregionalism,' in *Small States Inside and Outside the European Union: Interests and Policies*, ed. Laurent Goetschel (Boston, Mass.: Kluwer, 1998).

2 See, e.g., Heinz Gärtner and Erich Reiter (eds.), *Small States and Alliances* (Berlin: Springer Verlag, 2001); Dieter Reinhardt, 'Staaten und Krisenprävention. Die Außenpolitik der skandinavischen Regierungen,' in *Krisenprävention: Theorie und Praxis ziviler Konfliktbearbeitung*, ed. ÖSFK et al. (Chur, Zurich: Verlag Rüegger, 1999); Dieter Reinhardt, 'Bilaterale zivile Konfliktbearbeitung von Staaten in Westeuropa,' in: *Zivile Konfliktbearbeitung. Eine internationale Herausforderung*, ed. ÖSFK (Münster: Agenda Verlag, 2001); Otmar Höll, Otmar (ed.), *Small States in Europe and Dependence* (Vienna: Braumüller Verlag, 1983).

3 J. Stephen Hoadley, 'Small States as Aid Donors,' *International Organisation*, 34 (1980), no. 1, 121-37; Olav Stokke (ed.), *Middle Powers and Global Poverty. The Determinants of the Aid Policies of Canada, Denmark, the Netherlands, Norway and Sweden* (Uppsala and Oslo: Scandinavian Institute of African Studies, Norwegian Institute of International Affairs, 1989).

4 Stokke, *Middle Powers and Global Poverty: The Determinants of the Aid Policies of Canada, Denmark, the Netherlands, Norway and Sweden*, p. 310.

5 See, e.g., Klaus Zapotoczky, 'Zur Entwicklungspolitik von Kleinstaaten,' in *Kulturelle Eigenentwicklung*, ed. Peter Atteslander (Frankfurt am Main and New York: Campus, 1993).

6 ÖSFK – Österreichisches Studienzentrum für Frieden und Konfliktlösung (ed.), *Über die Schönheit und Mächtigkeit des Kleinen. Die Leopold Kohr-Vorlesungen* (Münster: Agenda Verlag, 1998).

7 DAC – Development Assistance Committee, *DAC Peer Review: Austria* (OECD. Paris: OECD, 2004), p. 35; Otmar Höll, 'Entwicklungspolitik,' in *Politik in Österreich. Das Handbuch*, ed. Herbert Dachs et al. (Vienna: Manzsche Verlags- und Universitätsbuchhandlung, 2006).

8 Zapotoczky, 'Zur Entwicklungspolitik von Kleinstaaten,' p. 257.

9 See, e.g., ÖSFK, *Über die Schönheit und Mächtigkeit des Kleinen*.

10 While the numbers provided by the DAC are useful to identify priorities and broad trends in donor behaviour, it is important to keep their limitations in mind. Aside from the general weaknesses of such a large amount of statistical data that in its production depends heavily on bureaucratic procedures, a relevant number of funds used by donors have not been counted within the respective DAC codes, and is thus classified as 'unallocated'. As a result, the precise purpose of its use remains unclear.

11 Gerald Hödl, *Österreich und die Dritte Welt. Außen- und Entwicklungspolitik der Zweiten Republik Bis Zum EU-Beitritt 1995* (Vienna: Promedia, 2004).

12 Stefan Khittel and Jan Pospisil, *Europäische Entwicklungspolitik als Alternative zum 'Global War on Terrorism'? Zur Entwicklungszusammenarbeit der EU in Krisenregionen* (Vienna: Südwind, 2006).

13 BMaA – Bundesministerium für auswärtige Angelegenheiten, *Dreijahresprogramm der Österreichischen Entwicklungspolitik 2006 bis 2008. Fortschreibung 2006* (Vienna: Bundesministerium für auswärtige Angelegenheiten BMaA, 2006), p. 35.

14 OEZA, *Good Governance. Leitlinien der Österreichischen Entwicklungs- und Ostzusammenarbeit* (Vienna: BMaA, 2006), p. 8.

15 ADC – Austrian Development Cooperation, *Strategy for Engagement of the Austrian Development Cooperation in Northern Uganda 2004-2006* (Vienna: Austrian Development Cooperation, 2004).
16 Geschäftsprüfungskommission des Ständerates, *Kohärenz und strategische Führung der Aktivitäten der DEZA* (Bern: Geschäftsprüfungskommission des Ständerates, 2006).
17 Andreas Wenger et al., *Zivile Friedensförderung als Tätigkeitsfeld der Aussenpolitik. Eine vergleichende Studie anhand von fünf Ländern* (Zürich: ETH – Center for Security Studies, 2006), p. 93.
18 MFA – Ministry of Foreign Affairs, Sweden, *Shared Responsibility: Sweden's Policy for Global Development. Government Bill 2002/03:122* (Stockholm: Ministry of Foreign Affairs, 2003), p. 11; MFA – Ministry of Foreign Affairs, Sweden, *Preventing Violent Conflict – Swedish Policy for the 21st Century* (Stockholm: Ministry of Foreign Affairs, 2001), p. 10.
19 MFA, *Preventing Violent Conflict – Swedish Policy for the 21st Century*, p. 12.
20 Wenger et al., *Zivile Friedensförderung als Tätigkeitsfeld der Aussenpolitik. Eine vergleichende Studie anhand von fünf Ländern*, p. 93.
21 MFA, *Preventing Violent Conflict – Swedish Policy for the 21st Century*, p. 12.
22 MFA, *Shared Responsibility: Sweden's Policy for Global Development*, p. 11.
23 Wenger et al., *Zivile Friedensförderung als Tätigkeitsfeld der Aussenpolitik. Eine vergleichende Studie anhand von fünf Ländern*, p. 99.
24 See, e.g., Mimmi Söderberg and Thomas Ohlson, *Democratisation and Armed Conflicts in Weak States* (Stockholm: Sida, 2003).
25 Wenger et al., *Zivile Friedensförderung als Tätigkeitsfeld der Aussenpolitik. Eine vergleichende Studie anhand von fünf Ländern*, p. 94.
26 Georg Frerks, Koenraad van Brabant, and Marcel Scholten, *Dutch Policies and Activities Directed at Peace-building* (The Hague: Ministry of Foreign Affairs, 2003).
27 Paul Hoebink, 'The humanitarianisation of the foreign aid programme in the Netherlands,' *European Journal of Development Research*, 11:1 (1999), 176-202. For an assessment of these early policies by Jan Pronk himself, see Jan Pronk and Paul Sciarone, 'A Dutch Policy Perspective,' in *Between Development and Destruction: An Enquiry into the Causes of Conflict in Post-Colonial States*, ed. by Luc van de Goor, Kumar Rupesinghe, and Paul Sciarone (Basingstoke: MacMillan, 1996).
28 Jeroen De Zeeuw, *Building Peace in War-Torn Societies: From Concept to Strategy* (The Hague: Clingendael, 2001), pp. 35.
29 Ministry of Foreign Affairs, *Mutual interests, mutual responsibilities. Dutch development cooperation en route to 2015* (The Hague: Ministry of Foreign Affairs, 2003), p. 57.
30 Bart Klem and Georg Frerks, *Evaluatie Stabiliteitsfonds 2004-2005* (Wageningen: Bart Klem Research – Wageningen Universiteit, 2007), p 62.
31 Ibid., p 5.

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Evaluating the Best Delivery Mode of Food Aid

Some Theoretical and Empirical Insights from Northeast Africa[1]

Francesco Burchi and Sara Turchetti

In the Rome Declaration of the 1996 World Food Summit (WFS) the international community committed itself to fighting world food insecurity, which hits developing countries the hardest. The Declaration was followed by a 'Plan of Action', which identified strategies and means to reduce food insecurity in the world. The Plan of Action covers several matters since there are many possible instruments that can be useful to alleviate hunger. The paper intends to investigate the use of one of them, food aid. Commitment 5 of the Plan stresses the need to reduce food insecurity through natural and man-made disaster prevention, thus ensuring access to food in situations of both long-term and transitory emergencies. Within this Commitment, the Objective 5.3, paragraph d, states that governments should 'promote triangular food aid operations'. This work only briefly explains the general utility of food aid; it mainly aims at understanding the rationale behind this objective and describing and interpreting the progress in its realisation.

The paper is structured as follows. Section 2 introduces the concept of food aid, and briefly discusses the role of food aid in promoting food security. Section 3 examines the different categories of food aid. Section 4 conceptualises the 'best food aid' on the basis of specific criteria. This analysis aims at addressing the relevance of the triangular purchase as a means to deliver food aid in order to verify the theoretical foundations of the Objective 5.3d. It also concerns the analysis of food aid trends for the purpose of assessing whether there has been progress during the period 1996-2006. Thus, after providing information regarding data, variables and choice of recipient countries, the trend of the three delivery modalities of food aid – triangular purchase, local purchase and direct transfer – are shown and commented upon. In section 5 an analysis disaggregated by main donor countries is proposed in order to verify whether there are significant differences in their behaviour with respect to food aid practices. Section 6 is the conclusion where we draw some policy recommendations.

Food as Aid for Food Security?

Food aid: definition and objectives

Barrett and Maxwell's definition of food aid is more in line with the academic literature; basically, it states that food aid is the 'international sourcing of concessional resources in the form of, or for the provision of food'.[2] In other words, food aid is generally a form of commodity aid, but it can also be granted as a cash flow to be exchanged for food. It must be provided by a foreign country freely or on a concessional basis, which means that the donor sells food at below market price or finances the purchase of food applying interest rates lower than commercial ones.[3]

A distinction must be made between food aid and food assistance; the latter 'describes any intervention designed to address hunger in response to chronic problems or short-term crises'.[4] Food assistance differs from food aid in that it can be financed either at the national or international levels and does not necessarily require that the donor purchases food commodities.

Food aid was first introduced as a cooperation tool in 1954, with the specific objective of alleviating food insecurity in the world. After a period of many years, its role had been partly re-addressed: food aid is currently considered as only *one of the tools* available to enhance food security. This is the result of the evolution of the theory on food security.

In the past, food security was only considered an issue of *availability*, which is the supply of food physically existent in a region due to production, imports and food aid. Nowadays, following the enlightening work of Amartya Sen, we see that more dimensions have been included in the definition of food security.[5] In addition to *availability* – which is a necessary but not sufficient condition for food security – people must have *access* to food through their own production, market purchases or public transfers in kind or cash. Another essential dimension is *utilisation*, which is the physiological ability of the body to absorb the nutrients in food.[6] Finally, and more recently, *stability* became a fourth dimension: the supply of food in developing countries as well as the household and individual incomes and employment are often unstable, thus putting people at risk of food insecurity and starvation. The longer people are food insecure, the more their bodies lose the capacity to properly absorb calories. All of these elements have been incorporated into the commonly accepted definition of food security, which was introduced at the 1996 World Food Summit.

Following the shift in food security discourses, the role played by food aid has also changed. Supporters of this instrument share the idea that food aid in emergency situations is simply indispensable.[7] Food aid allows one to meet the food needs of hungry people thus preventing mortality without creating market dis-

tortions. This is because emergency food aid (when effectively targeted to needy people) creates extra-consumption, since it reaches people who do not have the purchasing power to buy it. In the literature it is referred to as the principle of 'additionality'.[8] Moreover, some authors suggest that, in cases of food shortfalls, food aid may work as a 'clearing mechanism', bringing the supply back to an equilibrium level.[9]

Meanwhile, those who dispute the 'goodness' of this tool claim that a relevant part of food aid has much to do with the disposal of surplus output rather than taking care of food deficits in recipient countries. Harris shows that food aid has often been used by donors as a form of export assistance to relieve domestic pricing pressures in periods of oversupply.[10] This creates distortions in the global commodities supply, especially of cereals, and, as export subsidies, it provides incentives for extra-production, thus further depressing prices. Most of the literature agrees that food aid creates distortions in the global and local markets, even if the effects depend on the types of commodities distributed as aid, the duration of the interventions and the targeting mechanisms.[11] It must be taken into account that the main recipients of food aid are agricultural-based countries whose income and employment levels are highly dependent on the production and sales of primary products. Therefore, displacement effects of local goods and a downward pressure on prices, due to an increased supply, may seriously affect the main sources of livelihoods of these fragile economies and, consequently, food security.

Even avoiding these unintended outcomes – but as the FAO points out 'it is effectively impossible to avoid one or both effects'[12] – there are some authors who simply believe that cash transfers are better than food aid.[13] This is because it tends to increase consumption and investments without causing distortions on the supply side of the agricultural sector. Furthermore, food aid is simply less fungible thus further limiting the 'agency' of the recipient country.[14]

The debate regarding the validity of food aid continues unabated. In this section we have briefly presented some aspects of this debate; however, this paper does not intend to engage in this controversy and challenge the relevance of food aid as a cooperation tool compared to other possible instruments.[15] Starting from the recognition that donor countries make a wide use of food aid, we intend to examine the characteristics that food aid should have in order to effectively enhance food security. For such purposes, it is necessary to present the different categories of food aid.

Grouping food aid

First of all, food aid can either be sold on the market or freely distributed. It can also be 'monetised', which means that part or all of the commodities provided as a grant are sold, and the funds generated are used to finance development projects or activities directly connected to the intervention.

When it is freely distributed, it is always directed toward targeted beneficiaries: targeting helps to restrict 'the coverage of an intervention to those who are perceived to be most at risk'.[16] There are diverse methods of targeting but, generally, variables such as income, consumption, health and nutrition are recognised as the main indicators of a state of vulnerability.[17] Moreover, the consideration of religious, cultural, and political factors helps to minimise the errors of inclusion and exclusion, although this complicates the picture and increases the costs of information.[18]

Moreover, food aid can be tied to 'loans, grants, or associated financing packages with a grant element greater than 25% and defined as aid which is in effect (in law or in fact) tied to the procurement of goods and/or services from the donor country and/or a restricted number of countries'.[19] An example of a tie is the use of a donor's boats for the shipment of commodities. It is estimated that nearly 90% of world food aid is tied.[20]

The fourth distinction is made on the basis of the aim of the intervention. Following the classification made by the World Food Programme (WFP), there are three main typologies of food aid:

- *Emergency food aid*: destined for victims of natural or man-made disasters. It is freely distributed to targeted beneficiary groups, and is usually provided on a grant basis;
- *Project food aid*: it aims at supporting specific poverty-reduction and disaster-prevention activities. It is usually freely distributed to targeted beneficiary groups; nonetheless, it is often monetised by selling it on the open market. It is generally provided on a grant basis; and
- *Programme food aid*: it is usually provided on a government-to-government basis; it very often aims to improve the recipient's balance of payments or budgetary support. It is sold on the open market and therefore it is not targeted. It can be delivered either as a grant, or as a loan.

Program food aid accounts for only 13% of the total food aid, while projects and emergencies respectively account for 24% and 62%.[21]

It is necessary for the purpose of this research to distinguish food aid based on its delivery mode.[22] The three typologies are the following:

- *Direct transfer (DT)* includes all food aid originating from the donor country;

– *Triangular purchase (TP)* includes all transactions by which a donor provides commodities that have been purchased or exchanged in a third country as food aid to a recipient country; and
– *Local purchase (LP)* includes food aid procured in a country and used as food aid in the same country.

In 2007, 62% of the total food aid delivered was procured through DT, 19% through TP and 19% through LP.[23]

The Best Food Aid

Besides the limits of food aid as a cooperation tool, which was discussed in previous sections, in this chapter we will investigate the optimal timing to use food aid. For this purpose we identify three core characteristics of the 'best food aid':

– *Effectiveness*. Since the main goal is to reduce the number of people suffering from hunger and the intensity of hunger within a geographical area, for the food aid to be effective it is necessary that it ultimately reaches the highest possible number of beneficiaries for the food aid to be effective. Furthermore, especially in emergency situations, the timing of food aid delivery plays an essential role because it can only contribute to the reduction of food insecurity only if it occurs at the right moment.
– *Efficiency*: The goal of food insecurity reduction should be achieved at the lowest possible cost. Costs here mainly include purchasing costs, distribution and transportation costs of agricultural commodities and other operational costs. Moreover, 'political' and 'moral' costs also fall into this category.
– *Transparency*: Food aid is supposed to be a means to promote international cooperation and not commercial interests; therefore, it is important not to use it for purposes other than what they were originally intended for. Although it is impossible to know the real intentions of donor countries, there are some elements that reveal the 'genuineness' of food aid practices. First of all, it should be analyzed at the point when food aid produces lower distortions in international and local markets and better fulfils the 'additionality' principle, which justifies its use within the current World Trade Organization (WTO) rules. It follows that the more distorted food aid is, the more likely it will hide vested interests. Second, the transparency of food aid interventions is directly related to the degree of involvement of the recipient country in the transaction process. For example, the commodities delivered can reflect the real needs of the beneficiaries or, conversely, the needs of the donor countries. In the second case we have a donor-driven approach, probably influenced by commercial concerns.

Now that we have identified the features of 'best food aid', we can refer to the food aid categories outlined in section 2.2 to see which one best meets the criteria. First of all, a targeted food aid effort ensures that food will be sent to the actual beneficiaries, thus it is considered effective. Furthermore, the definition of targeting should go beyond what was discussed in the previous section. The targeting should be realised by looking simultaneously at the end beneficiaries and the food that is actually being delivered to them. The targeted people should be poor recipients who actually need the specific food being provided by the donor. This comprehensive definition ensures that hungry people receive food that is socially acceptable and that meets their needs. This ensures that the effectiveness level rises because food insecurity can be better fought. However, targeting may increase the operational costs and timing since good targeting methods generally require sufficient information.

A second important element to analyze is whether food aid is tied or not. The main world donors spend nearly half of their food aid budget on product preparation and delivery via national transporters. This means that some one-third of the overall food aid budget is wasted.[24] Furthermore, it is unlikely that food provided with additional ties will be able to adequately meet the preferences and nutritional needs of the end beneficiaries. Moreover, imposing ties ultimately ensures high levels of market distortion. This means that when food aid is tied it is less effective, efficient and transparent.

As we previously noted, most food aid is emergency food aid. This is a fairly recent development caused by the sudden increase in the number of emergencies, particularly in Africa. The increased urgency of emergency food aid improves transparency since, by definition, food aid provided to people affected by natural or man-made disasters produces extra-consumption. Thus, it is more in line with the additionality principle. However, to infer that emergency food aid is 'additional' to commercial food imports, we need to have a clear and restricted definition of emergency. During the Doha Round of the WTO, there has been a lively debate on the WFP's 2005 definition of 'emergencies' – the most common one – as 'urgent situations in which there is clear evidence that an event or series of events has occurred which causes human suffering or imminently threatens human lives or livelihoods and which the government concerned has not the means to remedy; and it is a demonstrably abnormal event or series of events which produces dislocation in the life of a community on an exceptional scale'.[25] As Clay observed, such definition 'includes actions ranging from immediate post-crisis responses to protracted relief and rehabilitation operations up to five years after an event'.[26] This broad definition provides donors with the opportunity to ignore rules on export subsidies. This point is crucial because any provision of ex-ante assessment or approval may compromise the flow of emergency food aid.[27]

Programme food aid cannot be considered effective, efficient, or transparent. By definition, it is not targeted since it is sold on the open market, which, in turn, reduces the effectiveness of the intervention and creates distortions at both the global and local levels. Moreover, it can be a potential source of profit for donor firms, which raises serious doubts about the needs-based nature of such a transaction.[28]

Project food aid is probably more effective than programme food aid since the former is usually freely distributed on the market and targets specific groups; theoretically, this should increase its effectiveness because timing is not necessarily a key component as during an emergency. Nothing, instead, can be declared *a priori* about the level of efficiency and transparency. Operational costs, as we shall see later, depend more on the chosen modality of procurement. With respect to transparency, in the long run, project food aid may reduce people's incentives to improve their own situation with their own means, thus causing dependency. At the same time, however, the creation of job opportunities, due to projects like food-for-work, may be the best way to ensure poverty alleviation.[29]

Some authors[30] do not believe that monetisation is a good practice because it is food aid sold on the open market, which decreases the effectiveness and transparency of the intervention. Murphy and McAfee (2005) point out that the proliferation of this practice among American NGOs is mainly due to the high operational costs of food aid; since the 1990s, monetisation has emerged as one of their main sources of revenue and the ability to monitor funds externally has become increasingly difficult.[31]

The most important issue for this chapter is how food is procured. As we noted earlier, most food aid is transferred directly. DT is by definition a form of tied aid since at least food has to be purchased within the donor country and further aid is often tied to additional requirements. This means the emergence of strong incentives for donor firms and contractors to join the food aid business, which are likely to consider the needs of the poor as a minor sideline. For example, Tschirley estimated that during the period 2001-2005, the costs of in-kind US food aid were so high that if it was provided through local (or regional) purchasing strategies would have increased the actual food received by beneficiaries by 75%.[32] Furthermore, the overall procurement process is controlled by the donor thus reducing accountability to its lowest level. This means that DT is not the best aid modality in terms of effectiveness, efficiency and transparency.

TP and LP are generally considered better procurement modalities compared to DT; globally, however, they still only account for a small share of total food aid. Buying food locally implies a redistribution of commodities within the recipient country; efficiency should rise since operational costs tend to decline. Moreover, food is more likely to meet the preferences of the final beneficiaries, making the intervention more effective. Finally, LP does not create displacement effects, al-

lows a reallocation of resources by stimulating local supplies, which may cause an improvement in agricultural infrastructures such as storage facilities.

Before choosing local purchases as the best delivery mode, however, it is necessary to consider key issues as the sufficient availability of food, especially in a case involving an economic, climatic, or political crisis. The re-distribution of food at national level causes a reduction of the food supplied by local traders; whether the food surplus is insignificant, this process increases the scarcity of food commodities, thus raising their prices. This may end up exacerbating rather than alleviating the food crisis in a particular country.[33]

Another critical aspect concerns the political and moral domains. Starting from the widely recognised principle according to which 'National governments are primarily responsible for food security in their countries',[34] when there is enough food, its reallocation through international food aid cannot be easily justified. For instance, India often stockpiles large amounts of food despite the fact that a large part of its population is food insecure. The Indian government initially chose to not directly intervene through domestic food assistance, but then sells food to international donors in order to reach both objectives of raising revenue and providing food to its hungry people.

The third delivery mode, triangular purchase, is less likely to hide vested interests since food aid is not directly transferred and is instead provided by a third country. Therefore, without having information on other possible ties attached to it, it is clearly more transparent than DT. Moreover, when the donor chooses a third country that is located in the same region as the recipient country this generally has the effect of lowering purchasing and transaction costs, thus making the intervention more efficient. This is confirmed by the fact that more than 85% of food provided for triangular operations originates in developing countries,[35] where the food is certainly cheaper. Finally, TP does not have displacement effects at the local level but, instead, may help to alleviate poverty in both the recipient and the third country. The increasing demand, as was the case for the LP, can cause price spikes, which creates the risk of spreading the food crisis into the greater region; unlikely in LP operations, in TP transactions the sufficient availability should not be a problem since it is assumed that the third country will be chosen on the basis of sufficient food supply.

In terms of food adequacy, LP is certainly better than TP and, consequently, it is likely to be more effective. Purchasing costs are likely to be lower in TP, while LP operational costs are generally lower except when poor infrastructures increase transport and delivery costs: in this case, it is usually more convenient to buy food from a neighbouring region. The lack of adequate infrastructures and storage facilities, and the search for surplus at a local level also affect the timing of a project. Finally, TP is ultimately more transparent from a moral and political perspective.

In summary, the WFS Objective is justified from a theoretical perspective, but other aspects should be more carefully considered. First of all, TP is more likely to be tied and not targeted than LP; on the other hand, LP is less transparent from a political and moral perspective because governments are assumed to be responsible for national food security. Both are certainly more effective, more efficient and more transparent than DT. In any case, the evaluation of the best modality of procurement has to be made case-by-case; in order to respond to a wide spectrum of functions a versatile 'toolbox' is needed, as Josette Sheeran has argued.[36]

Finally, the reflections made in this section are valid on a purely theoretical basis. All the times it is necessary to monitor the procedures followed for the procurement of food aid through LP and TP. There are only few studies that have evaluated specific food aid delivery cases. Among those, Coulter et al. examined these procedures in two countries, Uganda and Ethiopia.[37] This will be the focus of the following section. Coulter et al. concluded that, within the region, LP and TP were better from all perspectives, but there were two major weaknesses in the process. The first one was that there was a high concentration of food aid procurement limited to a few major suppliers due to the restrictive WFP food standards and to largely bureaucratic and costly tenders, which excluded small producers. On the one hand, this caused price manipulations, while, on the other hand, especially in Uganda, it offers incentives to some of these big suppliers to divert grain production away from exports, thus reducing regional trade.[38] The second problem occurred in Uganda and concerns logistics. Food was procured in Northern production areas, it was then transported to Kampala in the South to be cleaned and dried by local firms, supported by the WFP through large incentives. Finally, the food was transported to the north again, where the refugee camps were actually located.[39] This level of inefficiency resulted in less food ending up being delivered to those in need.

To conclude, an adequate study of the local market environment as well as good logistical choices are essential parts of a well-run food aid intervention program; otherwise, there is a serious risk that these factors will have a negative effect on the advantage of using LP and TP over DT.

An Empirical Investigation of Food Aid Practices

This section deals with a descriptive analysis of some food aid trends between 1996 and 2006. Building on the conclusions drawn in the previous section regarding the rationale behind the definition of the Objective 5.3d, we intend to monitor the progresses towards the achievement of this Objective. In particular, we interpret this objective as calling for an increase in the percentage of food aid delivered through triangular operations (more than its absolute value). The

analysis goes beyond this minimal scope since it also examines the levels and the trends of the other two delivery modalities – local purchase and direct transfer. This is because a positive combined LP-TP trend should be generally interpreted as an improvement in food aid practices.

The empirical study was carried out in four recipient countries located in Northeast Africa: Kenya, Uganda, Ethiopia and Eritrea. These countries are all characterised by large food deprivations and very low levels of progress (sometimes even experiencing a regress) towards the first Millennium Development Goal, which is to halve the proportion of people who suffer from hunger.[40] The second reason for this choice is that the Northeastern area of Africa represents a wide heterogeneity of development conditions.

In Eritrea and Ethiopia the international community has been mainly concerned with emergency operations. These two countries have experienced several natural and man-made disasters over the period 1996-2006. In particular, the floods caused by the *El Niño* in 1997-1998 in Eritrea, the war between the two states in the three years from 1998 to 2000, and the famines in Ethiopia in 2000 and 2002-2003 led the international community to allocate many resources during the emergency and relief operations. As shown in table 1, 39.77% and 28.66% of official development assistance (ODA) was directed respectively to Eritrea and Ethiopia for emergency and reconstruction. The amounts committed to Uganda and Kenya were much lower, where the relatively smaller magnitude of the humanitarian crises made it possible for the international donors to intervene with more long-term development projects and programs. We can make the same distinction with respect to food aid among the four African countries. Eritrea and Ethiopia received a fairly higher proportion of food aid for emergency and relief operations than Kenya and Uganda (see last columns of table 1).[41]

Table 1 ODA and food aid 1996-2005 by country and type of intervention

Recipient country	*Development Assistance**		*Food Aid***	
	Emergency	**Development**	**Emergency**	**Development**
Kenya	9.38%	91.62%	72.53%	27.47%
Uganda	11.04%	88.96%	74.88%	25.12%
Ethiopia	28.66%	71.34%	82.14%	17.86%
Eritrea	39.77%	60.23%	91.04%	8.96%

* *Source*: OECD\DAC, Creditor Reporting System

** *Source*: Interfais, WFP

N.B. The amount of food aid delivered as 'program food aid' was not considered in the calculations of food aid used for emergencies and development situations.

The source of our data is the INTERFAIS/WFP, which collects the statistics for the monitoring of food aid transactions. The dataset covers information regarding donors and recipient countries, delivery modes, the quantity of food aid measured in tons and the period when it actually arrived in the recipient country. More detailed data on issues such as purchasing and transportation costs as well as data on 'third' countries involved in the triangular purchases are lacking. The latter is a problem that international organisations, such as OECD and WFP, are also encountering since donors do not report this kind of information. Without these data, the empirical analysis cannot be used to validate the assumptions made regarding the criteria used to select the 'third country'. Thus, we are totally dependent on the conceptual framework explained in the previous section.

The graphs presented in this section (figures 1-4) show both absolute and relative trends of food aid delivery modes in the four recipient countries. Although a ten-year period is not enough to track a reliable trend, it offers a general view of changes across time.

The overall amount of food aid has increased in all four countries. A clear downward trend was experienced by Eritrea from 2005 to 2006 and will probably continue for the coming years. The reason for this exception is that Eritrea was hit by a drought while in May 2006, the government decided to reduce its dependency on external food aid and came up with a massive national food security campaign.

Some changes in the choice of delivery mode have occurred. First, the proportion of food aid delivered through DT was very high in the entire region with a range from a low of 31% (Uganda 1996) to a high of 100% (Eritrea 1998). Although it began at a very high level, the trend for DT has usually shown an increase, which comes at the expense of other procurement methods; however, the intensity and timing of changes vary across recipient countries. In the countries with greater food shortages – Ethiopia and Eritrea – the use of DT was even more pronounced, especially during the crises such as the 1998 conflict in Eritrea and the famines in Ethiopia in 2000 and 2003.

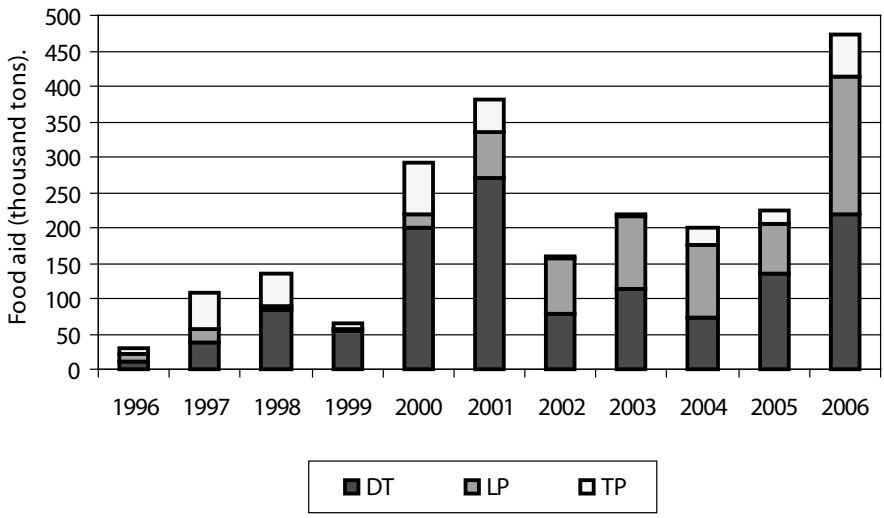
The trend of food aid deliveries through TP shows a decline in Kenya, Uganda and Ethiopia, while showing a rise in Eritrea. If we focus only on Objective 5.3d that came out of the 1996 World Food Summit, it suggests that progress was only made in Eritrea.[42] However, besides the temporal variations, the use of this delivery mode has always been very low in these countries, with a maximum of some 33% in Eritrea in 1999.

Since 2000, donors have generally increased food aid procurement through LP in all of these countries, except in Eritrea, where almost no food was procured locally.

The overall picture emerging from the examination of these graphs is that the choice of procurement does not follow the guidelines identified in the WFS, and, even worse, it reveals that food aid intervention is rarely done in the 'best' way, since both local and triangular purchases play only marginal roles. There are some observable changes in Kenya and Uganda, however, where local purchases – a good delivery mode especially under the conditions of large food availability in short periods of time – over the past few years has registered figures that match direct transfer modalities. On the contrary, it seems as if emergency situations, mainly in Ethiopia and Eritrea, have been used by major donor countries to justify a far larger use of direct transfer.

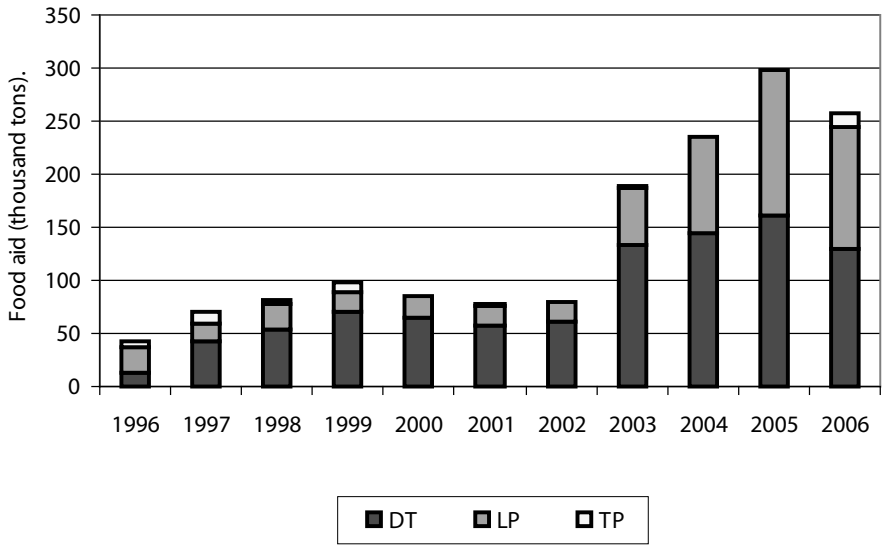
This analysis was based on the aggregation of donor countries in one single group. In the next chapter, we try to outline differences in donors' behaviour with respect to food aid practices.

Figure 1 **Kenya: food aid by delivery mode**



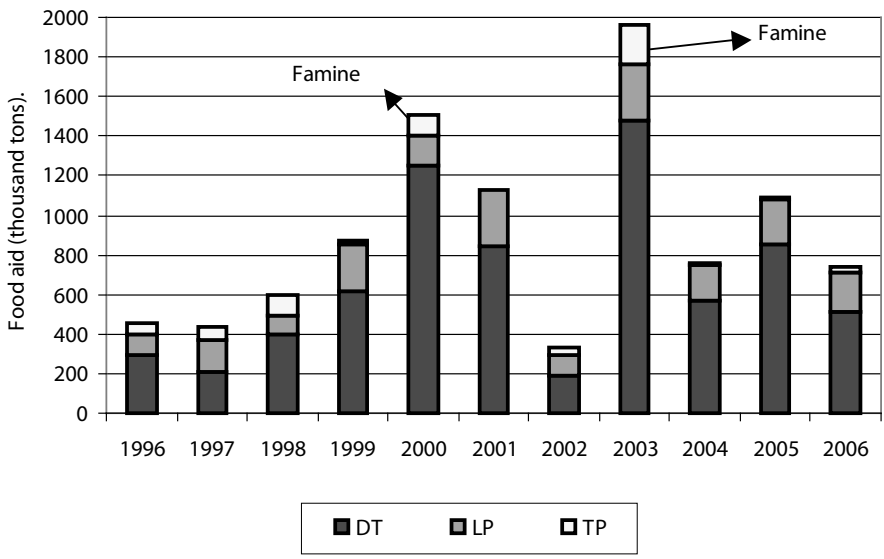
Source: authors' elaboration on Interfais, WFP

Figure 2 Uganda: food aid by delivery mode



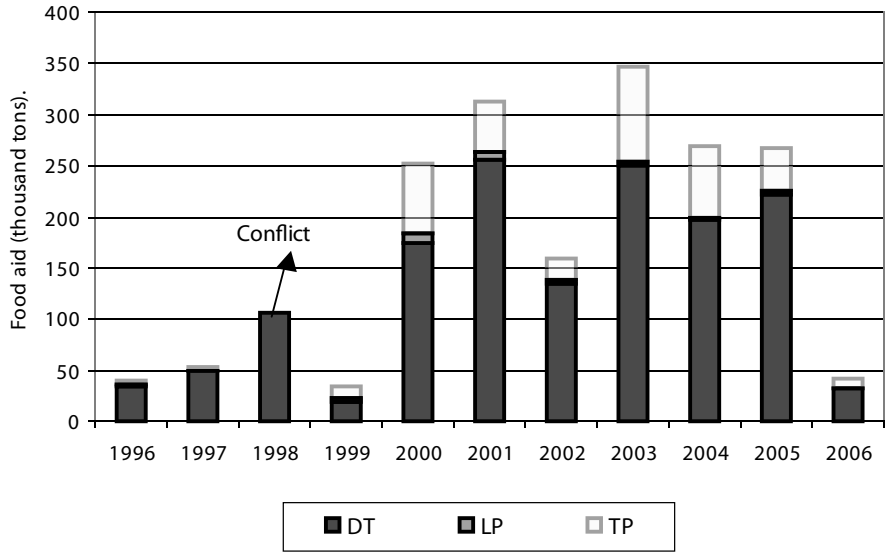
Source: authors' elaboration on Interfais, WFP

Figure 3 Ethiopia: food aid by delivery mode



Source: authors' elaboration on Interfais, WFP

Figure 4 **Eritrea: food aid by delivery mode**



Source: authors' elaboration on Interfais, WFP

An Analysis by Donor

This chapter draws attention to the behaviour of the major donor countries with respect to the food aid delivery modalities. Three donor countries were selected: United States, Germany and Denmark. The first one is the largest donor of food aid overall as well as in the region examined (see table 2); at the same time, it is one of the smallest donors of ODA as a percentage of Gross National Income (see Figure 5). Germany, instead, has been chosen as a representative of the European Union, which is the other large food aid donor. Germany is the largest actor in food aid transactions in Europe and its overall ODA has been stable since 1990 and in line with the average for the European Union (see Figure 5). Germany, in fact, is situated somewhere between the small donors such as Spain, Italy and Greece and large donors such as Belgium, Austria and France as percentage of GNI destined to ODA. Furthermore, the US and the EU have been selected because they take opposite positions regarding the role of food aid in the WTO. Finally, Denmark is certainly not a major player in food aid transactions within the European Union. It was chosen because it is a Scandinavian country, where many of the examples of best practices in development cooperation are located. As shown in Figure 6, Danish development aid is clearly closer to the average

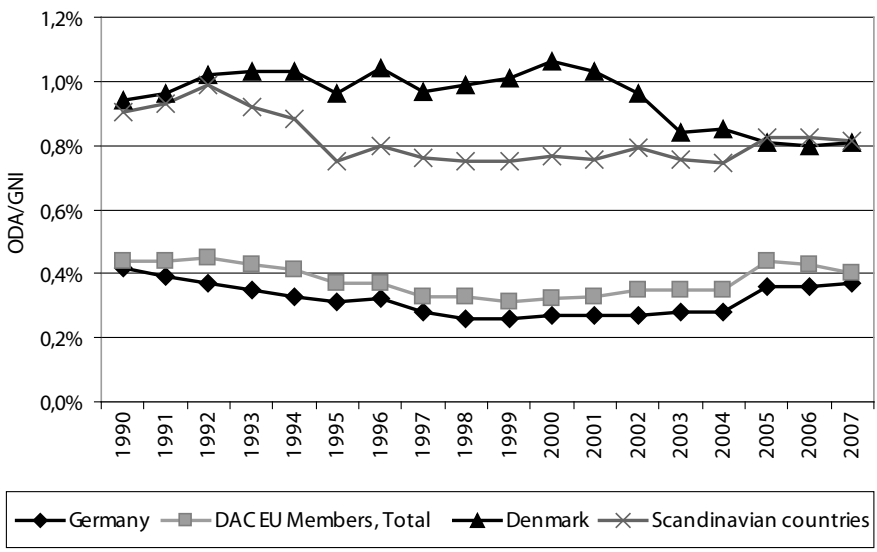
Scandinavian aid figures, with ODA shares of GNI that are much larger than the overall EU. Finally, among Scandinavian countries, Denmark is the only food aid donor that has been consistently active in Northeast Africa since the mid-1990s.

Table 2 Total food aid 1996-2005 by recipient country and donor

Recipient / *Donor*	*Kenya*	*Uganda*	*Ethiopia*	*Eritrea*
United states	54.45%	61.03%	51.48%	59.30%
Germany	8.66%	5.63%	2.52%	1.10%
Denmark	2.17%	1.08%	0.31%	0.31%
Total	65.28%	67.73%	54.31%	60.71%

Source: Interfais, WFP

Figure 5 ODA\GNI ratio (%)



Source: authors' elaboration on OECD\DAC, Creditor Reporting System. ODA data refer to net disbursements in current USD.

Because the behaviour of the donors is similar in the four recipient countries, only the graphs for Kenya are shown. And since this analysis focuses on the food aid distribution across procurement modalities, only relative trends (in percent-

age) are shown. The graphs are based on data from the period 1996-2005; the figures for 2006 were not available.

United States

The US is the only donor that has specific legislation that authorises food aid activities. This legislation, based on Public Law (PL) 480, is very complex since the US Department for Agriculture (USDA) and the US Agency for International Development (USAID) share in the administration of food aid activities. PL 480 has three major dimensions.[43] Title II – food donations for emergency situations and non-emergency situations – accounts for approximately 74% of total food aid; Title I – sales of food commodities to developing countries on a government-to-government basis – only accounts for 3%, while Title III – food donations to support economic development on a government-to-government basis – is currently inactive.[44]

There are also two other programs worth to be mentioned since they each account for about 10% of US food aid: a) Section 416(b), which includes donations of surplus commodities; and b) Food for Progress, which consists of donations or credit sales to countries that support democracy or are committed to the expansion of private enterprise.

The majority of US food aid is considered highly distortional and is neither effective nor efficient. It is closely related to specific forms of market support policies, especially, in the cases of wheat and skim milk powder, where US government practices of either purchasing goods for food aid or directly supporting farmers through export credits and prices support schemes that have increased production and stockpiles.[45] In particular, 75% of US wheat aid has been authorised under the Section 416(b) program. This food aid legislation together with a complex system of marketing, logistic and distribution involving a restricted number of agribusiness firms, maritime companies and large NGOs, create the so-called 'iron triangle', which advocates for keeping US food aid practices unchanged .[46]

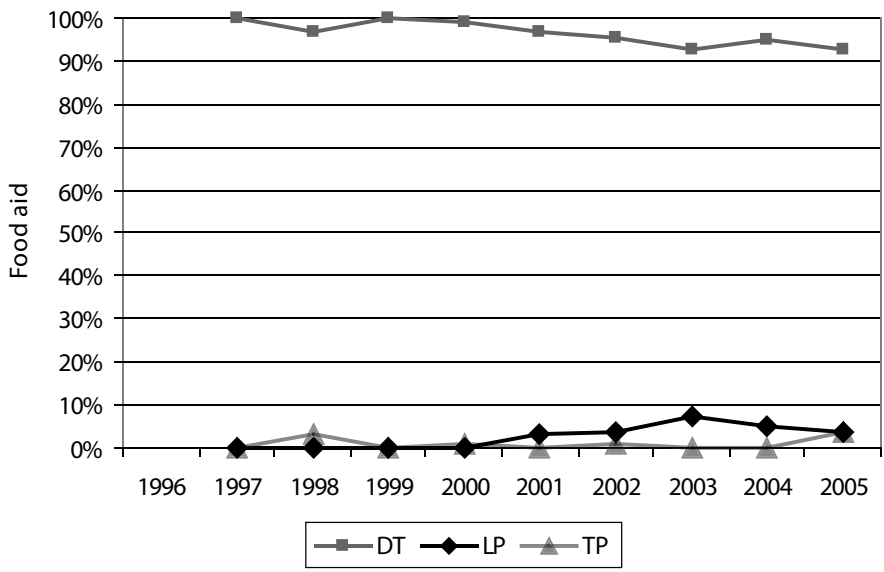
Moreover, the geopolitical use of food aid cannot be underestimated. As explicitly noted in the Fiscal Year 2008 Budget Request, 'Foreign assistance and the development it supports are therefore more important than ever, now not just in terms of our moral responsibility to alleviate suffering, but as foundational pillars of our new national security architecture and the Global War on Terror'.[47]

Some key logistical issues further undermine the efficiency and effectiveness of the interventions: among them, the lengthy trajectories of the funding and planning processes, the high costs of transportation and contracting practices, the legal requirements of contractors, the lack of coordination among agencies

and the lack of reliable targeting methods and assessments due to budget constraints.[48]

Figure 6 clearly confirms the case of Kenya as recipient country. In the period 1997-2005 there was no relevant change in delivery modes so that DT was definitely the primary mode of food procurement, with a share of at least 92.5% (2003). On the contrary, the TP and LP levels are quite stable and, even when considered together, account for less than 10% of the total food aid delivered. There is only a slight increase in LP utilisation during the period 2001-2003, with a decline shown in 2004. The spread between TP and LP, on the one side, and DT on the other, are also greater in Uganda, Ethiopia and Eritrea.

Figure 6 US food aid in Kenya, by delivery mode (%)



Source: authors' elaboration on Interfais, WFP

The fact that the US is the major food aid donor makes its failure to address the WFS Objective 5.3d result in overall failure. Food aid has recently become an issue for debate within the WTO, with the US opposing the EU's position. The US, in fact, denies to cut the practices of monetisation and sales of food aid,[49] making its practices not consistent with the 1994 Marrakech Decision of provid-

ing as much food aid as needed on a fully grant form. Furthermore, the US has demanded that food aid be excluded from the export subsidy disciplines because it insists that the WTO should only be concerned with the displacement effects of food aid, while totally untied food aid, as proposed by the EU, may further lower its actual amount.[50]

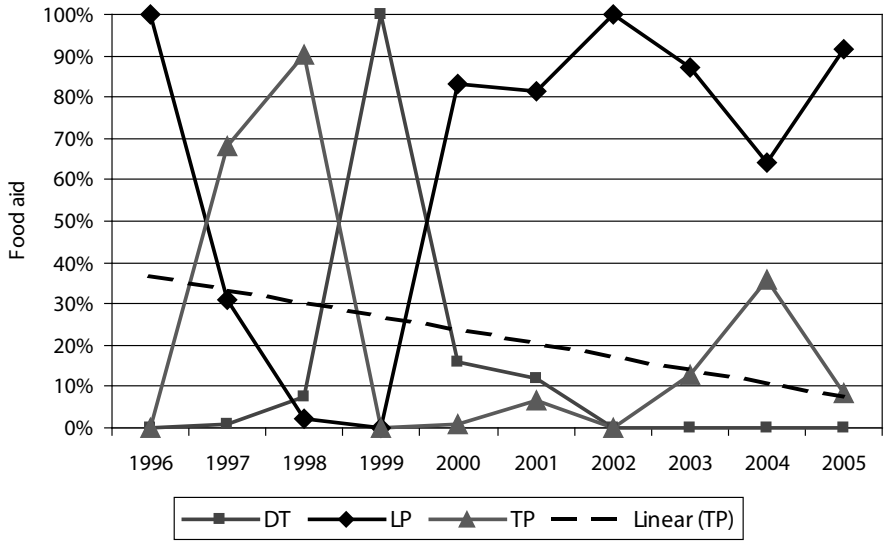
Germany

Germany, as we mentioned earlier, represents the EU. In 1996, the EU approved a new Council Regulation on food aid policy, explicitly consistent with the Food Aid Convention.[51] Food aid operations have been integrated into the overall framework of humanitarian assistance and untied from the Common Agricultural Policy (CAP). This allows the main aim of food security support and poverty alleviation to be brought to the centre of interventions, so that food surplus disposal is no longer considered a priority. Moreover, that the EU has vowed to avoid the adverse effects of food aid on local production, distribution, transport and marketing capacities, which includes the last goal of food aid operations, which is to make food aid redundant.[52]

The EU has progressively increased its share of food aid procured through both triangular operations and local purchases; in 2004, 90% of EU food aid was procured in developing countries. This is only an aggregate figure since individual state members have maintained a larger share of traditional direct transfer of food aid; indeed, most of this increase is due mainly to a general decline of European stock levels, which results in a decrease of in-kind food aid.[53]

Despite these limits, it is important to stress that the new regulation clearly states that the commodities can be procured in the Community Market, either in the recipient nation or in another one of the developing countries listed in the document, 'if possible one belonging to the same geographical region as the recipient country'.[54] The criteria for choosing where to buy food products include availability and the economic efficiency; effectiveness is, however, not directly mentioned even if it obvious that the food purchased must reflect the dietary and nutritional needs of the beneficiaries as much as possible. The general aim of untying food aid from surplus disposal intrinsically increases transparency and it is consistent with the position taken by the EU within the WTO; in fact, the EU advocates a gradual inclusion of distorting food aid within the category of export subsidies. This is why Germany was expected to use food aid in a different manner. Figure 7 shows the composition of German food aid in Kenya.

Figure 7 German food aid in Kenya, by delivery mode (%)



Source: authors' elaboration on Interfais, WFP

The use of TP as a delivery mode shows an unstable trend; its use increases until 1998, then decreases sharply in 1999 and, has risen gradually since 2003. But, meanwhile, the other preferred form of procurement, LP, has increased drastically since 1999, and, since 2000, has become by far Germany's most utilised delivery mode. In 2005, Germany did directly transfer food aid to Kenya. Furthermore, the results for Kenya generally overestimate the importance of DT for the entire Northeastern region.[55] We can thus argue that Germany is an example of good practice in the area of food aid.

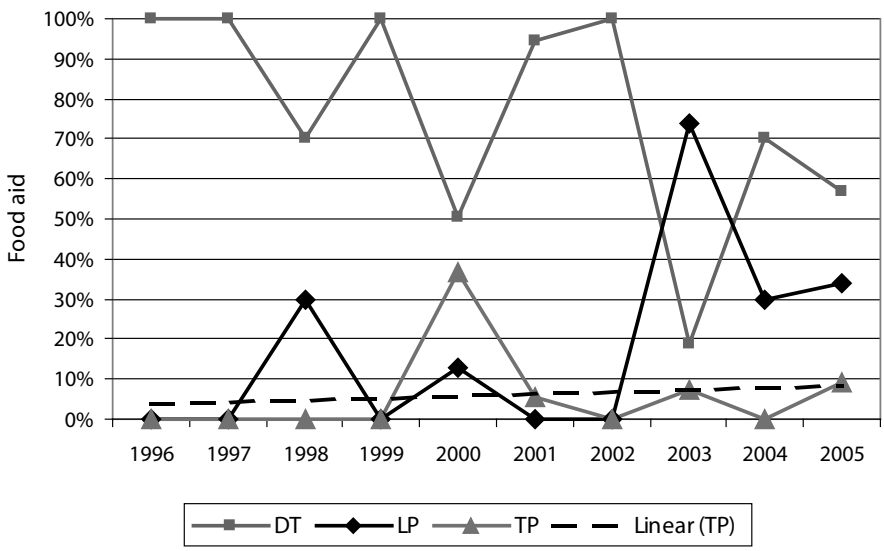
Denmark

As shown in table 2, the role of Denmark as a food aid donor in the region is much less significant than that of the US and Germany. However, Denmark does play an important role in the field. During the 1990s, the Danish government reviewed its food aid policy and changed the composition of its food basket to better respond to recipients' needs and shifted the responsibility for food aid from the Ministry of Agriculture to the Ministry of Foreign Affairs. Moreover, they declared that national commercial interests should only be considered if the priority goals of growth and poverty eradication are not compromised.[56]

Figure 8 shows that the trend of Danish food aid procured through DT was quite stable until 2002, when a dramatic decrease occurred along with a dramatic increase in LP. In 2003, in fact, LP accounted for 70% of total food aid delivered by Denmark to Kenya, thereafter it again shrinks but remains stable at higher levels than before 2003; meanwhile DT began to increase again. The use of TP, meanwhile, has been much more limited than either DT or LP for the period and ranges from 0% to 9% of the total.

Meanwhile, regarding Danish food aid delivered to Uganda, both TP and LP have remained stable at almost nothing during this period; DT is by far the main delivery mode used. In Ethiopia and Eritrea, the TP trends since 1996 have decreased, except during the period 1996-1998 in Ethiopia where there was a slight increase in TP, which was in line with WFS prescriptions. However, in 1998 TP utilisation suddenly collapsed.

Figure 8 Danish food aid in Kenya, by delivery mode (%)



Source: authors' elaboration on Interfais, WFP

To conclude, Denmark has not moved toward a better system of food aid utilisation; the significant use of DT as a delivery method in Northeast Africa does not make Denmark one of the 'success stories'. Furthermore, two-thirds of Danish food aid deliveries are still tied to the procurement of commodities in Denmark

and more than one-third of its cash contributions to WFP are used for operational costs.[57]

Section 5.3 allows us to conclude that there is a clear difference in the evaluation of Denmark as donor depending on whether we use quantitative parameters related to total ODA or qualitative ones.[58] However, it should be noted that WFP data for 2006 showed a possible change in Danish food aid practices, with LP, TP and DT usages at respectively 58.6%, 27.7%, and 13.5% of overall food aid. This is also confirmed by government documents, where it is stated that Denmark was planning to eliminate tied aid by 2009.[59]

Concluding Remarks

Food aid is a cooperation tool with the specific goal of alleviating food insecurity in low-income countries. For this reason, the international community committed itself also to 'promote triangular food aid operations' at the 1996 WFS. However, by combining three core criteria – effectiveness, efficiency and transparency – in section 3, it was argued that local purchase can also be a good delivery mode for food aid because it is sensitive to specific situations and contexts and makes better use of triangular or local purchasing modes. In all of the above-mentioned cases, the direct transfer of food aid appears to be a bad practice since it is tied, distorts trade and is donor-driven.

Building on this theoretical framework, in section 4 we analyzed food aid trends in four recipient countries – Kenya, Uganda, Ethiopia and Eritrea – all of which had large food shortages. Although small differences exist across the four countries, it is evident that, since 1996, there has been no significant progress toward the modes suggested by the theory. Direct transfer remains the largest supply mode of food aid, while donors have gradually shifted from a triangular purchase mode to a local purchase method.

Analysing the figures by donor, as presented in section 5, we tried to examine whether there were differences in donor behaviour with respect to food aid practices. US food aid is an example of 'bad practice', with almost all of the food delivered via direct transfer. This was not an unexpected outcome since US legislation on food aid clearly promotes national interests over those of the recipients. Germany, on the contrary, reflects the position held by the EU in the WTO, which is that food aid should gradually be untied and delivered in cash. The trends show Germany's limited use of the direct transfer mode in the four recipient countries. Meanwhile, in Denmark, which was chosen as a representative of Scandinavia, DT is considered a good model for cooperation intervention. The results concerning Danish food aid were disappointing, how-

ever, in 2005, most of Denmark's food aid in Northeast Africa was transferred directly.

Denmark was a good case study for the analysis of general development assistance because it has good practices in the broad field of development cooperation, as especially confirmed by quantitative parameters such as the proportion of GNI earmarked for ODA; on the contrary, it has 'bad practices' in the specific field of food aid policies, visible on the basis of more quality parameters such as the proportion of food aid delivered through more effective and efficient delivery modes. This raises an important question of whether quality should be considered in order to come up with better indicators for development assistance.

Notes

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42 The result concerning Eritrea should be analyzed in the light of the political decisions recently made by the national government, as previously mentioned. In particular, the government since 2006 decided to accept almost exclusively food aid under the form of cash in order to adopt its national food-for-work program. This decision caused a reduction in overall food aid destined to Eritrea and also contributed to reduce the proportion of food aid directly transferred by donor countries. See: Alex Renton, 'How America is betraying the hungry children of Africa', The Observer/Guardian, 27 May, 2007.
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Part III

The New Emerging European Donors

The Emergence of International Development Policies in Central and Eastern European States[1]

Simon Lightfoot and Irene Lindenhovius Zubizarreta

This paper examines the emergence of international development policies in the ten European Union[2] (EU) Member States from Central and Eastern Europe (CEE). These states have had to re-orientate themselves within a short time span from being recipients of aid to becoming donors. This chapter reviews the state of development cooperation in CEE states after accession to the EU[3] with a specific focus on the legal framework and institutions of development cooperation policy in CEE states; the aim, targets and focus of bilateral, multilateral and trilateral cooperation policies; and perceptions and attitudes towards development cooperation in the CEE states. It argues that in some areas the prospects had been good, with clearly identified comparative advantages[4] in certain sectors and geographical areas with many states on the road to meeting Overseas Development Assistance (ODA) targets. However, it identifies many challenges including issues related to constructing comprehensive development strategies, the creation of sustainable institutional frameworks and meeting ODA targets during the current recession without using tied aid. It shows that much of the progress that has occurred since these states have joined the EU is at risk of being reversed in the current difficult economic climate.

This research is based on a number of semi-structured interviews with officials responsible for Development Cooperation in the Permanent Representations of New Member States in Brussels. Interviews were also carried out with officials from the UK's Department of International Development, the Development Cooperation Section at the Belgian Ministry of Foreign Affairs, Trade and Development Co-operation, the Romanian Ministry of Foreign Affairs, DG Development and DG Enlargement. Additional interviews were undertaken with representatives from a variety of Development NGOs and NGO Platforms in both the UK and CEE states. These interviewees were chosen to ensure that the primary research data (Strategy Papers etc) was still up to date, to provide context for governmental actions and critical reflection on the challenge of development policy for CEE states.

Development Policy in the Pre-accession Period: 'Re'-emerging Donors?

Many CEE states have a long history of engagement with the developing world. During the period of communist rule, the former Soviet Bloc provided aid characterised by a 'strong and strategic orientation, concentrating on political allies and friendly countries, which were pursuing socialist goals'.[5] As a result of this history, many CEE states see themselves as re-emerging donors.[6] However, CEE states never really had the same intensity of relations with developing countries as many Western European countries. It is also clear that the situation since transition is vastly different from twenty years ago.[7] Personnel have left ministries and, perhaps most importantly, the values and practices of development cooperation have changed.[8] In particular, the policies previously adopted by the NMS were never oriented toward international 'best practice', with their focus being mainly on technical aid and goods. In 2002, for example, DG Development argued that the NMS might not be so familiar with concepts such as donor practices' harmonisation, selectivity and performance-based allocations, the PRSP (Poverty Reduction Strategy Papers) approach and the shift away from projects to sector/budget support.[9]

How then should we categorise the responses of CEE states to the challenges of development policy?[10] From the discussion above it is clear that a distinction between re-emerging, such as the Czech Republic, and totally new donors, such as the Baltic States, is historically true but of little use when comparing the situation today. Some authors have divided new Member States in Central and Eastern Europe into Visegrad 4+1, the Baltic States and the 2007 enlargement states.[11] Others argue that, with the exception of Bulgaria and Romania, who are still in the early stages of establishing a development and humanitarian assistance policy, the NMS can be grouped according to how they responded to the challenge of creating a development policy: some countries were slow starters while others appeared to respond to the challenge quickly.[12] These groupings have been criticised as inaccurate and fitting into a limited time frame. Finally, it is argued that each country should be examined individually.[13] However, this paper argues that it makes sense to see all of the CEE states as new donors,[14] despite their different histories. We thus concur with Bucar and Mrak[15] who observed that there is not enough evidence to divide them up amongst these other groupings. As a result we follow Bucar and Mrak in examining the experiences of each of the ten states. This macro-comparison provides the best overview of the ever-changing situation in the states as well as providing interesting contrasts between experiences in policy sectors across different states.

From the Transition Period to EU Membership

Before we can outline the contemporary challenges, it is worth briefly examining the situation between the transition begun in 1989 and, ultimately, obtaining EU membership. With the collapse of the Eastern Bloc in 1989, the political and economic transformation of the former Soviet Bloc in Europe occurred quickly. Regime change and revolutions, transformations of states and secessions from larger entities took place throughout Central and Eastern Europe. Political systems and economies were fundamentally and rapidly changed; so was the position of an entire region within the international system.[16] By the time the Soviet Bloc collapsed, the ideological and political motives behind the development policies toward developing countries had disappeared. During the first half of the 1990s, the focus of the CEE countries was on domestic system transformation, which absorbed most of the domestic resources.[17] Poverty rates in the CEE states soared. As a result of this transition period, all of the CEE states saw their engagement with the developing world and any aid programs dramatically reduced.[18]

One of the factors that forced these countries to start creating an outward looking approach again, with development cooperation as part of that, was accession of the CEE countries to major international donor organisations such as the World Bank and the International Monetary Fund (IMF) during the 1990s. The other major factor was of course the possibility of future membership to the EU. The Copenhagen European Council in 1993 identified the key criteria, which were considered essential for obtaining membership, including the ability to take on the *acquis communautaire*.[19] The candidate countries were expected to adopt and fully implement this body of law.

The way development cooperation policy has been incorporated into the accession agendas has often been heavily criticised. It is argued that some new Member States' governments were not clear about the Union's expectations regarding development policy due to the low priority given to this sector during the accession process.[20] Indeed, some NGOs alleged that development was being treated as the 32nd chapter of the negotiations.[21] One comment focused on the Commission's lack of political will.[22] DG Development responded by saying that the Commission did have development on the accession agenda, but that, considering the many essential political topics and policies to be discussed during accession negotiations, one could not expect development cooperation to receive a disproportionate amount of attention. This is very effectively summed up in the 2002 Trialog policy paper in which it is clearly stated that 'development cooperation constituted neither a priority for the EU nor for the accession countries in the pre-accession strategies'. The result of this was that many NMSs felt ill-in-

formed about the implementation capacities and financial contributions expected of them.[23] Indeed, the fact that development cooperation was not on the agenda for accession was seen as a 'big mistake'.[24]

Development Cooperation since Accession: Challenges Faced by the New Donors

This section outlines the main challenges faced by the new donors with regard to the creation of robust institutional and legal structures for development policy with staffing expertise. It also outlines how low public awareness of development issues and a small development NGO sector has limited the political pressure for improvements in this area.

The experiences of traditional donors clearly indicates that a well-designed policy framework is a necessary precondition for successful implementation of a country's development assistance.[25] However, prior to accession, the Commission demanded only minimal administrative structures and human resources for development cooperation in new Member States.[26] This meant that whilst some states, such as the Czech Republic, Estonia, and Slovakia, put together development cooperation strategies, the rest either had no strategy or merely short concepts papers of only a few pages.[27] For example, Slovenia only produced its development strategy in 2006 and they acknowledged that they still had 'some work ahead of them'.[28] Lithuania's policy included recognition that there was a need to improve Lithuania's legal basis for development co-operation. Interestingly, Poland has recently incorporated the objectives and framework of the European Development Co-operation policy into its foreign assistance document for 2007-2015.[29] The situation in Bulgaria and Romania is seen as a particular problem due to slow progress, although they have only been members of the EU since 2007.

The majority of the countries thus have an official document, which spells out the development cooperation principles and a development cooperation strategy. Meanwhile, those who do not have these documents in place have indicated that work on drafts have started or are in the process of being ratified. However, what we do see is that the NMSs that have already adopted a special law governing ODA are more the exception than the rule and that this generally means that development assistance is being regulated within the framework of existing legislation.[30] The lack of a formal law makes it hard to take part in multi-annual programs because budgets need to be approved on an annual basis. The existence of annual budgetary systems is not uncommon in 'old' Member States so we should not judge the NMS too harshly, but given that they are developing their policies from scratch it is perhaps a missed opportunity not to start from the position of best practice.

Annual budgets are more susceptible to political pressure in times of recessions and easier to amend, thus resulting in a number of states that have cut their development budgets over the past year, such as Hungary, Estonia and Latvia.[31] Another issue is the fact that only four NMSs produce annual reports on development. The final issue is that in the EU-15, 11 states have a minister for development in their cabinet; none of the NMSs have followed suit, although it must be said that the current levels of cooperation do not necessarily warrant such a position.

While establishing a sound legislative framework and ensuring policy coherence through coherent legislative arrangements is absolutely crucial, the main issue brought up during interviews was another, more practical one. It referred to the institutional and administrative structures of development cooperation in CEE states. The institutions are vital to the maintaining of political will, as well as to meeting the obligations of EU membership. Most Member States appear to be headed toward the creation of a unit within the Ministry of Foreign Affairs (MFA), with the MFA in charge of the aid coordination efforts. The problem is that the MFA in Poland, Hungary and the Czech Republic only oversees a small part of the development budget, with the rest remaining under the control of line ministries, who are in charge of project and program implementation.[32] As Burac and Mrak argue, this fragmentation hampers efforts to raise public awareness.[33] The recent EP report recommended that the CEE states strengthen coordination within their own ministries to ensure that strategy planning will have greater internal coordination. It highlighted the good example set by Lithuania, where the Ministry of Foreign Affairs is the chief ministry for ODA planning and management.[34]

While the highly decentralised implementation of development policy in most CEE state ministries was recognised as an issue, lack of personnel with relevant experience and loss of institutional memory caused by high staff turnover were identified as major issues that prevented CEE countries' development cooperation policies from showing improvements. Locating development assistance in the MFA means that staff members are usually chosen from the diplomatic service and, therefore, may lack the necessary expertise in development policy.[35] An additional problem is the insufficient staff. The 2006 EU Donor Atlas highlights the fact that active staff numbers range from 5 in Latvia to 30 in the Czech Republic; this is compared to Austria with 140 and Luxembourg 103. However, since its publication in 2006, Lithuania has increased its total staff numbers from 3 to 14. To put that into context, bearing in mind that comparing data on civil servants is often hard due to differing definitions of who actually is a civil servant, Lithuania now has a staff of 14 out of a total 24,000 public service employees, whereas Luxembourg's figures are 103 out of 5018.[36] The Slovakian permanent representation indicated that 'it is difficult to keep continuity as the government

changes and staff changes frequently', whilst the Slovenian representation said that 'staff turnover is a problem. There are 10 people working on development and only two-thirds of them have more than 3 years experience. There is a serious lack of institutional memory and capacity'.[37]

The pressures on resources in many countries meant that there was a general acceptance that this situation was unacceptable but there was little that could be done to resolve it. However, representatives from Lithuania and Latvia indicated a clear willingness to act: 'Lithuania is trying to deal with this by putting in place half staff diplomats and half civil servants, so that some sort of institutional memory can be established through the civil servants and the problem can be overcome', whilst it was noted that 'the loss of institutional memory is a serious issue in Latvia and that is why we would be very interested in having a national development agency that would not have these issues of rotating diplomats'. The institutional framework for development cooperation in new Member States is still very fragile, but one must remember that it has been less than five years since these states started implementing development cooperation policies.

Civil society has a critical role to play in development policy.[38] The state of post-communist civil society varies, with some states having a more developed civil society than others. In addition to the general issues faced by civil society organisations, development NGOs in the NMS are confronted with specific problems, such as a limited awareness of development issues in the South and a major focus on activities in neighbouring East European countries.[39] The majority of these NGOs in the post-transition period were mainly Western European-based, so a big challenge has been to build capacity and financial stability in organisations based in the CEE states.[40] NGOs play a major role in building a constituency amongst civil society. The most common and overarching problem that TRIALOG, an organisation set up to indentify and strengthen development NGOs in new European Member States, faces in its work is that development is understood very differently in the various CEE states and that there are often great divisions between civil society and government within these countries. TRIALOG also identified the weakness of campaigning amongst civil society groups in the NMS.[41] This, of course, has to do with the political history of the CEE states, where NGO activity was banned or severely curtailed until recently.

Many NGOs encounter organisational problems as well. The NGO platforms in Bulgaria, Romania, Estonia and Lithuania are still not members of CONCORD, the EU-level umbrella group for NGOs, whilst the Hungarian platform is largely Canadian funded.[42] The stronger CEE national platforms are the Czech and Slovak platforms. These two platforms are both mainly funded by their MFAs and, unlike other platforms, have secure finances and memberships.[43]

The Slovenian platform, SLOGA, is very young and was the last platform to be established in the new Member States. However, it has been very successful in recent years and, despite its late start, it is now further developed and stronger than many of the other platforms. This also has to do with the extra help it received in light of Slovenia's EU presidency. However, the main problem for all the new Member States' national platforms is funding, especially as external funding sources are coming to an end.

Development policy encounters a number of specific issues that hinder its establishment within the NMS. One major issue is the low levels of public awareness around development issues which has a negative effect on support for development cooperation. In many CEE states, this situation is compounded by a view that poverty within each state should be resolved first and that EU funds should be used for this purpose. As Vari argues, 'the public thinks of EU accession as an opportunity through which the drawing of EU funds can lead to the growth of the country's welfare and does not consider the external aspects of the EU's double principle of solidarity'.[44] This conclusion was borne out in a special 'Eurobarometer' on EU development aid. It found a noticeable disparity between the views of the EU-15 group and those of the NMS. It found that respondents in Estonia, Hungary, the Czech Republic, Latvia and Slovakia were more reluctant to take a strong stance on the question regarding the importance of helping people in poor countries, although the overall proportion believing that this is important remained high.[45] The 'Eurobarometer' concluded that there appears to be a lack of knowledge in many NMSs concerning development issues. The EP report found that one of the biggest challenges will be to overcome a general lack of political will and expertise. The NMSs have a limited development history, resulting in low public awareness and a small NGO development sector. To a large extent, the biggest spur to the creation of development policies was the EU's development *acquis*. To what extent the NMS share these policy priorities is a question to which this paper now turns.

The New Member States and the EU *Acquis*[46]

The need to meet the EU *acquis* on development cooperation has shaped the way the majority of the NMSs have responded to the challenge. This section examines these responses by focusing on the prospects for the new states meeting their ODA goals, the geographical focus of their aid and the types of projects favoured by CEE states.

The question of how much aid the CEE states will give is clearly linked to the factors outlined in the section above. If development aid has a low priority then

one can hardly expect huge amounts of money to be dedicated to it from state coffers. However, we must also consider the fact that the CEE states have undergone a major economic transition to a market economy. This transition resulted in widespread unemployment and social inequality. We need to consider the fact that, as late as 1999, Poland was the third largest recipient of EU aid and that many of the CEE states are still eligible for World Bank loans.[47] Of course, since joining the EU, the NMSs have ODA commitments under their *acquis*, whilst, at the same time, they remain recipients of EU aid via the Structural Funds.

Between 2002 and 2006, the NMS increased their ODA equivalent from approximately 0.03% of their collective Gross National Income (GNI) to approximately 0.1%.[48] For individual states, this was a doubling or even tripling of their ODAs. However, within that period, the EU in 2005 re-committed itself to its Monterry ODA target of 0.7% of GNI by 2015 with its 'Finance for Development' paper. In this paper, the EU accepted the reality of the situation in the NMSs by giving them their own target, which means increasing their ODA to 0.17% GNI by 2010 and 0.33% of GNI by 2015. To ensure they meet these targets, the Commission has called upon the new states to establish multiannual calendars for ODA increases. However, only four of the ten countries have thus far done so.

It is important to note that there are a few issues that make reaching aid targets not as straightforward as it may seem. For example, Hungary's development cooperation appropriation has been substantially affected by the government's recent budget rationalisation, depleting its potential total from approximately €4 million in 2003-04 to €1 million in 2007.[49] Another issue, as we have already noted, , was that it was especially difficult for CEE states to meet their aid targets because, although the rapid growth of their economies meant that total amounts of ODA kept increasing annually, their percentages did not. The Estonians also pointed out that the issue which causes major problems for them was the fact that the large overall CEE contribution to the EU budget (often more than 2/3 of their total ODA budget) was not calculated into the figures of the individual country's economic growth, but was included in the general EU budget.[50]

Most of the current ODA figures for many CEE states are comprised of contributions to multilateral agencies or to the EU's budget.[51] Membership in these organisations includes subscription obligations. Therefore, the reason for the relatively high percentage of total ODA that goes to the multilaterals is the low overall level of ODA provided by the NMS. If they provide higher levels of total ODA over the coming years, then the percentage given to the multilaterals will decline and bilateral budgets will increase.[52]

There is also concern that the CEE states, with the exception of Slovakia, still tie their aid to varying degrees, a practice whereby governments make giving aid conditional on the receiving countries buying goods and services from the do-

nor country.[53] For example, the Polish government only ties investment projects, whereas the Czech Republic ties investment, technical and NGO support aid.[54] This remains the case despite the fact that the EU has made commitments to honour Organization for Economic Cooperation and Development (OECD) recommendations and shift away from aid ties. One of the CEE's counter-arguments is that tying aid stimulates economic development in the donor country. Therefore, the Hungarian government rated its tied aid initiatives very positively in 2005, particularly from the perspective of Hungarian economic interests.[55] A similar response involves the argument that tied aid helps build capacity and public understanding in the donor country. The Latvian government, for example, justifies the fact that most Latvian aid is highly tied based on the fact that 'Latvia is a newcomer in the field of development co-operation, and needs to build its own capacity and public understanding and support for development co-operation before proceeding to an open aid market'.[56]

Official Commission statistics shows that half the 2004 accession states are on track for their 2010 target, as are Bulgaria and Romania. Of all the new states, only Estonia and Latvia remain off course and will likely fall dramatically short of the 2010 target of 0.17%. Meanwhile, the Czech Republic, Hungary and Slovenia all achieved a level of 0.12% by the end of 2006.[57] This situation has changed with the economic downturn of 2008, however, with aid levels in Bulgaria, Estonia and Hungary all identified by the European Commission as being on a worrisome downward trend.[58]

According to NGO projections, only Lithuania was 'likely' to meet its target without inflating its aid budget. Some of the other states have started to implement the Development Assistance Committee (DAC) Recommendation on untying their aid from LDCs, with the Commission's threat to pursue any breaches of EC internal market rules on ODA seen as a major incentive.[59] The incorporation of contemporary good practice measures is therefore likely to have an impact on ODA targets. Hungary and Slovakia, for example, have in recent years both seen a decline in their ODA levels as a share of GNI due to end of debt relief funds to some countries.

The goal of eradicating poverty has been deemed as paramount, as the European Consensus on Development has clearly declared.[60] Of all the NMSs, only Hungary had an unequivocal commitment to poverty reduction.[61] The original Polish ODA document did not prioritise poverty reduction, however, the revised Strategy for 2007-2015 does.[62] In contrast, despite the fundamental principles of development cooperation policy being in line with the MDGs in Latvia, the concept of poverty reduction is slowly withering away as a policy priority in government documents. However, many old and new Member States argue that poverty reduction requires a multidimensional approach, which must include

other elements such as environmental sustainability. The recent commitment to poverty reduction as part of the Lisbon Treaty does suggest that all 27 Member States share a common goal of poverty reduction. However, there is evidence that enlargement has exaggerated a trend that has seen the share of the EU's ODA to LDCs decline over the past 40 years, despite absolute funding increases.[63]

When looking at bilateral aid, the thematic and geographical priorities that have been proposed by CEE states are quite clear. It is argued that, in light of the need for policy coherence and complementarity, it makes more sense for the NMS states to be active in those countries and sectors where they have a comparative advantage. These sectors include democratisation, market liberalisation, and managing transition to EU membership, especially the transition from aid recipients to donors. The main targets are neighbours that share their historical experience such as Kyrgyzstan, Kazakhstan, Tajikistan, Moldova, and Georgia. Of the six newly independent states (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine) the most targeted Member State countries are Moldova and Ukraine.[64] The United Nations (UN) has described the majority of the priority states of having medium levels of human development, placing them in the same category as many African, Caribbean and Pacific (ACP) states.[65] Many NMSs would therefore like the EU to re-focus elements of its aid to Eastern Europe, Central Asia and the Caucasus and acknowledge their numerous development challenges. This is one area where the NMSs could play a complementary role, providing aid to these 'orphans' or 'marginalised countries', because states like Uzbekistan and Tajikistan are experiencing issues similar to those of the NMS.[66]

To date, the bilateral development co-operation activities of the NMS towards ACP countries have been very limited. As a recent EP report states: 'the European Consensus on Development provides an impetus, but does not oblige new Member States to target their development cooperation towards Africa'.[67] The issues of coherence and complementarity associated with development policy certainly play a role here. It makes little sense for Lithuania, for example, to try and play a significant role in Africa, a continent where it has little expertise.[68] It makes more sense for them to be more active in those countries where they have a comparative advantage such as Belarus. Moreover, of the new states only Poland, Hungary and the Czech Republic have any foreign policy influence outside of Europe. Indeed, recent revisions to ODA policies in the Czech Republic and Poland have seen them prioritise Zambia and Tanzania respectively. Both have also prioritised Angola.[69] The NMS can certainly play a larger role in co-financings. This is where two or more Member States finance a project together, sharing and reducing the administrative load. Examples include Slovakia and Austria co-financing infrastructure projects in Kenya; another exists between the Czech

Republic and Luxembourg in the field of water quality. These program-based approaches (PBAs) enable small donors to increase their impact as the PBA allows them to combine their resources, thereby enabling to reach beyond their individual sphere of influence. According to Slay, this is the 'Paris Declaration at work'.[70] Many of these PBAs have been developed via the UNDP Regional Emerging Donors Initiative, which aims to facilitate cooperation between new donors, traditional donors and recipient countries. Probably the major forum for sharing expertise is the OECD DAC, but only four of the NMSs have become members of the OECD (although talks have begun with Estonia and Slovenia). None of the NMSs are currently represented on the DAC, however.

The EU's Code of Conduct on the Division of Labour on aid[71] lays down rules on best practice. It is noted that 'everyone has their darlings therefore the need is to focus on the big issues.'[72] On the issue of priority countries, the Code of Conduct encourages EU donors to focus on a few donors each, especially so-called aid orphans. Integrating these EU principles into national strategies is a big challenge for the NMSs, especially because some countries like the Czech Republic were initially focusing their limited resources on eight countries. However, the Czech government has subsequently decided to narrow down its territorial focus of development cooperation considerably.[73] States like Latvia, with its three priority countries, comply with the code of conduct, although problems remain elsewhere. For example, in Slovakia, $ 28 million was spent in seven priority countries, whilst Slovenia spent $ 31 million in six states.[74] Substantial, aid activities usually mean the allocation of at least $ 5 million annually, with the amounts discussed here being either below or right on target.

The country principles are further complemented by sector rules, with a code of conduct establishing the maximum number of sectors an EU donor can be involved in per country at three. Slovakia responded by adopting is policies that limit the number of sectors they are active in to three per partner country, whilst Bulgaria has committed itself to no more than two sectors per partner country.[75] The Commission's idea is that each donor focuses on sectors where they have a comparative advantage, such as transition experience, so they can offer first-hand experience involving regulatory and institutional transition processes, shifting from a centralised planned economy to a market economy.[76] The Estonian ODA framework document explicitly states that Estonia's development cooperation focus remains directed at regions and countries that need similar reforms and transition strategies, which Estonia has undertaken,[77] while Slovakia's ODA is based on a goal of the 'transfer of Slovakia's experience and know-how'.[78]

Critics argue that the notion of comparative advantage often amounts to no more than a list of sectors in official documents with little evidence of practice reflected in aid flows.[79] The problems in part stem from a lack of knowledge or

expertise in situ. Other commentators have a more fundamental problem with this comparative advantage. It is argued that many countries mismanaged their transitions in a spectacular way. Poland's transition followed an authoritarian blueprint for the establishment of its new government, choosing the most extreme economic reforms and then telling society that this was the only option and the best one at that. This has led to the current Polish government with its career politicians and its elitist style of governing, its weak commitment to citizen representation and accountability. The general conclusion is that the reforms and their implementation only further alienated society and created the highest levels of inequality and unemployment 'East of the Elbe'.[80]

What we have attempted to show here with regard to NMS policies and practices, is that many issues associated with meeting the *acquis* requirements remain. The differentiated ODA targets have proven challenging, with some Member States not being able to meet their goals without inflating or tying their aid. As a result, the ability of the NMS to meet the demands of the *acquis* remains a considerable concern both within the EU[81] and amongst NGOs. There is also the question of priority. Aid from CEE states is distributed overwhelmingly in Europe, despite an EU commitment to poverty reduction in Africa. This division between the EU-15 focus on the ACP and a strong NMS focus on Eastern Europe may 'cause difficulties and frictions between the two'.[82] It seems to be too early to ask NMS donors to begin focussing on Africa, given their lack of expertise and relatively low ODA budgets (also considering the costs of African relations'[83]), but there is a need for the NMS to re-orientate their development policies towards good practices and further focus their aid on areas where poverty is greatest, thus shifting their focus from the East to the South over time.

Conclusion

This paper set out to examine the emergence of development policy in CEE states. It has shown that these states have had to re-orientate themselves from being recipients of aid to becoming donors and that this transition has been 'quicker than expected'.[84] Despite the speed of transition, all states have, or are close to having, the legal and institutional structures in place, which are crucial for the maturation of a development policy. Some states– largely those donors that have fully embraced the challenge of development cooperation before accession to the EU – have accepted the goal of meeting their ODA commitments and have developed healthy civil society organisations. They have identified clear priority countries, in particular the former Yugoslavian and CIS states, as well as sectors, especially transition sectors, where they have a comparative advantage. The Czech Republic

is thus far the leading donor, becoming the first non-DAC member from the region to undergo peer review. There have also been positive signs in some of the Baltic States, with both Lithuania and Estonia having seen vast improvements in recent years, although both states have been hit hard by the recession.

The future challenge is to 'combine well-focused priorities, based on their distinct expertise, with meeting their responsibilities to support development in less-developed countries'.[85] There is a clear understanding that the NMSs are 'not able or expected to do the same thing as the old Member States did in a time span of 50 years'.[86] However, there is the need to ensure that all new donors maintain their commitments to development cooperation despite the current economic situation. The recession also means that a number of states are backtracking on their ODA commitments, reluctantly setting up legal and institutional structures and doing little to encourage civil society participation, which is related to general need for more education on all levels. Many NMSs have focussed on humanitarian aid. This aid is considered an important policy instrument in maintaining regional stability, including containing migration from the East and reducing the impact of conflict.[87] In light of the recession, however, it is has grown more difficult to convince the populace of the need for aid to the South. Indeed, even before the current crisis, an EP report highlighted how far there is yet to travel on this journey. It called for a concerted public awareness campaign to stimulate political and public support for increased ODA, improving civil society and the expert capacity within the NMS, strengthening the co-ordination agencies in the NMS and between the NMS and other EU Member States. These calls echo similar calls made in 2002, when this subject was first discussed. The concern is that, given the overall fragility of development policy in the NMS, the current economic slowdown[88] could force many of the involved states to water down their commitment to development aid, which may mean that the successes of recent years could be reversed.

Notes

1 Versions of this paper were presented at the 12th EADI General Conference, Geneva June 2008, and the Assessing Accession Symposium: Central & Eastern Europe in the EU: Silent Partners, Glasgow June 2008. Thanks to the participants at both events for their comments, especially Maja Bucar, Laura Cashman, Paul Hoebink, Bogusia Puchalska, Balazs Szent-Ivanyi and two anonymous referees. A version of this paper was published as CRCEES Working Paper 2008/05 and it builds upon Lightfoot 2008. We would also like to thank the officials from the various CEE states and NGOs who agreed to be interviewed. This research was funded by the British Academy (SG-46721) and the Elisabeth Barker Fund, whose support is acknowledged with thanks. The views expressed in this chapter are her own and do not reflect those of BOND.

2 The ten CEE states are Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.
3 Since the situation in many states continues to change dramatically it is worth noting here that the information contained in this paper is correct as per July 2008.
4 This term is employed by European Commission officials to suggest areas where the NMS can add value and is used in this context throughout the chapter, see also PASOS (2007) *The Challenge of the EU Development Co-Operation Policy for New Member States*, Report prepared for EP Development Committee, EXPO/B/DEVE/2007/33 NOVEMBER 2007 PE 385.540 EN, 2.
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12 Lena Krichewsky, *Development Policy in the Accession Countries*, Report 2nd ed., Vienna: Trialog, 2003.
13 Interview Brussels 30 October 2007.
14 They are all considered new donors by the UNDP; although there is a debate as to whether they should simply be classified as EU Member States rather than new Member States.
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16 Ibid.
17 Maria Vencato, *The Development Policies of the CEECs*, p. 135.
18 Maurizio Carbone, *The EU and International Development*, p. 47.
19 The accumulated European Community's body of legislation regarding specific policy areas.
20 Sven Grimm and Adele Harmer, *Diversity in Donorship*, p. 11.
21 The relevance of this is that only 31 chapters were negotiated. Development policy was not a separate chapter; rather it formed part of Chapter 26: External Relations.
22 Interview Brussels 29 October 2007.
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29 PASOS, *The Challenge of the EU Development Co-Operation Policy for New Member States*.
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34 European Parliament, *Report <Titre>on the Challenge of EU Development Cooperation Policy for the New Member States*, </Titre><DocRef>2007/2140(INI))</, A<NoDocSe>6-0036/2008</NoDocSe>.
35 Maja Bucar and Mojmir Mrak, *Challenges of development cooperation for EU New Member States*, 18.
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Hungarian Development Policy

Beata Paragi[1]

Hungary belongs to the Central European 'wing' of emerging donor countries. This categorisation refers to a group of countries sharing certain similar or common historical and political experiences. Contrary to the political dialogue in the region, these countries do not engage in formal or informal cooperation on their participation in international development assistance, regardless of whether they are members of the Visegrad Cooperation or not. Common experiences shared by these countries include changing perceptions of personal security, a decreasing standard of living, and a lack of a broad public interest and support for any meaningful role played by the country on the international scene mainly due to public attention being devoted to domestic affairs. These are the main difficulties that must be tackled by all those involved in shaping, implementing and evaluating foreign and development policies.

Hungary and its neighbouring countries had a foreign aid policy well before the political changes of 1989/1990. The scope of the policy, as well as its implementation, was influenced by the overall political environment, the Cold War context and various Soviet commitments and interests. The contemporary economic and business needs of state-owned companies also influenced Hungarian foreign aid policy (HUN-IDA).

The political transformation brought various other priorities to the surface in the field of foreign policy. The three goals of Hungarian foreign policy in 1990 were a transatlantic orientation, regional stability and support for Hungarians in neighbouring countries. This was reflected in their geographical commitments, which had little to do with developing countries entitled to official development assistance.

The OECD and EU Membership

Hungary's aspirations to join the Organisation for Economic Co-operation and Development (1996) and the European Union (2004), resulted in significant changes in both policy and practice. These changes were evident in the formulation of Hungarian international development policy and in Hungary's participation in international development cooperation.[2]

Between 1990 and 1996, there was neither an integrated approach nor a formalised policy aimed at addressing the contribution to the development of countries in the former third world. Hungarian embassies maintained ordinary diplomatic relations without having an overarching, specific goal as regards foreign assistance or aid policy. In many cases, the embassies performed the same activities that developed countries were engaged in as part of their official development assistance programs. Nevertheless, neither their administration nor statistical record keeping were treated as a priority. At the regional level, the support for the Hungarian-speaking inhabitants of the neighbouring countries (such as on the borders of former Yugoslavia, Romania, Ukraine and Slovakia) was its primary goal. This objective was subject to considerable parliamentary debate in the 1990s and was financed by various public foundations, offices and programs established and financed or supported by the Hungarian government.

Adjusting or '(re)joining the West' required Hungary to reconsider and re-evaluate not only the content of its relationship with the developing world, but also its priorities as regards the potential beneficiaries supported by official Hungarian resources.

In relation to the framework of Hungarian development cooperation, the period between joining the OECD (1996) and EU accession (2004) proved to be crucial. The country – the Ministry of Foreign Affairs as well as the embryonic NGDO sector – received solid technical assistance from countries such as Canada (ODACE program), the United States (for example, the Hungarian American Partnership Initiative), and from certain members of the EU (MFA – CIDA 2002, DEMNET 2000). Budapest and neighbouring capitals were conscious of the fact that the European Commission did not pay that much attention to the preparedness of the international development policy of the CEE countries during the accession talks (KUM 2007b).

Motivations, Goals and Limits of their Assessment

The methodological context: In the general evaluation of development policy, certain methodological difficulties are encountered when analysing and assessing its framework, that is, the relationship between Hungary's foreign policy and its development policy. During the years when the concept of Hungarian development cooperation policy (DCP) was formulated (in 2002-2003), the country lacked a coherent, integrated and detailed foreign policy which could be read in one document as a reference point for defining its relations with developing countries. Hungary has become a member of various Western international organisations (OECD, NATO, and EU) along with almost all of its neighbouring countries. This means that the main political goals declared in the early 1990s (and listed in the first paragraphs of this paper) have been achieved. However, over the past decade, the major political parties have failed to agree on how to redefine and reformulate Hungary's intentions, objectives and measures in the field of foreign policy.

According to the government, foreign policy has been 'under construction' for years. The key elements, which have been formulated thus far are summarised by the term 'Foreign Relations Strategy' (*külkapcsolati stratégia*).[3] The use of this term is an attempt by the government to bridge the gap between 'foreign policy' (which has been interpreted as a political concept formulated at a strategic level) and 'foreign relations' (as supposedly practised and evaluated at an operational level). Although this paper does not deal with Hungarian foreign policy, a brief inclusion and reference to the prevailing professionally obscure background is vital for an understanding of the methodological difficulties.

On the one hand, it is almost impossible to interpret the motives and justifications on which development policy is based without a written or oral foreign policy, or, at the very least, a commonly agreed-upon and well-articulated foreign policy. On the other hand, without any written reference point, it is difficult to analyse, evaluate, contradict or modify existing development policy.[4] The Foreign Relations Strategy mentioned above refers to Hungary's participation in international development cooperation (on pages 3, 16, 18 in the English translation) but fails to specify the values, motivations, goals, objectives or assigned measures related to the Hungarian IDC within the framework of the 'foreign relations strategy'.

Further methodological problems arise in respect to the formulation and content of the Hungarian development policy itself. The tendency to use divergent terminologies by the primary players, such as the foreign ministry (MFA), the implementing agency (HUN-IDA), NGDOs (non-governmental development organisations) and academic circles, inevitably leads to certain amount of con-

fusion. Misunderstandings may arise not only with regard to the quality and essence of public debate, but also the preferred ends and means. Although expressions such as goals, objectives, project, program, partner country, sector and the misinterpreted 'comparative advantage' are simple terms, they hold different connotations both in official communications and during informal discussions (see later). For example, in 2003, Hungary defined 16 recipient countries in a resolution, which was slightly modified later in 2006 and then again in 2008. During the amendment processes there was no relevant procedure to clarify to the public what a given country group stood for and, as a result, there was a risk of confusion. Of the original countries, four were deemed to be 'strategic partner countries' and six were considered to be 'other partner countries'. The development agency, HUN-IDA, was responsible for implementation and also refers to 'our partner countries' although its country list differs slightly from the official categories of countries (see below).

Bearing in mind these methodological ambiguities, the only option is to summarise 'opinions' and make assumptions if needed. Unfortunately, however, past conclusions were drawn all too often without adequate, scholarly and academically supported hard facts and without credible methods of justification.

Foreign policy, foreign relations and development policy: As has been proven since the beginning (2002/2003), Hungarian DCP can be approached from a (neo)realistic as well as a liberal viewpoint. While the former argument takes the state's interests, as determined by the existing international structure, into consideration, the latter interpretation emphasises state responsibility when it comes to tackling common global problems.

DCP has been established on such realistic terms as 'joining the OECD (1996) and the EU (2004), [and carrying out] efforts to make a fresh start in international development policy, in accordance with the norms of these organisations' (MFA 200Y). There is little doubt that membership in these organisations played an important role in formulating Hungarian DCP, without which the need to allocate Hungarian resources for countries in need would be significantly less urgent. Civil society and the general public have been neither strong nor knowledgeable enough to force the political stakeholders, parties and the government to formulate a more sophisticated position or play a more spectacular role in international development cooperation.

The Ministry of Foreign Affairs established a department (see later) that has been in charge of coordinating the IDC's policies and processes. The Hungarian DCP represents a more liberal way of thinking inasmuch as the justifications for the DCP are concerned (KUM 2007b; Paragi 2007). According to the MFA's various statements, Hungarian development policy is parallel, or horizontal, rather than subordinated to foreign policy. There are official voices, which tend to em-

phasise that 'IDC policy has nothing to do with foreign policy'. When analysing and scrutinising the countries 'targeted by Hungarian development activities' one has to admit that Hungary follows a fairly realistic path (see later).

The first milestone for the realisation of a Hungarian development policy was governmental approval of the 'Concept Paper of the Hungarian Development Cooperation Policy' in July 2001. The concept, jointly prepared by the Ministry of Foreign Affairs, Ministry of Finance and that of Economic Affairs on the basis of Government Decision 2319/1999, took into account Hungary's economic and social background and previous experience, as well as the importance of committing Hungary to the United Nations' Millennium Development Goals (MDGs). It formulated the general principle and operational framework of the Hungarian development policy aimed at helping countries that are less well developed than Hungary.

Motivations behind development cooperation: In the case of Hungary, there are several more or less explicit reasons for supporting certain developing countries. These include the following: (i) adjustment to the international environment, (ii) moral obligations, (iii) broader foreign and national security policy concerns, and (iv) economic considerations. The international environment represents a source of considerable pressure since there is no democratic, developed state, which could afford to ignore the responsibility of helping poorer ones (Tomaj 2007). In this sense, the Hungarian method of the formulation and implementation of development policy are equally motivated by 'rational choice'.

The moral obligations underpinning the necessity of participating in international development cooperation, as opposed to political reasons (iii), tend to be stressed and supported by local and international civil organisations. These organisations emphasise the necessity of helping people in need, although not for political reasons. They attempt to assert solidarity or advocate global responsibility in order to increase support for aid to those less fortunate. As far as the third motivation is concerned, there are several challenges (poverty, migration, terrorism, etc.) that even Hungary has to face in the long run. There are also other reasons for using development policy as an instrument to enhance economic or business interests and there is a very simple and mainly historical and economic explanation for this. Hungary is a small Central European country without any significant experience in colonisation and decolonisation, which also lacks meaningful 'exportable' political ideas or social beliefs in the international perspective. In the absence of a solid political commitment, which is widely supported by society, the most obvious reason for participating in international assistance is based on realisable economic benefits and meeting international obligations.

Declared goals of DCP: As expressed above, the goals (and/or objectives or preferences – the distinction is not clear in Hungarian documents) of the Hun-

garian development policy were to be formulated in accordance with the norms of the relevant international organisations and institutions, based first and foremost on compliance with the MDGs. The primary goal of Hungarian DCP is reduction in (global) poverty or, at the very least, poverty in partner countries.

The analysis of the more or less well-defined objectives which have been subordinated to the above-mentioned overall international goal(s), includes the identification of various priorities (KUM 2002; MFA 2003b: 1-2). According to official documents translated into English '[t]he main preferences of the Hungarian international development policy are: to preserve and support international peace and security, and to create and sustain regional, political and economic stability; to reduce poverty, and contribute to sustainable economic and social development; to protect human rights and equal opportunities, to strengthen democracy and civil society structures, as well as to support local community autonomies; to support efforts aimed at creating economic and social development (basic necessities, healthcare, primary education); to promote good governance; to protect and improve environmental resources' (MFA 200Y).

The objectives listed in Hungarian or English documents are easy to misunderstand. It is important to realise that all of the measures, tools and procedures that have to be fulfilled are covered in Hungarian documents by the word 'objectives' which have neither been listed, nor embodied in one logical framework or structure. The absence of the required legal background means it has been quite difficult to underpin and understand DCP policy and practice.

Legal and Institutional Background

Since its creation, the primary source of the Hungarian DCP has been the abovementioned Concept Paper (approved by the government in 2001). Since it was published by the MFA, a 'Government Decree' (82/2003) modified the responsibilities and competence of the Minister of Foreign Affairs to include DCP activities. As far as the organisational structure is concerned, Government Decisions established various administrative units (see below) that are domestically responsible for various elements of DCP activity (MFA 2003b: 2).

The law, which is supposed to eventually regulate Hungary's international development cooperation policy, has been under construction for some time. Unlike the first concept, this document is open to certain amount of public debate within the framework of the Civil Advisory Board. In the absence of a DCP law, considerable efforts are required to cope with the otherwise non-harmonised existing bureaucratic and legislative structures involving, among others, the budgetary law and public procedures law. As a member of European Union, the country

has also been 'obliged to apply all the legal provisions of the EU, including parts of *acquis communautaire* on development cooperation' (MFA 2003b: 1). Apart from this, the DCP is almost totally absent from Hungarian society's 'priority list'. This fact is underpinned by another issue, namely that no budget lines, no country selection, and no organisational questions have ever been debated at the plenary sessions of the legislative council. Details of the Hungarian IDC activity are regularly presented to the Foreign Affairs Committee of the Parliament by MFA (KUM 2008b). However, this practice is more reminiscent of a compulsory procedural matter than a reflection of a substantially innovative and initiative decision-making process.

Hungary's development assistance programs are financed by the central state budget. The Ministry of Foreign Affairs is responsible for planning the international development cooperation activities as well as coordinating ongoing activities among various governmental units involved. The MFA administers approximately 20% of Hungary's total contribution to international development, mainly in the forms of projects and technical assistance (see table 1, column E). The remaining part of Hungary's official development assistance is provided by other government units, predominantly ministries like the Ministry of Finance,[5] Ministry of Health, Interior Ministry, etc. The detailed content of their IDC activity as well as the exact percentage of their contributions is unknown, not only to the wider public, but also to the MFA (KUM 2008b). It has also not been communicated via the MFA's website on a voluntary basis nor obtained by researchers (Kiss 2007a; Kiss 2007b; Kiss 2008).

The MFA department responsible for coordination and management of Hungary's development policy was established in late 2002 (Department for International Development Cooperation – DfIDC – *Nemzetközi Fejlesztési Együttműködési Főosztály*). Since then, neither the government itself nor any political parties have treated international development cooperation as a priority. Typical organisational problems relating both to human capacities and financial-budgetary constraints reflect the fact that DCP has been a policy ignored by main political decision makers.

The IDC Interdepartmental Committee (IDC IC, *NEFE Tárcaközi Bizottság*) was established by a Government Decree (2121/2003). At the end of 2007, a new administration unit (*IDC Government Committee*, IDC GC; *NEFE Kormánybizottság*) was created to replace the Interdepartmental Committee (by Government Decree 2191/2007). The IDC Government Committee chaired by the foreign minister is responsible for (re)defining geographical and sectoral priorities. The details of this procedure are still under construction (KUM 2008a: 14). However, the initial IDC IC was also presided over by the Minister of Foreign Affairs and was primarily responsible for determining the recipient countries and

target areas of the IDC. The main task of the IDC IC was 'to harmonise IDC programs with the foreign, security and foreign economic policy objectives' (MFA 2003b: 2). These objectives, as mentioned above, have not been compiled as a written framework nor communicated publicly. Neither the minutes of IDC IC meetings, nor its resolutions and methods for evaluating the IDC IC activity have been made available to the wider public by 2007 (2008).[6] Only a few general comments are made in official government annual reports on Hungarian development assistance (see below). The work of the IDC IC, as well as that of its successor, the IDC GC, has been supported by an *Interdepartmental Expert Group* (*NEFE Tárcaközi Szakértői Munkacsoport*) comprising delegated representatives (experts) from the ministries.

The development policy, which is coordinated by the MFA has not replaced the international aid-support activity and funding program currently pursued by various ministries and institutions. However, in 2003, the MFA became responsible for the harmonisation, with the active participation of the line ministries, of all of the Hungarian development activities and for assistance in the management of the efficient use of central IDC resources. Due to capacity problems, the coordination has not covered the task of precise statistical recording (so far).

In addition to the above-mentioned governmental structure, there are two additional institutes – an advisory board and the implementing agency – which should also be mentioned. The *Civil Advisory Board* (CAB, '*Társadalmi Tanácsadó Testület*') was established almost immediately following the commencement of the governmental development activities. The role assigned to CAB is to encourage the participation of social and professional organisations and various representatives of the public. The CAB, which convenes once or twice annually, consists of representatives of the MFA, political parties, trade unions, employers' associations, academic communities, NGDOs and individual experts. The opportunity is given to the participants to review the Hungarian DCP activities and to influence the efficiency of these activities by sharing their points of view. The CAB also helps to raising public awareness by enhancing IDC's social and public acceptance (MFA 2003c).

However, an evaluation of the CAB reveals that the Board is quite rhetorical. According to academic and civil sources the CAB is a formal establishment rather than a body able to articulate and convey essential messages. It is also quite revealing that none of the Hungarian parties represented in the Parliament have formulated any independent policy that would reflect their own position towards international development cooperation. Even though there has been some improvement over the years, the activities of the CAB have not been well documented, at least not in any academic sense.

HUN-IDA, a non-profit private company, is the agency responsible for the implementation of Hungarian IDC programs, while Hungarian missions abroad, NGDOs, the private sector and various organs of public administration are involved in carrying out development projects in partner countries. The *implementing agency* is managed by a general manager, supervised by a three-member board and audited annually by an independent company. HUN-IDA is not a major implementing agency, does not have offices abroad and employs about 10-15 people in its Budapest office to run its own 'programmes and activities.' The average project budget is tellingly small and only between HUF 5 and 8 million (approx. US$ 26,000-35,0000) have on average been spent by each program in recent years (HUN-IDA 2008b).

According to its mandate, 'HUN-IDA has been an official executive institution of the Hungarian Foreign Ministry, specialised in international bilateral cooperation since 2004, with a commission lasting until 2009. HUN-IDA's task is to implement the relevant contract. The organisation was granted the commission twice in the framework of public procurement procedures' (HUN-IDA 2008A). The clarity of the public procurement procedures within the organisation has been informally questioned by 'external' players – mainly NGDOs – in Hungary (Miklósi 2007). Tensions between the implementing agency and the civil sector players can be explained by the size of the market: the available official resources for implementing IDC projects are so small that signing a multi-annual contract with the MFA is a pretty big step which many want to take.

According to official sources, the MFA has been satisfied with its activities, which embrace three major pillars. First of all, the HUN-IDA ensures or arranges the training of foreign diplomats who come to Hungary within the framework of bilateral governmental agreements. It also monitors the financial and professional realisation of projects that have been financed by MFA sources and implemented by non-state actors. Nevertheless, it is interesting to ascertain that the projected budget at the disposal of the MFA/DfIDC in 2007 of HUF275 million or US$ 1.496 million (that is, without resources devoted to the reconstruction activities in Afghanistan, see table 1, column E) was smaller than the amount paid to the HUN-IDA for monitoring various Hungarian IDC projects abroad (HUF309 million or US$ 1.683 million)[7] (KUM 2008a: 2; KUM 2008a: 23). These amounts and their comparison are a pretty good reflection of IDC activity. Last but not least, the scope of HUN-IDA's activities covers professional consultations and advice relating to DCP activities. The most popular field of interest is sharing the experiences (know-how) of the Hungarian political and institutional transformation, which was followed by the demand for learning more about how local government systems operate and how small and medium-sized enterprises in the country have been developed and supported (HUN-IDA 2008b).

The Major Features of International Development Assistance

Between 2003 and 2005, Hungary's ODA rose from 0.03% to slightly over 0.1% GNI. Data registered by the OECD shows spectacular improvements. For example, the initial total ODA (US$ 21.21 million; 0.03% ODA/GNI rate in 2003) rapidly rose to US$ 100 million (0.11% ODA/GNI, 2005). Approximate estimations for 2006 are US$ 120 million or € 96 million (0.13%). Such rapid increases can be explained mainly by debt cancellation.

Table 1 Total Hungarian bilateral and multilateral ODA (2003-2007) as reported in various currencies[15] to various sources by MFA

A	*B*	*C1*	*C2*	*D1*	*D2*	*E*
Referred year	Year of report	ODA reported to EU/EC	% of GNI	ODA reported to OECD	ODA reported to Kiss (2008)	Amount assigned to MFA/DfIDC. Activities implemented in form of projects. (OA and ODA)
		Million euro		US$ in millions	HUF in billions	HUF in billions
2003	2004	n.a.	n.a.	21	6.981	..
2004	2005	56	0.07	70	20.478	1.050
2005	2006	80	0.10	100	21.873	0.945
2006	2007	96	0.12	140	29.003	0.437
2007	2008	-	0.08	103	-	0.275 (with Afghanistan: 0.673)
Total		-	-	434	-	3.283 (with Afghanistan)

Sources: KUM 2002b; KUM 2003b; KUM 2004b
OECD 2007; KUM 2007b; Kiss 2007a: 11; EU/EC 2007 ; OECD 2008: 235

Unfortunately, the chart is complicated due to the otherwise obscure nature of the situation. An analysis of the data that reflects tangible bilateral development activity in partner countries (column E) shows that Hungary provided assistance valued at US$ 15.7 million (HUF 3,283 billion) in the form of 301 projects in 27 different countries between 2003-2006 (Tomaj 2007).

Differences between the data calculated in different currencies (euro, US$, HUF) as shown in columns C1, D1, D2 can be explained by the variation in exchange rates as well as by the date and method of calculating this data as reported to EU/EC and OECD DAC and Hungarian researchers (Kiss 2007a: 8) respectively. There was approximately a six-month gap between submitting data to the EU/EC and to the OECD and this may explain the changes in their accuracy or content. Information provided by the MFA reiterated this explanation just as it revealed that there is no professional statistician in charge of reporting IDC data within the MFA (KUM 2008b).

There are various explanations for the differences between column D2 (*ODA reported to Kiss 2007, calculated in billion HUF*) and column E (*amount assigned to MFA/DfIDC calculated in billion HUF*). The most important of these is the impact of debt cancellation in relation to Nicaragua (US$ 22.12 million in 2004), Yemen (US$ 19.6 million in 2005), Tanzania (US$ 18.8 million in 2005), and Ethiopia (US$ 6.438 million in 2006) (Kiss 2007: 20-21). It is not known how the debt cancellation (60% of US$ 229,324 million, which includes capital and interest) activities with Iraq have been represented in statistics (Kiss 2007a: 21). It is also not known whether any of the aforementioned debt cancellation acts have been used for intentional export promotion. However, the answer is definitely 'officially not' since the MFA would otherwise have known about it, which is not the case (KUM 2008b). A substantially more relevant explanatory factor may be the number of activities that are counted and reported as ODA and realised by the various ministries and governmental units. An overall lack of transparency

Table 2 **Bilateral and Multilateral ODA (2003-2007) as reported in various currencies to various sources by MFA. Figures given in HUF may provide OA as well.**

	2003		*2004*		*2005*		*2006*		*2007*	
	HUF in bill.	US$ in mill.	HUF in bill.	US$ in mill.	HUF in bill.	US$ in mill.	HUF in bill.	US$ in mill.	HUF in bill.	US$ in mill.
Bilateral ODA	1.4723	14	6.7439	35	13.2904	40	13.3219	84	-	33
Multilateral ODA	5.50087	7	13.7376	35	8.5831	60	15.6818	56	-	70
Total	6.9811	21	20.4785	70	21.8735	100	29.0037	140	-	103
Bilateral ODA,%	21.10	66.66	32.9	50.00	60.80	40.00	45.90	60.00	-	32.03

Sources: Kiss 2007a: 7 (table 3); Kiss 2007a (table 4): 8; OECD 2008: 235 (table 33)

significantly increases this possibility. So far, the MFA, responsible for coordinating Hungarian IDC activities, has neither recently posted their contribution to total Hungarian ODA on its website,[8] nor has it shared them with researchers applying for this data (Kiss 2007a: 9; Kiss 2008; also, see later).

Approximately 50% of the Hungarian ODA (and OA) (on average) is channelled through multilateral institutions. Trends not only reflect changing budgetary priorities but also an improvement in the way data is collected and summarised, and in how the activities of various ministries are coordinated.

It is difficult to explain the differences between the figures provided to the OECD DAC and those provided to Kiss (2007: 8). Explanatory factors may include the (unknown) exchange rate, as well as the exact content of 'development assistance.' As far as the latter is concerned, the figures given in HUF very likely include OA (official assistance) in addition to ODA. The absence of definitions of the terminology used in various Hungarian sources makes information retrieval almost impossible.

Geographical distribution: In 2003, the Ministry of Foreign Affairs defined 16 recipient countries 'targeted by Hungarian development policy' (MFA 2003a: 1). Apart from the practice of debt cancellation and meeting international requirements, such as rebuilding Afghanistan or Iraq, Hungary has been maintaining long-lasting relations with countries in close geographic proximity such as Serbia, Montenegro, Ukraine and Bosnia and Herzegovina (BiH). Although Vietnam is not a neighbouring country, Vietnam had already cultivated close political relations with Hungary prior to 1989/1990. The list has been updated twice since 2003, in 2006 and in 2008, without any additional information being provided (to the public) as to specific of the country groups.[9]

The initial selection resulted in the creation of four categories, namely 'strategic or preferred partner countries' (*kiemelt partnerek*), 'partner countries' (*partner államok*), 'least developed countries' (*legkevésbé fejlett államok*) and recipients representing 'international commitment' (*nemzetközi kötelezettség alapján vállalt együttműködés*). Between 2006 and 2008, the category of strategic partner was not applied. In 2008, the former strategic partners were qualified as 'priority partner countries' and cooperation with them has since been based on 'medium-term country strategies' (*középtávú országstratégia alapján kiemelten kezelt parterek*). Country strategies (CSP) completed more recently or which are still being prepared presume a more coherent and consistent way of cooperating with Serbia, Bosnia and Herzegovina, Vietnam as well as Moldova and the Palestinian National Authority (PNA). In these cases, the cooperation is based on medium-term planning. So far, three country strategies (Vietnam, Bosnia-Herzegovina, Serbia) have been prepared for a three-year periods based on summarising the

Table 3 Various 'Partner Relations' according to the MFA and its implementing agency

Categories	***MFA[16] (as of 2003)***	***MFA (as of February 2006*** *: added or reaffirmed in 2008)	***HUN-IDA: our partner countries (2008)[17]***
(Strategic) Partner Countries Cooperation based on medium-term strategy (since 2008)	Serbia and Montenegro Bosnia and Herzegovina Vietnam Palestinian National Authority	Serbia Bosnia and Herzegovina Socialist Rep. of Vietnam *Palestinian N. Authority *Moldova	Albania Kyrgyzstan Republic of Moldavia (*ie. Moldova*) Mongolia Montenegro Nigeria Palestine Republic of Serbia Socialist Rep. of Vietnam
(Other) Partner Countries 'Project-based' cooperation (since 2008)	Macedonia Republic of Moldavia China (dropped) Mongolia Kyrgyzstan Ukraine (OA)	Ethiopia → **countries in Sub-Saharan Africa* Yemen Cambodia *Kosovo Kyrgyzstan Laos Macedonia Mongolia *Montenegro **Ukraine* (OA)	
Least Developed Countries	Ethiopia Yemen Cambodia Laos	-	
Partners under International Commitment	Iraq Afghanistan	Iraq Afghanistan	

Sources: KUM 2002; KUM 2007a; KUM 2008a; HUNIDA 2008a

needs defined by the governments of the countries concerned (KUM 2008a: 2). The lack of country strategies means that the content of the medium-term cooperation with both the PNA and Moldova remains quite obscure. In all of the other cases, the cooperation is project-based (KUM 2008b), i.e., conducted in an ad hoc way depending on budgetary opportunities.

Although certain substantial differences can be observed purely through an analysis of the titles of each category, no specific explanations of substantial differences between the given categories has been provided (MFA 2003b; KUM 2003; MFA 2006). Early documentation prepared by the MFA refers to 'strict and

consistent' selection criteria but none of these have been listed explicitly and publicly. As the MFA states,'... [t]he selection of these countries will ensure coherence between our political, security and economic objectives, on the one hand, and the practice of development cooperation, on the other. The programs are intended to contribute to the sustainable social and economic development of the partner countries and to the reinforcement of bilateral relations equally' (MFA 2003b: 3). According to the latest publication by the MFA 'the selection of the partner countries is the result of a multi-round coordination among the various ministries which took into consideration (i) Hungary's international environment, its interest system and its political, economic, trade and security capacities, (ii) the development and poverty level of the recipient countries and (iii) the history of the relationship between Hungary and the potential partner countries' (KUM 2008b).

According to recent research, 301 projects supported by the MFA were realised in 27 countries (eligible for both ODA and OA) between 2003 and 2006. The most favoured partner countries were Serbia and Montenegro (68 projects or 18.41% of the total with a value of HUF604.4 million), followed by Iraq (16 projects, 12.66%; HUF415.8 million); Afghanistan (11 projects, 10.81%; HUF355 million); Ukraine (44 projects, 8.39%; HUF275.6 million) and Vietnam (26 projects, 8.22%; HUF269.9 million) (Kiss 2007: 11-12).

Sectoral distribution: Officially declared 'comparative advantages', they range from sharing experiences of democratic transition to professional contributions to various water and agricultural projects (various documents, MFA 2003a; MFA 2003b; MFA 2006).[10] According to the Ministry of Foreign Affairs the following sectoral focuses can be identified, based on Hungary's 'comparative advantages':

- transfer of knowledge and experience in political system changes;
- education;
- technical training;
- information technology;
- agriculture;
- health;
- infrastructural planning; and
- environmental protection (source: MFA 2003a: 1; Cf.: MFA 2003b: 2; MFA 2006: 2).

Figures on sectoral spending are not available from official governmental sources (KUM 2008b) for the period 2003-2007. Judit Kiss tried categorising data by sectors, but only resources devoted to project implementation could be counted due to the fact that the MFA have only recorded the sectoral categorisation of

the projects that (a) have been financed by the budget at its disposal (Table 1, Column E) and (b) have been implemented by its implementing agency, NGOs or private companies. It means that activities in the field of education, health, agriculture, public order, etc. which have been performed by other ministries are counted (reflected) in international (OECD DAC) statistics (ODA data) but, by 2008, had not been recorded in a statistically credible and publicly accessible way by the MFA.

As far as the sectoral distribution of the implemented projects is concerned (with a total value of HUF3,282 billion), the most popular sectors were the following: government and civil society (134 projects), emergency aid (49), agriculture (forestry, fishery) (32), health (24) and education (34).

Table 4 Sectoral distribution of project aid recorded by MFA

2003-2006 Sectors	*Number of projects*	*Value of the projects*	
		Billion HUF	%
Government and civil sector	134	1.099	33.49
Emergency aid	49	0.598	18.23
Agriculture, forestry, fishery	32	0.454	13.84
Health	24	0.414	12.6
Education	34	0.313	9.55
all other	28	0.405	12.29
Total	301	3.283	100

Source: Kiss 2007a: 15-16

So-called sectoral priorities (or preferences) have been repeated and extended in various MFA communications over time. The 'sectors' have not been assigned to the declared goals and objectives (or so-called preferences). The projects which have been recorded by the MFA have also not been arranged according to the initially defined sectors (cf. Kiss 2007: 21-22 and the KUM 2003a). A comparison of the official documents prepared in Hungarian and English over the past few years shows that it is unclear what the difference is between categories such as 'objectives' (preferences), 'comparative advantages' and 'sectors' (sometimes also referred to as branches or areas).

Table 5 **Overlapping categories applied in official documents published in Hungarian (KUM) and in English (MFA)**

Categories	*Initial objectives ~ principal and practical priorities (2002)*	*Sectors and branches (2003):*	*'Preferences'*
Content listed in official sources	• international peace, security and regional stability • implementing sustainable development in developing countries • protecting human rights, democracy and minority rights • (Hungarian minorities in the region) • economic and social development • good governance • protecting the environment • active participation in the work of IDC organisations • OECD DAC membership	a. transfer of knowledge, experience in political system changes; b. ducation, c. technical training, d. information technology, e. agriculture, f. health, f. infrastructure planning g. environment protection	• to preserve and support international peace and security, • to create and sustain regional, political and economic stability; • to reduce poverty, • to contribute to sustainable economic and social development; • to protect human rights and equal opportunities, • to strengthen democracy and civil society structures, • to support local community autonomies; • to support efforts aimed at creating economic and social development (basic necessities, healthcare, primary education); • to promote good governance; • to protect and improve environmental resources
Sources:	KUM 2002	KUM 2002 MFA 2003a	MFA 200Y

It is almost impossible to formulate proper definitions of the above-mentioned categories based on the elements of the given sets. The listed 'sectors' are rather obscure approximations. This is the result of a lack of proper definition, which reflects the meaning of this category. 'Sharing Hungary's experience in political-economic transition' and 'knowledge transfer' has been allocated to the group of sectors along with 'agriculture' and even 'environmental protection'. This association with completely unrelated sectors, which adds to the confusion, highlights the above-mentioned methodological problems. In addition, sectoral priorities have not been explained by concrete, explanatory facts, which would help clarify why the given priorities have been selected and grouped together. In the absence of proper indicators and of data reflecting aggregated demands of the partner

'Sectors and areas where Hungary has comparative advantages'

a. Sharing Hungarian experiences associated with the political-economic transition (establishment and operation of democratic structures, creating conditions for the transition to a free-market economy, privatisation, providing assistance to small and medium-sized enterprises, the application of the criteria of good governance).
b. Knowledge transfer, knowledge-based assistance (methodological procedures, know-how, software, transfer of organisational and planning methods, etc.)
c. Promoting education (university and post-graduate), training of experts and technicians, developing curriculum, organising long-distance learning.
d. Developing health services (planning, equipping, and running hospitals and polyclinics, birth control, combating epidemics, etc.).
e. Agriculture (dissemination of state-of-the-art plant and animal breeding methods, seed improvement, plant hygiene – plant protection, freshwater fish breeding, forestation programs, farm development plans, biotechnology, agro-meteorology, training of specialists and engineers in farming-related areas), food industry (planning of slaughterhouses).
f. Contributing to water management and water resources development, planning and providing technical advice (reservoirs and barrages, water purification plants, planning of dikes, inland drainage, exploration and assessment of water stocks, etc.).
g. Developing general infrastructure.
h. Helping general and transport engineering activity, cartography.
i. Providing technical advice on environmental protection.

KUM 2002; KUM 2003a
MFA 2006, cf. MFA 2003b

countries or Hungary's sectoral economic performance, it is possible to assume that the sectors have been selected by (foreign) political concerns or in any other *ad hoc* way.

An Alternative Monitoring Method to 'Evaluating Evaluation'

Public awareness: Generally speaking, taxpayers are neither very well informed about the role of development assistance nor about its necessity, when compared to Western Europe, despite the increased focus on public awareness. Comprehensive public opinion polls have never been prepared by any Hungarian polling

institution with to the goal of measuring how Hungarians think about global problems, development assistance and private aid contributions. In 2000, a Ph.D. dissertation sought to map the attitudes people have towards global challenges within the framework of a broader topic (*Nature and History* 2000). A thousand people responded to the questionnaires. According to the results, the three most important global problems were environmental problems, poverty, and war. Moreover, 55% of the respondents knew that international organisations were involved in tackling global problems, while only 16% were unaware of these institutions and 29% thought that no such institutions existed. Approximately one-third of the sample was convinced that they [the people] could not do anything to solve global problems (Székely 2003).

The 'Eurobarometer' poll, which focussed on *Attitudes towards Development Aid*, indicated that only 73% of the Hungarian respondents said that it was either very important or fairly important to help people in developing countries (the average for the EU-25 was 91%) (Eurobarometer 2005: 26). It is thus not surprising that 44% of Hungarians did not know how much money the government was spending on development assistance. Since the amount in question is very similar to the amount spent in the new Member States (Eurobarometer 2005: 36), one might assume that there is no real correlation between the quality of data published by official actors and public awareness.

An examination of the latest 'Eurobarometer' survey reveals a slightly different situation. According to Hungarian respondents, 'development aid is selfish', inasmuch as the two main motivations for richer countries to provide development aid to poor countries are: (1) 'to prevent citizens from these countries [from] emigrating to rich countries,' (2) direct 'self-interest, for example, helping poor countries to trade will enable them to buy more products from rich countries' (Eurobarometer 2007: 5). This approach can be explained by the fact that people in Central Europe have not experienced any significant political altruism on the part of key European countries in the past. In fact, 73% of the population (or at least the respondents) have never heard of the Millennium Development Goals. This is slightly higher than the average of the EU-27 (80%). Of the EU members, the Hungarians trust the method of untying aid the most with 34% of them answering that this is the best way to improve aid efficiency (Eurobarometer 2007: 28). Hungarians also have faith in the European Parliament as well as in the governments of the recipients. 38% said that the EP has the most significant influence on the development aid priorities (compared to the EU-27 average, 27%) and 26% said that governments in the recipient (ACP) countries possess this influence (the EU average was just 15%).

Governmental communication; monitoring and evaluation: Neither recipient countries nor Hungarian taxpayers know how to readily access certain details

of Hungary's development policy. Relevant information provided publicly by the Ministry of Foreign Affairs tends to be inconsistent (Kiss 2007a, 2007b; Paragi 2007; Kékesy 2008). Various pieces of information are shared with the public under the heading of 'events' (*események*) posted on the MFA's website. However, the extent to which the listed events mirror the real activity behind the development policy is unknown as there is a general lack of transparency.[11] It is possible that, in reality, the MFA may provide between 90 and 100% coverage, but may only make between 50 and 70% of this information available to the public. Monitoring and evaluation documents prepared either by the implementing agency (HUN-IDA) or by the MFA are not accessible and contain data on 'projects' that are not aggregated at either the national or sectoral levels.

Annual summaries reported in Hungarian have been posted on the MFA's website (KUM 2004, KUM 2005, KUM 2006, KUM 2007, KUM 2008A) as well. The reports, each consisting of approximately 15-20 pages, are intended to be summaries of the activities of the previous year as well as indicating the 'priority tasks' (*kiemelt teendők*) for the coming year. These 'essays' reflect the 'history' of the Hungarian IDC in the relevant years. They also address the question of what has occurred during any given year in Hungary's public administration, as well as within the framework of cooperation with recipient countries. Nonetheless, the annual reports fail to elaborate on the degree of effectiveness or efficiency. Thus far, all of them have lacked charts and tables, any systematic approach involving hindsight evaluation, and a logical and structured assessment of development activities by sectors and by partner countries as well as on the basis of one currency.[12] With respect to indicating future goals, the reports have failed to contain clearly worded goals and objectives derived from the IDC concept. They also lack policy tools or measures directly or indirectly aimed at addressing these (otherwise non-existing) annual goals and objectives.

It must be emphasised that 'previous activities' have been listed by countries and by sectors in annual reports since the beginning. Future activities have also been proposed and projected. Nevertheless, neither past nor future (planned) activities have been structured in a methodologically legitimate way, which would also serve as a basis for credible arguments whether formulated by the Ministry or by outside parties such as NGOs or academic actors.

The 'outsiders' or the role of civil society in Hungarian development policy: Anyone who is familiar with Hungarian IDC policy and practice cannot deny that the formulating, implementing and evaluating of such policies is a very tense process. Serious communication mistakes have been made by all players since the beginning of the process, which has led to mutual mistrust among the concerned parties.

The HAND Association was created in 2002 thanks to local initiatives and Canadian generosity. Since the very beginning, the CIDA-ODACE has support-

ed and assisted the consolidation of the Hungarian NGDO platform (HAND, Hungarian Association of NGOs for Development of Humanitarian Aid) which has become a representative body of the Hungarian NGOs being interested in development and humanitarian activities. The HAND has 13 permanent members and 13 observers, with the majority of them possessing only a very small annual budget and staff. It runs a small office of 2-3 staff members who mainly organise fundraising activities. As a result of their struggle to cope in financial terms, HAND has been more active in the past two years than any time previously. Nevertheless, it was scarcely able to meet the demands it faced. Over the years, HAND became a member of the CONCORD and benefited from international best practices. As far as their local presence is concerned, their activities are based on three main pillars: representing civil society organisations while communicating or working with the MFA as well as international official and civil society organisations; raising public awareness and advocacy; and providing services to its member organisations. HAND has also established working groups, which are intended to contribute constructively to the articulation of the official Hungarian development policy. Even if the NGDO sector is only able to assert its voice, values and interests to a limited extent, the role they play in implementation is crucial and invaluable. It proved to be such a highly constructive step that an in-depth inquiry was initiated by civil society (under the umbrella of the HAND NGDO platform). The findings enabled them to list a lot of the weaknesses and tasks that need to be tackled (Kiss 2007a, Kiss 2007b).[13]

Another great achievement of civil society is that, within the framework of the above-mentioned Civil Advisory Board (CAB), HAND's members have also had an opportunity to form an opinion on DCP law (which is being drawn up) and on country strategies. The latest developments aside, CAB has been a representative body in a formal way, but not in an essential sense. Even if its members are able to articulate their positions on various questions, their work remains essentially invisible to the wider public inasmuch as CAB does not have a mailing list, a website or a phone number to contact. The CAB was created by the MFA and currently still responds to the initiatives of the MFA instead of being a creative and pro-active body formulating proposals without any explicit invitation. Although the CAB proposals, remarks and feedback must have been used in the process of year-to-year 'policy' formulation and implementation, the MFA has failed to evaluate its level of satisfaction with the CAB. Since public life in Hungary is rather small in scale, it has been easier for many people involved in CAB to distance themselves from essential matters in order to avoid confrontations, which might backfire in the longer term. Proposals formulated by the CAB and/or its members have never been discussed in the parliament, but 'are debated within the framework of the Government Committee and used to embellish the

final reports and documents prepared by the Ministry of Foreign Affairs' (MFA 2008b). Nevertheless, there is a lack of clarity regarding the details and the added value of the CAB.

Summary

The main trends in the short history of the Hungarian DCP can be summarised as follows. Although an entire DCP institution system has been created, compared with European experiences, only some relatively insignificant progress has been made. The government is not really interested in gaining international recognition and self-esteem by taking part effectively in international development cooperation. This observation is underpinned by the amounts spent on international development cooperation and by the size of the individual projects. Even if the public were to be more interested in the global problems of the developing world, the government has neither the means nor the channels to achieve more spectacular results at a national level.

From an academic perspective, the most important lessons that can be learned are related to the quality of input needed in any research in order to draw credible conclusions. As stated by Judit Kiss, '[researchers in Hungary] had enormous difficulties with data collection due to uneasy governmental data service, lack of data and inconsistency (Kiss 2007b: 1). Without making a considerable extra effort it is not possible to access certain data relating to Hungary's international development cooperation activity. Although the practice of phone calls and e-mail communications do work, it may take an outsider weeks or even months to gain access to the information he or she needs. The accuracy of hard facts (published official figures), whether they are communicated publicly or provided on an ad hoc basis, is often questionable and the figures are difficult to compare.[14] Last but not least, the professional terminology used by Hungarian stakeholders is inconsistent and there is no transparency as regards the evaluation methodology applied by officials. These two factors definitely do not make the situation any clearer.

Despite the above-mentioned difficulties, the improvement can be regarded as quite spectacular during the reference period (2002-2003). Since the beginning, a whole administrative structure has been created consisting of more than 300 projects of varying sizes. This structure has been coordinated by the MFA and implemented by either its implementing agency or various civil organisations.

As far as recommendations are concerned, it is worth repeating the main findings of a recent critical survey (Kiss 2007b: 2). A mechanism needs to be developed or adapted by which to measure aid effectiveness, which embraces all of

the elements of Hungarian DCP. In addition, *ex ante* and *ex post* project evaluation, impact assessment must take place regularly, based on proper measurement mechanisms and adequate indicators. As for accountability, free access to ODA statistics, reports and project evaluations should be provided by the Ministry of Foreign Affairs. Regarding the transparency of implementation of the Hungarian DCP activities, the MFA should facilitate an independent evaluation method in order to guarantee impartiality and objectivity.

As long as the major elements and basic mechanisms of the Hungarian DCP are not (re)arranged in a transparent and professionally legitimate way, there can be no realistic expectations regarding raising the quality of development assistance.

Notes

1 While an attempt was made to write this paper objectively, the author is aware of the fact that she may have stressed a comfortable outsider academic point of view in her approach throughout the text. I am indebted to Judit Kiss, senior researcher at the Institute for World Economics at the Hungarian Academy of Sciences for reviewing the manuscript and sharing her thoughts with me. I am also indebted to the colleagues with responsibility for international development cooperation within the Ministry of Foreign Affairs, to the director of HUN-IDA (the implementing agency) as well as to Annamária Kékessy (former head of the NGDO Association) for their written and verbal communications. Nevertheless, all of the conclusions drawn are my own.

2 Emphasising 'international' when speaking about Hungarian development policy is crucial (*fejlesztéspolitika*, in Hungarian) since it is widely understood by the Hungarian public to be a policy aimed at developing Hungary mainly on the basis of funding from various foreign sources within the EU budget. In this paper, development (cooperation) policy (DCP), development assistance and international development cooperation (IDC) are interchangeable. All of them refer to Hungary's international development policy and existing relations and attitudes with the eligible developing countries. For more accurate definitions see Stokke 2005: 32.

3 A comparison of the Hungarian and English versions of the MFA's websites reveals differences not only as regards detail but also the content of the message they intend to convey. Cf. 'Foreign Policy' in English (http://www.kulugyminiszterium.hu/kum/en/bal/) and *Külpolitikánk* (Our Foreign Policy) in Hungarian. The Hungarian „Külkapcsolati Stratégia" (Hungary's External Relations' Strategy) can be downloaded from: http://www.kulugyminiszterium.hu/kum/hu/bal/Kulpolitikank/kulkapcsolati_strategia/hu_kulkapcs_strat.htm. Hungary's External Relations' Strategy (in English) can be accessed at: http://www.kulugyminiszterium.hu/NR/rdonlyres/3E8FA370-15B3-4919-AC14-41A02CB54BA3/0/080319_kulkapcs_strat_en.pdf.

4 'The justifications given for a policy by the political authorities (government and Parliament) represent a primary source where the motives are to be found. There will always be hidden agendas and ideal (altruistic) arguments may camouflage selfish interests. The stated motives therefore have to be modified and contradicted by the policy implemented' (Stokke 2005: 450).

5 The Ministry of Finance is responsible for financial contributions (such as membership fees) to be paid to multilateral organisations, matters related to debt cancellations and for coordinating statistical issues (how to record and report data) with the Ministry of Foreign Affairs.

6 The first IDC IC resolution (1/2003) marks an exception (MFA 2003a).

7 Yearly average exchange rate (2007): 183,83 HUF/USD, source: *Magyar Nemzeti Bank (MNB)*, Central Bank of Hungary (http://www.mnb.hu/engine.aspx?page=mnbhu_arfolyamok).

8 The official annual report summarising Hungarian IDC activities in 2007 pays some attention to the relevant activities of the ministries in question, but not in a systematic way (KUM 2008a: 11-13). The latest annual report covering Hungarian IDC activities in 2008 had not been published by June 2009, although it is said to contain some improvements in this regard.

9 The original list was defined by the IDC Interdepartmental Committee (IDC IC) *Resolution* 1/2003. According to the annual report of 2006 prepared by the MFA on behalf of the IDC IC, the *position* adopted by the IDC IC resulted in little change in the set of 'partner relations' in February 2006. In Hungarian, this was expressed as, 'A NEFE TB 2006. februári *állásfoglalása* szerint a magyar NEFE-hez az alábbi partnerrelációk tartoznak: ...' (source: KÜM 2007: 9-10; *Report on Hungarian Development Cooperation in 2006 and proposed activities to 2007*, in Hungarian. Title and quoted sentence were translated to English by the author – PB). In contrast to this, another document drawn up by the same MFA at the end of December 2006 contains the original 2003 list with three exceptions (China, Montenegro, PNA). More importance was attached to the four 'strategic partner countries' of Serbia, Montenegro, Bosnia and Herzegovina and Vietnam. Given that the Palestinian National Authority was temporarily re-categorised and China was dropped, the six 'other partner countries' are as follows: Macedonia, Moldova, Mongolia, Kyrgyzstan, Ukraine, Palestinian National Authority. The categories of 'Least developed countries' as well as that of the 'international commitments' remained the same (see: MFA 2006: 2) by 2009.

10 It should be noted that *comparative advantage* is a technical term used in economics, which is often misused in official communications.

11 Any Hungarian citizen can submit a request to the MFA on any topic and the questions raised have to be answered by the MFA. However, neither the general public nor researchers can 'control' the quality and content of the answers and the validity of data. So far, the Ministry has not made public any information on the kind of internal procedures with regard to internal checks on the effectiveness of the Ministry or any of its departments.

12 In the annual reports, figures that reflect DCP activities are provided in various currencies (HUF, US$, euro) without indicating the exchange rates, which makes it almost impossible to summarise and/or analyse the figures.

13 Papers and documents prepared by HAND can be accessed via its website: http://www.hand.org.hu/documents.shtml.

14 The author is grateful for the valuable comments of the anonymous reviewers. One of them emphasised that 'it is normal that such figures are incomplete and somewhat unreliable at the early stages of development of a DCP.' Since this general rule was accepted at the beginning of 21st Century, it has also been 'normal' to make charts and tables to summarise data in a mathematically and financially correct way in annual DCP activity publications.

15 Table 1 and table 2: the exchange rates during the years in question varied as follows: 1 USD: 160-200 HUF, 1 euro: 240-270. No information is available on the exact exchanges rates used by MFA.

16 Source: http://www.kulugyminiszterium.hu/kum/hu/bal/Kulpolitikank/Nemzetkozi_fejlesztes/nemz_fejl/NEFE_TB.htm

17 Source: http://en.hunida.hu/tematikus_oldalaink).

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Policy Coherence for Development of the Czech Republic

Case Studies on Migration and Trade[1]

Ondřej Horký

The changes in the European population landscape that occurred when Bulgaria and Romania joined the European Union (EU) in 2007 has meant that one-fifth of all European citizens now live in a new member state (NMS).[2] However, their contribution to the EU's official development assistance (ODA) is approximately only 1%.[3] None of the new member states are members of the OECD Development Assistance Committee (DAC), and only four Central European countries are OECD members. Moreover, the NMS provide the major part of their ODA through the EU budget and other compulsory contributions to multilateral organisations. According to the 2010 target set by the European Council, the NMS must 'strive to increase' their ODA/GNI ratio to 0.17%, but most of them are already off-track, and the latest arrivals only recently started to set up institutions to provide bilateral aid.

However, these 're-emerging' or just 'emerging' donor countries – depending on the amount of ideologically motivated aid they delivered during the Cold War – are not significantly less integrated into the global economy, politics and environment than the experienced donors. They are all trading partners of the developing countries and influence the EU trade and agricultural policies. Their populations are declining, and some of them have already opened their labour markets to qualified migrants from developing and transition countries. Consciously or unconsciously, their external and internal policies are having an impact on the developing world, which may not be coherent with the goals of their development policies. Indeed, the relative insignificance of their development programs should highlight the importance of the other policies which focus on the developing world and, hence, the problem of policy coherence for development (PCD).

In contrast to this assumption, PCD is the most institutionalised and implemented concept by the most experienced donors, especially the Scandinavian countries (ECPDM/ICEI 2006). It seems that, in reality, the institution in charge

of development cooperation programs must obtain significant support and institutional recognition before a widely defined development policy gains enough authority to influence the decisions made by other government bodies. The different levels of attention paid to PCD across the EU contrasts with the roughly similar impact of its members on the developing world and emphasises that policy coherence is a social construct. In the area of development cooperation, the distinction between discourses and practices was shown to be particularly fruitful.[4] In the case of PCD, the gap between official discourses and policy implementation is probably even wider. Analysing the (mis)use of the concept by diverse political actors, their (mis)perceptions of it, and whether the concept is present or absent in their discourse can help us to understand its rationale and prospects.

The Czech Republic, among the NMS, has a development policy that is closest to the least active of the fifteen 'old' member states (OMS), located primarily in southern Europe. Its recent accession to the EU and the principles of PCD which originate mostly at European and multilateral levels make it a good case for a study of the effect of Europeanisation on national policies. The country recently started transforming its development cooperation processes and it is aligning them with the centralised institutional model common in most of the OMS, which includes a development agency. The Act on Development Cooperation has not yet been adopted. Even though the principle of policy coherence has already been included in the documents that define the current institutional framework and in the government's program since 2006, it has not yet been implemented. This leaves room for an examination of the positions in the policy area.

The chapter starts by making a distinction between different types and levels of policy coherence in a section dedicated to the genealogy, definition, analysis and critique of the concept, which is used more as an operative tool than as a scientific concept. The second part of the paper introduces PCD in the context of the enlargement of the European Union. The third part presents the general institutional framework of the Czech development policy and the positions of the main actors. The last two parts are case studies on migration and trade. While it is extremely difficult to quantify the exact development impacts of external and internal Czech policies on the developing world, the interviews and questionnaires with their actors have shown that while there was a pragmatic motivation for the actors to get involved in the coherence process in the migration area, in the trade area, misunderstandings about the concept of development make PCD inoperative. The chapter concludes with a reflection on the potential of the concept to politicise or depoliticise development issues in donor countries and on the nexus between strong development cooperation and coherence policies.

The Concept of Policy Coherence of Development: Definition, Analysis and Criticism

The concept of PCD appeared in the early 1990s as one of the triple Cs in the Maastricht Treaty, the principles of aid coordination and complementarity being the other two. At the same time, it was also referred to in OECD DAC publications (1992). The fall of the Berlin Wall partly helped to de-ideologise development cooperation, which led to its almost complete abandonment in the East and to its significant reduction in the West. On the one hand, the ideological motivations to support ruling governments in developing countries weakened and the focus on poverty reduction strengthened. On the other hand, lower budgets led the development agencies to concentrate more on the problem of aid efficiency.

At the same time, global markets underwent the ongoing process of liberalisation and the apparent homogeneity of the former Third Word disappeared in favour of a multiplication of actors, especially those in the 'emerging markets'. This constituted a serious challenge to governments in the North and to international organisations. Since then, the role of the private sector in financial relations between the North and the South has steadily increased and this has limited the relative impact of development cooperation. In spite of regional differences, the volume of foreign direct investments and remittances is growing much faster than aid (OECD 2005), and donors are confronted with the problem of complementarity between aid and other financial flows (Cogneau and Lambert 2006). Moreover, the growing interconnectedness of the world in non-economic areas makes development cooperation relatively less important than in the past. Policy coherence *for development* can be seen as a response to the weakening public governance of the global economy, whose growth did not lead to a substantive reduction of poverty and inequalities.[5]

The concept of PCD is an invention of development policymakers rather than scholars, an operational rather than an analytical tool. Coherence as such is a relatively new concept in the social sciences as well (Hoebink 2004: 184). Pablo Aguiar Molina observes that '[d]espite the [EU's] numerous commitments to coherence, the concept, and its use in policy analysis, has rarely been examined' (Aguiar Molina 2003: 235). The concept was mentioned for the first time (though indirectly) in Article 130 V of the 1992 Maastricht Treaty and was only made explicit in primary official documents more than a decade later in a communication from the Commission (European Commission 2005a) and, later on, in the joint declaration 'European Consensus on Development' (European Commission 2005b). Coherence and effectiveness are currently both regarded as objectives of the development policy of the European Union. Coherence would be monitored

biannually as of 2007, but its implementation has been very slow and has encountered numerous obstacles, especially from the Commission itself (Hoebink 2004).[6]

In theory, coherence should be respected at all levels: the national, regional and global. Developing countries 'have the primary responsibility for conducting coherent and effective policies' as well (European Commission 2005b: 9). The announced priority of PCD contrasts with the problem of translation: while Czech government documents use the word '*koherence*', the official Czech translation is '*soudržnost*', a word that is generally used to mean 'cohesion', thereby making PCD into a 'cohesion of policies in the interest of development' (Evropská komise 2005) or even a 'cohesion of policies beneficial to development'. The word would be translated as 'consistency' in some other languages, which only increases the confusion (Aguiar Molina 2003: 248).

Moving from the translation problems to the definition, Jacques Foster and Olav Stokke (1999) define coherence negatively as an absence of incoherencies (i.e., when 'other policies deliberately or accidentally impair the effects of development policy or run counter to its intentions') in perhaps the most complete scholarly book on the subject. They interpret incoherencies as inherent to any public policy and as a natural state of affairs. The growing global interdependence is causing the divergences between interests of private actors and the incoherencies to become amplified. Politics reflects this diversity and tends to compartmentalise and create individual institutional cultures: different interests translate into different departments, which would then deal narrowly with separate aspects of a problem. Misunderstandings are therefore inevitable at the lowest hierarchical level.

If divergent interests are the cause of incoherence, attaining coherence is possible only in the presence of a common objective. However, the condition of a common interest is insufficient. Coherence must trickle down to lower levels of policy implementation: from strategies to mechanisms and finally to the outcomes (Forster and Stokke 1999). Intentions at the top level are insufficient and specific capacities are required at the lower administrative levels. Guido Aschoff (2005) divides the levels of coherence differently into the levels of societal and political norms, political decision making, policy formulation and coordination, and the conceptual level. In both approaches, discursive and practical elements are mixed up, and the ideal state is clearly expressed as having a harmony between all of its levels. The OECD (2005) does not provide a more enlightening definition, but it does offer a classification of the *tools* needed to put coherence into practice: hard law, soft law, capacity building, surveillance, analysis (in order of hierarchy). Fieldwork in the Czech Republic suggests that *awareness* should be added as the least important element. However, awareness overlaps with intentionality, which is another possible classification criterion, according to Paul Hoebink

(2004: 193). Incoherence may be intended when the government decides to prefer domestic interests in spite of being aware of the adverse effects. Unintended incoherence occurs when the results of different policies go unstudied. The advantage of awareness when it is interpreted as an additional level of coherence is its direct connection to a specific actor.

An analysis by actors also seems to be handiest when multiple levels of governance are considered. Foster and Stokke (1999) proposed identifying coherence at four levels: coherence of aid policy, coherence of policies towards the South, coherence of donor's policies (and of aid policy in particular) towards the South, and coherence between donor and recipient policies. While this classification is the one most frequently cited, it seems a little confusing since the third point is just a special version of the second point. A classification by actors eases the analysis and enables the inclusion of the European dimension: internal coherence of the aid policy, intra-governmental coherence, inter-governmental coherence, multilateral-bilateral coherence and donor-recipient coherence (ECPDM/ICEI 2006: 19). It allows a consideration of the actors as unitary or fragmented according to the level of analysis. This does not embrace all of the configurations derived from Hoebink's (2004) five alternative classifications, which focus mostly on the European level. However, the purpose of this paper is not to provide a better conceptual framework: both case studies at the national level concentrate chiefly on the intra-governmental policy and partly touch on the internal coherence of the aid policy.

Even as an analytical tool, the focus of PCD makes it a normative concept. It is difficult to attain completely because one objective must be agreed upon by all of the concerned actors at all levels of policy implementation and all levels of governance simultaneously. However, the question is whether such a situation is desirable. Achieving policy coherence is feasible neither in theory nor in practice, except in a totalitarian regime. Therefore, 'one-sided demands for coherence by development policy would not be devoid of moral and political arrogance' (Ashoff 2005: 26). Indeed, this is the general state of affairs. Assuming that the interests of the South are seldom identical to the interests of the North, a call for coherence of *policies* for development can be interpreted as a call for a shift toward *objectives* favourable to the developing world. Incoherence is a result of different interests within a government, which are legitimate in a democratic society by definition. It can also not be eliminated without limiting the other interests. Therefore, however technical its denomination may seem, policy coherence *for something* is based on the very idea of the greater legitimacy of the South's interests and assumes ethical principles of altruism or justice, even if they can be masked.[7]

Thus, the call for PCD seems to struggle against the depoliticisation of development and the North's concentration on aid transformed into a technical issue instead of struggling with the structure of relations between the North and

the South. That is why, in practice, coherence is often reduced to the strategy of 'naming and shaming' (Winters 2001: 22). The authors who base their coherence approach on the Rational Choice Theory, such as Winters, are necessarily critical of the concept:

> Policymaking is about trade-offs, and except in terms of some particular trade-off, coherence is non-operational: it begs the critical question of what point to cohere about, i.e., where is 'here' in coherence. In practice, the only role for 'coherence' as an abstract term is rhetorical – as a means of signalling concern and persuading partners to pursue some course of action. I think we would be better off without it (Winters 2001: 1).

Otherwise, coherence would be rational as long as the costs of its implementation are not greater than the savings. Foster and Stokke (1999) base the coherence framework on the Rational Choice Theory as well, without being as critical of the concept.

Another critical approach to PCD may have been inspired by recent scrutiny of the development security nexus by David Chandler (2007).[8] He starts by observing that the causal links between security and development are far from being clear. Over the last few years, the scope of both concepts has been enlarged so much that the nexus is reduced to wishful contradictory political recommendations. The unclear political framework between different agendas makes policymaking difficult. The focus on coherence may signify a shift of interest from the incapacity of a single development or security agenda to solving the problems of development or security. As a result, the call for coherence is reduced to the focus on Northern policymaking processes instead of on the partners in the South, the targets of the development policy:

> ... the call for 'coherence', central to the security-development nexus, is a bureaucratic substitute for politically coherent policymaking, when the clarity of goals enables instrumental policymaking. Rather than justifying a policy in terms of goals, the desire for 'coherence' symbolises the lack of belief that any policy or project can be defended on the basis of policy outcomes (Chandler 2007).

Again, coherence would serve as a patch on the widening gap between the goal of poverty reduction and reality in the South. But there is a difference between the coherence of development and the coherence between development and security. While the first type simply recommends a shift of interests to the South, the latter presents the risk of diluting them and retaining the attention in the North.

Moreover, the outcomes of higher coherence, translated into a shift in 'structural' policies such as trade and migration, are less visible than aid. Nonetheless, Chandler's analysis remains valuable in the sense that an exaggerated focus on the coherence implementation in the North may contribute to masking the real goal of the development policies. Contrary to their declared objective, 'new partnerships' and 'policy coherence' may lead to diluting responsibility between actors.[9]

Coherence outcomes are extremely difficult to evaluate, and the preferences of the actors change over time. However, the approach of the Rational Choice Theory with the notion of transaction costs can only include 'soft' aspects with difficulty, despite appearing to be the most operational analysis tool of PCD. For the purpose of examining Czech policy coherence, the main asset of the current theories is that [1] PCD is always based on an implicit shift of interest to the advantage of the South; that [2] coherence can only be implemented if there is a common interest and understanding of the key concepts at the top level; and [3] it can be implemented only if there are capacities of analysis and policymaking at lower levels of administrative hierarchy.

Coherence before and after EU Enlargement

After the fall of the Berlin Wall, the post-communist countries almost immediately lost their ideological reasons to continue their development cooperation programs. The Central European and Baltic countries, formerly part of the USSR, still had some pragmatic reasons to remain active in the South, especially commercial ones but, in the general turmoil, their political representations focused on a 'return to the West'. The NMSs had no colonial past, and their engagement in Africa, East Asia or Latin America was seen as an imposition by the Soviet Union that was incompatible with the new line of democratic foreign policy. The OECD accession since 1995 was a strong stimulus for Central European countries to restart their development cooperation programs and therefore to mark their belonging to the West. At the same time, the carrot of EU accession as a means of weak conditionality was pushing them to restart the programs of development cooperation. From the beginning, development policy and, hence, policy coherence for development were driven by a mix of the logic of incentives and the logic of appropriateness, and the lack of domestic support let them be filled in by private interests, some of them dating from the communist era.[10]

However, the first concerns regarding policy coherence for development in the region were shared by the OMS of the EU. In the atmosphere of uncertainty preceding each EU enlargement, especially the largest enlargement that took place in 2004, they saw EU accession as a potential obstacle to the development of the

South (Doucet 2001; Michaux 2002; Granell 2005). Most of the authors feared the redirecting of European trade, investment and aid flows away from the Mediterranean and Africa and toward the East. Millions of Africans in the West would be replaced by Eastern migrants.[11]

Their reservations still seemed to be exaggerated in as late as 2008. Aguiar Molina (2003) gave a more balanced view of the problem. He forecast that the Eastern enlargement would be beneficial to the developing world economically for the simple reason that Central and Eastern Europe are not genuine competitors of Sub-Saharan and North Africa. In fact, while the latter export mostly raw materials, the NMS are exporters of manufactured products. The EU accession facilitated access of African products to the enlarged common market. However, he admits that enlargement could have been politically harmful to the countries of the South. Since then, development has been moving up on the international political agenda, and it seems difficult to answer the question of to what extent it could be more beneficial to the South if the European Union was not occupied with the institutional and financial arrangement of the Eastern enlargement.

In the period preceding the accession, Aguiar Molina offered two scenarios for the future development policies of the NMS. If nothing changed, they would be unable to increase their international development budgets and their territorial preferences would be limited to their Eastern and Southeastern neighbours. The alternative forecast was an alignment to the 'standard' European development policies with a substantive increase in quantity and quality of aid and a turn in the territorial priorities to Africa, Latin America and Asia from the ex-USSR and the Balkans. Four years after the accession, the Europeanisation processes seemed to have started, but the Eastern orientation is already deeply rooted in the foreign policies of the NMS. Unlike the British or French preference for Africa, the NMS's development policies are divided between an orientation toward the least developed countries, foreign policy priorities and the know-how from the transition period.

Whatever the territorial priorities may be, according to the European Council's (2005) decision, the gap between the OMS and NMS will remain until at least 2015. While the OMS must reach an ODA/GNI percentage of 0.51%, the NMS only needs to 'strive to increase' their ODA/GNI percentage to 0.17% in 2010. In 2015, the commitments will still differ: 0.7% compared to 0.33%. Even though the portion of the NMS's ODA of the EU's total and of their GNI doubled from 0.5% and 0.04% respectively between 2003 and 2006 (European Commission 2005c), the differences remain wide and concern, to a lesser extent, their contributions to the European Development Fund (EDF). For example, while the Czech Republic's share in the total population of the EU is approximately 2%, the Czech contribution to the 10th EDF will only be 0.51% (Vláda České republiky 2007b). In any

case, from an institutional point of view, the EU decision mechanisms do not seem to suffer from the burden of 12 NMSs participating in the process of defining European development policy. Their overall role is limited and there are no major points of discontentment that need to be managed by the European institutions. The development policy is a living example of a 'double speed' Europe.

However, in terms of policy coherence, drawing a line between the new and 'old' member states along the former Iron Curtain would be too simplistic. A study carried out by ECPDM/ICEI (2006) divides EU member countries into three groups according to the extent to which they incorporated concerns for coherence into their development policies: the first group does not mention coherence in their policy guidelines at all; the second group refers to coherence without putting it into action according to procedures; the third group uses institutional mechanisms to enact coherence. The countries are divided as follows:

Table 1 Institutional mechanisms and implementation of policy coherence for the development of the EU member states

Reference	Implementation	NMS	OMS
NO	NO	Bulgaria Cyprus Hungary Latvia Lithuania Malta Romania Slovenia	
YES	NO	Czech Republic Estonia Poland Slovakia	Austria Belgium France Italy Greece Portugal Spain
YES	YES		Denmark Finland Germany Ireland Luxembourg The Netherlands Sweden United Kingdom

Source: After ECPDM/ICEI 2006: 27-28

On the one hand, the NMS belong to the group of countries that lacks both references to coherence in official documents and its implementation. On the other hand, all EU countries with an ODA/GNI ratio larger than 0.7% make up a part of the most advanced group. Nevertheless, there is some overlapping between the NMS and OMS in the middle group, where PCD is institutionalised but unimplemented. This confirms the assumption expressed in the introduction, which suggests that the attention paid to policy coherence goes hand in hand with the importance of the development cooperation agenda. The study comments on this situation by stating that '[p]aradoxically, achieving policy coherence for development requires a carefully defined, consolidated and specific aid policy' (ECPDM/ICEI 2006: 20).

European countries do not all follow the exact same linear process, and the PCD agenda is relatively advanced in the NMS compared to aid delivery because they have to follow current trends in development policy, which are promoted at international and European levels. The external pressure on the NMS remains the main stimulus for the promotion of their development policy. However, according to the European Council's (2005) decision, which weakened a more binding proposition of the Commission to the NMS, the European Union does not consider development policy to be an agenda in which the same criteria as those of other EU policies should apply and suggests that, in spite of the large gap between the NMS and most of Africa, Asia and Latin America, the EU still perceives the newcomers as 'developing' countries. As a result, the weak conditionality on development aid budgets is reflected in the low attention paid to PCD.[12]

The Czech Institutional Framework and the Positions of the Main Actors

This section provides a general picture of the institutional framework for promoting PCD at national level in the Czech Republic. After 1990, Czech development cooperation was institutionally regulated by two principal documents. The 1995 decision by the Czech government meant that the country 'recognises the principle of solidarity between people and accepts its share of the responsibility for resolving global problems'. An 'adequate part in providing development aid' is 'one expression of this attitude', and it is 'provided in accordance with the interests and needs of the Czech Republic and in conformity with the attitudes of the international community anchored in the resolutions of the United Nations and of the OECD' (Vláda České republiky 1995). A principle of positive conditionality is stated in favour of the countries, which undertake democratic reforms and

protect human rights. There is no reference to policy coherence in the 1995 document, which understands *aid* (but still not *cooperation*) very narrowly.

In the context of EU accession, a new decision was adopted in March 2004 (Vláda České republiky 2004). 'International development cooperation (IDC)' became 'an integral part' of Czech foreign policy. IDC represents a 'self-contained development policy', but poverty reduction is only one of its objectives. Its list of objectives includes 'economic and industrial development, gradual integration of partner countries into the world economy, development of agriculture, development and reinforcement of democracy, human rights and good governance, rule of law, migration management, sustainable development with emphasis on its environmental component and post-conflict resolution.' They are defined so widely that any policy evaluation becomes almost impossible. Links between any of these goals are not direct, and they may be incompatible in some cases. According to the last available legal proposal, poverty reduction will be highlighted in forthcoming legislation as the principal goal of Czech development cooperation.

The government decision makes three explicit references to PCD. First, it claims that '[i]n accordance with the international principle of policy coherence for development, the Czech Republic takes into account objectives and standards of IDC when implementing other policies, which can influence partner countries.' Second, the 'MFA, in cooperation with other ministries concerned, takes part in the definition of the EU policies in relation to developing countries while respecting the key principles of coherence, coordination and complementarity and their harmonisation in relations to the developing world.' And finally, 'sectoral priorities of IDC are defined on the basis of the comparative advantages of the Czech Republic and in accordance with principles of coherence, complementarity and coordination with other donor countries'. PCD is mentioned explicitly as a concept in regard to the OECD and the EU. Moreover, the second 2006 coalition agreement and government program declaration includes a request that the foreign trade liberalisation and Common Agriculture Policy do not harm developing countries.

These findings contrast with the ECPDM/ICEI research report's conclusion:

> Promoting coherence for development is not clearly spelled out as one of the Czech Republic's objectives; rather, policy coherence seems to be understood as consistency of development activities with foreign policy objectives and with other trade-related interests (ECPDM/ICEI 2006: 29).

This conclusion is too hasty since it does not take into account *by whom* policy coherence is understood. The government decisions are acknowledged by the proposal of the Ministry of Foreign Affairs (MFA), whose objective has always been

to align the Czech Republic with the development policies of the experienced donors in a situation where the implementation of the development cooperation programs would be dispersed between other ministries with different visions of reality.[13]

The MFA could promote PCD within the Inter-ministerial Commission, but even if it were among its priorities, its negotiating power would be too limited. The Department for Development Cooperation and Humanitarian Aid was finally founded in August 2003, and the Commission almost never met at Deputy Ministerial level because of the low priority of the development agenda. In the end, only practical matters related to aid were put on the Commission's agenda. Thus far, the mechanisms of commenting on proposals within the inter-ministerial proceedings have not been used to promote PCD either. We conclude that, while there is a soft law and sufficient institutional arrangements for the MFA to promote PCD, they are not used.[14]

The department sees PCD at an inter-ministerial level as a natural issue, which should be, however, put on the agenda once the transformation of the bilateral aid system is achieved. This view is shared by its Director, who 'would not start' with the question of coherence but would put it 'at the end for a [more] complete picture'. Her colleague is the only interviewee to raise the issue spontaneously. PCD is considered 'too little perceived and discussed' and as a 'very difficult' topic even among experienced donors. Promoting PCD will be easier in the future because Czech development policy is subject to a slow positive process of emancipation from the foreign policy. This liberation is not seen as an easy task among the advanced donors either.

Other European donor countries remain points of reference, but that does not mean that everything 'comes from Brussels'. Actually, the Czech Republic resisted EU preferences by putting a strong accent on Eastern and Southeastern Europe and expressing its scepticism about general budget support.[15] The department underlines two dimensions of the PCD concept: it is trying to 'educate' other ministries as well as a wider public, and it acknowledges the idea of an implicit shift towards the interests of the South. Actually, there is a 'level where the interest of one's own country must retreat before the interest of the developing world', which is 'very, very difficult'. It does not readily agree with the 'name and shame' method because it wants to 'attract, not discourage' the other actors.

In 2008, along with the transformation of the development system and the creation of the Czech Development Agency, a new Council on International Development Cooperation was also created to replace the Inter-ministerial Commission, seven years after the provision of the Council in the 2001 development strategy (Vláda České republiky 2002). The department expects the new inter-ministerial advisory body to 'crystallise' the issue. Indeed, promoting PCD is one

of the statute's features, which was acknowledged by government decree. In fact, with the expected reduction of priority sectors, some of the ministries involved risk to lose budgets on development projects within a few years. Counting on PCD, which they are aware of from the European or multilateral level within their own field of expertise, may become the only way to mark their position in the development arena. Of course, the risk of them eventually losing attention to PCD is quite likely as well, but the better institutionalisation of development cooperation and the progressive transfer of the bilateral cooperation agenda to the Czech Development Agency make the Council on International Development Cooperation a better potential forum for discussion of conceptual problems, including policy coherence, when compared to the Inter-ministerial Commission.

The Department for Development Cooperation and Humanitarian Aid is part of the MFA and it is interesting to compare its perception of PCD to that of the Development Centre, which was transformed into the Czech Development Agency in the beginning of 2008. The Development Centre, an external expert body to the MFA and the result of a UNDP project, had a priority to reduce poverty, which was not limited by other departments within the MFA and by other institutional constraints that a ministry usually faces. Its Director considers policy coherence something that 'comes from the Committees in Brussels'. However, he was unaware of any substantial activity in the field. He thought that 'power relations are somewhere else', and that the idea of the MFA influencing the decisions of another ministry is 'disconnected from reality'. According to him, this makes the problem of coherence between the foreign and development policy unimportant. The ministry's perception of PCD is more sceptical compared to that of the MFA.[16]

The role of Czech civil society is substantial but insufficient, as in the case of general public awareness of development issues. The MFA lacks the proper capacities to carry out analysis and organise conferences and seminars. Therefore, many events are literally outsourced to non-governmental development organisations (NGDOs) because universities and research institutes are not adequately equipped to offer consultancy services. However, the civil society players lack political legitimacy and this undermines their criticism of the government. Parliament, or at least the Chamber of Deputies, a common agent of change in policy coherence issues in experienced donor countries, has never tackled the issue. Institutionally, mainstreaming the development agenda in parliament through the envisaged creation of a subcommittee of the Committee on Foreign Affairs may present an opportunity to raise policy coherence issues.[17]

In October 2006, the topic of PCD was tackled by the globalisation and development think tank Glopolis in a conference organised at, and in cooperation with, the Senate. In the end, no MPs participated in the conference except during

the opening speeches. A policy brief was issued to mark the occasion. It focuses on the 'aid and trade' issue and testifies to the diverging approaches of the MFA and the Ministry of Industry and Trade (MIT). Policy coherence is interpreted both negatively and positively, using 'not undermining' and 'synergy' expressions (Glopolis 2006: 2). The complaint is that there are no capacities for promoting coherence and that intergovernmental mechanisms are unused. Special attention is paid to the forthcoming Act on IDC and the need for further analysis at the government and academic levels. It proposes the inclusion of non-trade NGOs in the Sector Group for International Trade at the MIT, which defines the position that will be defended by the European Commission. The conference did not produce any noticeable results and, two years later, Glopolis organised a seminar on the topic of coherence between development and agricultural policy in December 2007. The President of the NGDO platform FoRS – the Czech Forum for Development Cooperation – believes that the NGDOs as a whole have to 'grow up' and consider the issue. At the same time, he believes that his own NGDO People in Need, the most important development, humanitarian and human rights organisation in the Czech Republic lacks capacities and is already 'losing its breath' in this protracted process of advocating reforms to a narrowly defined development policy.

Coherence problems are indirectly part of the claims made by 'Czechia against Poverty', the Czech campaign of the Global Call against Poverty (Česko proti chudobě 2007)[18]. This campaign refers to ten points that the campaign hopes will increase the volume of aid, its poverty reduction impact and gender-sensitivity; will equalise donor-recipient relations, encourage liberalisation of trade and services, cut agricultural subsidies and debt relief, increase corporate social responsibility and stop global warming. Even though other coherence issues such as human rights, immigration and arms exports are not addressed, the campaign focuses on all three types of incoherencies in Czech foreign policies as distinguished by Forster and Stokke (1999). Unfortunately, its impact on public awareness seems to have been very limited.

In fact, Czech public opinion seems to be unaware of the incoherencies at play. Only 15% of the respondents were able to actually name the campaign 'Czechia against Poverty' in the second public opinion survey on the subject of Czech development cooperation in November 2006. Given that two of the other answers ('Help for needy people' and 'Any of us can help') were chosen by 12% and 11% of the respondents respectively, the number of people who were actually aware of the campaign and *a forteriori* its claims was fairly negligible (SC&C 2006: 27). The problem is discussed in much greater depth in Switzerland, an experienced donor country, despite severe incoherencies, and their survey is not blind to coherence (GFS Bern 2004). While 87% of voters completely agree or tend to agree with restricting arms exports to developing countries, 76% support fair trade and

72% support importations from the South as such (GFS Bern 2004: 7). In a survey conducted in Sweden, 63% of respondents also agreed that trade conditions would reduce world poverty, followed by 62% who agreed that this could be done through increased peace and security, while 50% thought that it could be done through debt reduction (OECD 2005: 68). No comparable data was collected for the Czech Republic.

While globalisation is seen as an important factor in advanced donor countries, this aspect is almost totally absent from the Czech survey with 49% of the Czech respondents thinking that aid can reduce the risk of terrorist attacks, and 67% thinking that it can reduce immigration, but trade issues were not included (SC&C 2006: 20-21). Perhaps this can be linked to an overall awareness of development issues: only 36% of the Swiss claim that they are *not* appropriately informed about the problems of developing countries. This figure is very much the opposite of the Czech survey results, where 79% of the respondents said they do not have enough information about Czech assistance to poor countries (SC&C 2006: 21). The most positive message on the survey regarding Czech public opinion is that 82% of the respondents think that aid should go where it is needed and not to countries that have good relations with the Czech Republic (SC&C 2006: 17). The respondents also do not think that immediate benefits for the Czech Republic are necessary prerequisite to aid. An altruistic perception of development cooperation suggests that, if the public was more aware of the policy incoherencies, it might more readily support the efforts in promoting PCD.

There has been no specific research in academic circle on Czech policy coherence. Several articles refer to EU coherence, and a conference paper by Němečková (2006) deals with the issue as a whole from the European perspective. Other relevant actors and their positions or non-positions are analysed in the following case studies on migration and trade in relation to development.

Migration and Development: Towards Policy Coherence through Pragmatism?

The narrowing of differences in economic output and living standards between NMS and OMS has consequently led to the disappearance of the differences between their labour markets. The demographic structure of the post-communist countries has not changed all that much since 1989. Their populations are ageing and they no longer engage in unqualified jobs. Some qualified workers, especially the Poles, often emigrate to the OMS, but the trend that the NMSs are becoming immigration countries is clear. In the Czech Republic, the 4% share of foreigners is still lower than in the average for the OMS but there is a clear trend towards

harmonisation of immigration patterns in numbers, types and policies between the Czech Republic and the OMS. The difference lies mainly in the geographical distribution of the countries of origin. Immigrants to the OMS arrive mostly from the former European countries in the South, while the immigrants who end up in the NMS come mostly from the East.[19] The majority of the 400,000 immigrants in the Czech Republic are mainly Ukrainian, Slovak, Vietnamese, Polish and Russian. When illegal migrants are included, the total estimated number varies from an additional 30,000 to 300,000 (Drbohlav et al. 2005). Therefore, the impact of Czech policies related to migration may have a serious impact on the development of the countries of origin.

Despite the growing research studies on the links between migration and development, an overall assessment has not yet been established (OECD Development Centre 2007). On the one hand, developing countries invest in the expensive and special education of migrants, who have left their homelands and cannot contribute to the improvement of the livelihoods of the local population, especially in the field of health and education. On the other hand, the migrant workers from developing countries send part of their earnings back home in the form of remittances, which contribute to the development of their regions of origin. They may also end up returning to their lands of origin or periodically circulate between both countries and use the newly acquired capital and skills from the destination countries back in their homeland. The final effect is a combination of both phenomena, but there seems to be a consensus that the immigration of non-skilled workers is beneficial to both developing countries and destination countries, but the immigration of skilled workers is detrimental to both of them (see Portes 2006).

The European Commission started to focus special attention on coherence between development and migration in 2005. It identified remittances, diasporas, brain drains and knowledge circulation as the main areas that needed to be addressed (European Commission 2005d). The topic has been explored in more detail recently along with climate change and research. The paper concentrates on brain drain and brain waste and still considers circular migration as a solution to the problem (European Commission 2008).[20] Unfortunately, it is incompatible with the growing number of migrants in the Czech Republic and contradictory to the declared interests of bridging the population gap.

It is almost impossible to estimate the total value of remittances and, hence, what the final effect of migration will be because of a general lack of reliable data. According to World Bank estimates, the amount of official outward remittances from the Czech Republic in 2006 is quite important: US$ 2.8 billion. Of this amount, US$ 186 million are in the form of worker's remittances, and US$ 3 million are in the form of migrants' transfers (Ratha et al. 2007). The bilateral

estimates record a total of US$ 460 million and, among developing nations, only Vietnam with 2.6% and Serbia with 1.6% exceed the one percent threshold (Ratha and Shaw 2007, own calculations). Ukraine's remittances represent only 0.8% or US$ 3.7 million annually, which seems like a sizeable underestimation compared to the high number of Ukrainian long-term and seasonal workers in the Czech Republic.

The 'brain drain' effect can be judged by the number of migrants with higher education. Their share may serve as an approximate criterion of the costs and benefits for the developing world. Of the 127,000 foreigners who were registered in 2006 as employed in the Czech Republic, only 9% had a university degree or a Ph.D., and only 15% had attained education levels above what was required for their particular job descriptions (Horáková 2007: 44-45). Of course, if illegal and self-employed migrants were included, the education gap and 'brain waste' would be even greater, but the Czech Republic has yet to become a desired destination for highly qualified migrants.[21] The government is seeking to change this situation. Demographic forecasts for the Czech population has led to a political consensus on the necessity to attract migrants to fill the population gap and to keep the ratio of contributors to and benefactors of social security as high as possible. Without new migrants, the Czech population will decrease from 10 to 8 million by 2065. Migrants to the Czech Republic need to have their integration into Czech society facilitated, and thus, the Czech Republic is currently seeking to attract young, highly educated people from the general region.

In 2003, the *Ministry of Labour and Social Affairs* directed the *Pilot Project of Active Selection of Qualified Foreign Workers*, a project of 'directed migration', which allows qualified foreign workers and their families to obtain permission for permanent residence in 2.5 instead of 5 years. By the end of March 2007, only 153 foreigners had obtained this 'green card' (Ministerstvo práce a sociálních věcí České republiky 2007) but, by the end of April 2007, 602 new applicants were taking part in the program (Stejskalová 2007) and another 888 by the end of the 2007, or 1882 applicant, if their family members are included (Schroth 2007). The three priority countries of Czech development cooperation in Europe were part of this project: Bosnia and Herzegovina, Moldova, and Serbia and Montenegro.[22] However, the most successful countries of origin are Ukraine, Bulgaria, Belarus and Russia. India and Canada have been successful only to a limited degree. The professional status of the various migrant workers varies, but more than two-thirds of them have university educations. Moreover, the *private sector* has been lobbying for a simplification of the rules and regulations.[23]

The ministry does not seem to have taken coherence problems all that seriously. For instance, the 'brain drain' is never mentioned except in reference to the foreign graduates of Czech universities who were awarded scholarships in the

Czech Republic within the development cooperation programs. Comments by other ministries 'from the security and foreign policy point of view' (and hence not from a development point of view) should have already been included in the final document, a government decree. The ministry manages to avoid the 'brain drain' issue emphasising the positive aspects of migration. It only reports 'generally' positive feedback that comes in from the countries of origin and it continues to insist that their policies have been a success and have prevented potentially illegal migrants from becoming the victims of criminal syndicates.

An information prospectus, co-edited with the International Organization for Migration, presents migration principally as beneficial to development, while 'brain drain' is considered a minor problem, which affects small countries or is outweighed by the circulation of knowledge, i.e., the temporal or periodic migration of skilled workers (Stojanov and Novosák 2007). Given that the entire existence of the program is legitimised by the need for new citizens to settle in the Czech Republic and fill the population gap, the focus on 'brain circulation', not uncommon in the discourse of the European Commission since it began issuing the 'blue cards' during the last few years, is not convincing. For example, the majority of second-generation Vietnamese migrants are unwilling to return to Vietnam, preferring to remain in the West.

Furthermore, the Ministry of Labour and Social Affairs must face the serious problem of intra-ministerial coherence. In an earlier questionnaire, the Department of International Relations, which is responsible for the development cooperation programs in the social sector, defined PCD in precise terms and acknowledged that the Czech Republic was not coherent in terms of the developing world 'for obvious reasons'. While specific sectors, crosscutting issues and European Commission initiatives have been cited, potential incoherence within the Home Ministry has not.

Other incoherencies are related to education. In 2007, the *Ministry of Education, Youth and Sports* was in charge of a development project at the University of Kishinev, Moldova. The purpose of the project was to improve the teaching conditions and align the study programs to EU standards. At the same time, the ministry was responsible for scholarships awarded to students from developing countries, including Moldova. While the scholarships are an important part of the aid package, costing 140 million CZK (5.6 million euros) a year (18% of all bilateral projects in 2008), the development outcomes have been very modest.

According to an internal document from the MFA, only 29% of 426 students from developing countries finished their studies in the period from 2003 to 2006. (Bartošová 2007) While almost half the students from Sub-Saharan Africa or Northern Africa and the Middle East graduated, Latin American and Asian students were less successful, and only 5% of students from Eastern and Southeast-

ern Europe finished their studies. All of the nine Moldovan and 13 Ukrainian students, for whom the Czech language should not have posed too many problems, failed and did not continue their studies at their own expense after their scholarships ended. According to the Headquarters of Foreigners and Border Police at the Ministry of the Interior, 15% of those who were supposed to graduate in 2005 ended up paying their own tuition (Bartošová 2006). Half of them had already left before 2005 but, most probably, some of the group left the Czech Republic for another developed country.

A study of the scholarships for foreign students commissioned by the MFA, Jelínek, Desseiová and Náprstek (2004: 22), former students estimated the return rate at between 50 and 80%. This percentage is even lower for the African students. Given the fact that not all of the students found employment in their country of origin, some of the students could not apply their educations and some chose subjects not relevant to a developing country, which meant that the development impact of the scholarships was very low.[24] The special OECD DAC (2007a) review recommended that the Czech Embassies abroad unlink the scholarships from development objectives and highlighted 'questionable' development objectives and 'potential negative effects of brain drain' as a way of improving the follow-up. The figures above match those of the pre-reform period.

Since 2008, the number of scholarships has been reduced from 250 to 130, countries where the return rate was higher were kept on the list, the option of studying in English was introduced and shorter stays were also permitted (Vláda České republiky 2007a). The reform, funded by the ODA, still failed to advance far enough to actually reverse the 'brain drain'. The universities were unable to set up new academic English-language programs and students were not legally bound to return to their countries of origin.

The principal governmental body in charge of migration, the *Ministry of the Interior*, has been involved in Czech development cooperation since the mid-1990s. During the war in the former Yugoslavia, it acquired expertise in offering assistance to refugees – as did many humanitarian or ad hoc NGOs, which changed their focus on development to meet the urgent needs of the affected population. Consequently, the reference to the prevention of migration as a goal of Czech development cooperation, introduced in a 1995 government decision, would have been considered progressive even in an experienced donor country.

The Ministry's Department of Asylum and Migration Policy is responsible for assistance to refugees and for development cooperation projects, which is all considered part of the ODA's functions. The department took the initiative itself of implementing the international migration and development agenda, produced a paper and organised a round table on migration and development in early 2007, which was participated in by the ministries and NGOs involved. An interviewee

from the department considered the fact that 'people know about coherence' as a success in its own right. However, the rationale behind this action was not purely idealistic, but a way for the ministry to affirm its position in the development constituency and remain an important actor after the planned reduction of the number of priority sectors. The Ministry was quite disappointed when the MFA showed reluctance to follow the migration and development agenda because of the energy it had spent on the centralisation of the system of bilateral aid and on the draft of the Act on Development Cooperation and Humanitarian Aid.

The Department of Asylum and Migration Policy does not regard the projects of migration prevention, run specifically by People in Need and the International Organization for Migration, as being truly capable of stopping or limiting migration. Migration appeared to be a natural phenomenon that was going to be extremely difficult to regulate. The geographical priorities of the Ministry are clearly situated in the East, which is considered to be the biggest security threat. Its chief representative is sceptical about the effects that it may have on poverty and points to various Spanish projects in Africa. She declared: 'Let us be realistic. Nobody is altruistic in this matter'. She went on to argue that 'Migration does not resolve development, and development does not resolve migration either'. The Ministry considers the *Pilot Project of Active Selection of Qualified Foreign Workers* to be a form of 'brain drain', and noted that it was going to lodge a protest with the Inter-ministerial Commission.[25] At the same time, the MFA was not happy with the emphasis placed on illegal migration and, thus, security aspects are regarded as being more important than poverty reduction efforts.

The ministry motivations are openly pragmatic: the projects should limit illegal migration because extraditions are costly and illegal migrants are vulnerable to criminal behaviour. The department also uses its development cooperation projects as a tool to collect information on migration pressures in the countries of origin. Even though its approach to Czech development cooperation is pragmatic in the sense that it understands international development as a tool for preserving the security of the country, it advocates policy coherence because implementing the agenda from European and multinational fora may help it to defend its threatened position within Czech development cooperation.

The *Ministry of Finance* occupies a special position within the development cooperation system. Systematically, it reduces the ODA budget proposal made by the MFA to reach the 0.17% ODA/GNI target for 2010, based on the argument that Czech public financing is currently undergoing reform. There is neither the political will at the government level nor sufficient pressure on the Committee on Foreign Affairs of the Chamber of Deputies to change it. Along with some technical assistance, the Ministry of Finance should be responsible for easing and monitoring the remittances of foreign workers who are employed or self-

employed in the Czech Republic. Most of these workers come from European and Central Asian developing countries, where remittances have increased rapidly. For example, remittances represent one-third of Moldova's GDP and are essential for the development of this poorest of European countries (Ratha et al. 2007).[26]

Until now, the ministry has not undertaken any action in the field, but it did submit a project proposal to the World Bank on the remittances issue. It implemented a World Bank project on the evaluations of the Czech development cooperation in 2008 and its attention shifted from the narrow topic of development aid to a wider development policy.[27] However, the change still seems fresh and induced by external actors. A questionnaire sent to the same civil servant two months earlier included a question on the ministry's perception of policy coherence. Environment, trade, agriculture and security were spontaneously mentioned but, as in the preceding case, neither the ministry's own agenda nor migration issues featured.

Only a few NGDOs are active in the field of migration. Much like the dominant People in Need organisation in the area of human rights, the role of the *International Organization for Migration* (IOM) is quite ambiguous. This 'hybrid' non-UN intergovernmental organisation implements development projects on illegal migration prevention for the Ministry of the Interior and, at the same time, collaborates with the Ministry of Labour and Social Affairs on the Pilot Project of Active Selection of Qualified Foreign Workers. It therefore participates in the 'brain drain' *to* the Czech Republic as well. The Czech NGOs are generally more dependent on public finance and, consequently, less critical than their Western neighbours, which, in this specific case, weakens the IOM's position regarding the promotion of PCD.

To conclude this case on migration and development, it needs to be pointed out that Czech policies are not coherent since they *support* 'brain drain' through the program of selective migration and scholarships for students from developing countries. In this latter case, financial support comes from the ODA. No reliable data is available but, at least in the case of the scholarships, the negative 'brain drain' effect seems to outweigh the positive results of remittances, and it also promises to increase in the near future. Awareness of the coherence problems is not that high since criteria other than development make the assessment of the respective programs appear positive. However, the centralisation of Czech cooperation and the risk of losing its influence caused the Ministry of the Interior to table the agenda, as it did during the first meeting of the newly established Council on Development Cooperation. The pressure from external actors is important, but the case of migration and development shows that the PCD can be promoted by the Ministry for pragmatic reasons, which are not necessarily based on development objectives.

Trade and Development: Mixing Apples and Oranges?

While there seems to be at least some consensus on what development means in the migration issue area, this is not the case for trade. The *Ministry of Industry and Trade* (MIT) is responsible for the formulation of the trade policies that will be promoted at the European level and controls the most important aspect of the bilateral development cooperation, about 150m CZK (6 million euros) (Rozvojové středisko 2007). In this case study, I concentrate less on the impact of the Czech/EU trade policies on the developing world than on the perceptions of the actors involved and on trade-related policies, whose development impact is not generally overlooked.

An interview with a Czech representative at the World Trade Organization (WTO) in Geneva, who was appointed by the MIT and not by the MFA, revealed a serious conceptual incompatibility with the approach used by international development organisations and agencies. The semi-structured interview cannot pretend to be representative, but it offers a strong internal consistency. Furthermore, the incompatibility of opinions has been underlined by other statements by the MIT representatives and by the Director of the Department of Development Cooperation and Humanitarian Aid at the MFA, with the latter claiming that the difficulty of promoting PCD is also due to the fact that the parties involved 'do not think of the same thing when they hear the term "coherence".'[28] Although I admit that the trouble is rooted more deeply in the term 'development', she pointed out that this incoherence should not be interpreted as a problem of 'communication' but of 'understanding', which prevents PCD from being implemented.

The MIT representative to the WTO interprets coherence on two levels – within the development policy and between different government policies – and this is perfectly compatible with PCD as promoted by the OECD or EU. He considers Czech policies to be implicitly coherent because they are a result of a government's decision, which takes into account comments made by other ministries. He recognises, however, that an explicit PCD implementation is non-existent. Opinions start to diverge when development cooperation is defined. He seems to consider all 'soft' projects, for example in the social, health and education sectors, as being part of humanitarian aid and ineffective, especially in Africa[29]. The MIT representative believes the motivations of the actors are necessarily pragmatic, so the Czech Republic should not be naïve and use aid to strengthen bilateral relations:

> I think that the point of bilateral aid should be to open the way to trade or perhaps to help exporters to take hold [in developing countries] or to convince them of our good services.

It is quite natural then that he considers Czech aid to be 'disconnected' from trade policy. He never used the word 'poverty' and development is simply identified with trade. When asked specifically about the subject, he noted that the incoherence between the EU agricultural subventions and the Czech projects in the African agricultural sector would be like 'mixing apples and oranges' because, when seen from the point of view of the WTO, the subventions are perfectly legal and legitimate within the WTO system.[30] The problem is Africa, which lacks 'basic business instincts' when compared to China, for example. The problem of African cotton would have to do with its low quality, not in subventions to US farmers. When eventually he was asked for his definition of development, his immediate reaction was 'development of what?' He then went on to define development in a mercantilist way as the ability of a national economy to export and reduce its dependence on imports. Aid for trade is thus a 'serious attempt at coherence between policies, which will contribute to the development of the countries in the trade area'. If development is identified with trade, then PCD becomes 'policy coherence for trade'.[31]

A softer perception of pro-trade coherence appeared in an interview with a representative from the *Confederation of Industry and Trade*, who contributed to the foundation of the Platform of the Business Sector for International Development Cooperation, which has been active since January 2008. She understood PCD in its developmental meaning: the Czech Republic, she observed, has not advanced very far in this agenda, and it was still 'too soon' to implement it. However, the conversation quickly turned to the coherence of trade and a foreign policy, pointing to the example of Cuba under the US embargo and 'our economic interests', meaning the Czech Republic's interests. In a political framework, the fact has to be respected that the Confederation is situated on the 'more pragmatic side'. The interview ultimately shifted to China, particularly to the incoherence between Czech human rights policy and economic diplomacy.

In spite of the primary orientation around profits, the business sector seems to have understood that development cooperation can be beneficial to companies without de-legitimising development objectives if it is considered an MFA partner and not its enemy. The approach of the *Platform of the Business Sector for International Development Cooperation*, established in late 2007, remains pragmatic because it continued requesting guarantees of public funding. However, it is not as incoherent as the MIT, which also appoints officials to the WTO.

The unique organisational culture of the MIT has a long tradition. The former head of the MIT once told the private sector that 'development aid is one of the tools used by Czech companies to penetrate developing markets', and in the process, emphasising the overall budget for reconstruction in Iraq (Svaz průmyslu a dopravy ČR 2006). There are no Czech ministries that officially use the term

'aid' anymore, which confirms the ministry's vision of development cooperation as another kind of export subsidy. It is not surprising that no Least Developed Country clause [stipulation?] appears in the priority group's export strategy: Serbia and Vietnam are included because the strategy concentrates on emerging markets such as Russia, India, China and Brazil. More generally, the Ministry supports 'an active and rapacious trade policy' (Ministerstvo průmyslu a obchodu České republiky 2005), but the level of incoherencies initiated by the Ministry in the various development projects are infamous. For example, it funded a project whose purpose was to train Vietnamese workers to operate Czech shoemaking machinery. In other words, the Ministry turned development cooperation into subjectively coherent export subsidies.

The result of an openly pro-export development cooperation is a good example of almost total tied aid. The Ministry of Finance remains very prudent about the way public resources are spent abroad, and it is particularly suspicious of direct budget support. All Czech development projects are implemented solely by Czech NGDOs, companies and public institutions, except for some small-scale projects that are chosen by the embassies.. The Czech Development Agency does not employ any Czechs or local citizen in partner countries. Theoretically, the tenders are open to other EU organisations and companies. However, in reality, most of the expenses disbursed at home and in Czech development assistance projects are *de facto* tied, whatever sector they fall into. In this general environment, MIT practices are an example of incoherence within the development policy and are denounced but ultimately tolerated.

As far as the inter-ministerial coherence is concerned, the MIT, which defines the Czech position on the common trade policy, is clear about the country's interests: the liberalisation of world trade should not 'go beyond the threshold of the EU Common Agricultural Policy reforms'. The domestic interests of Czech farmers are explicitly prioritised over those of other EU countries. The country displays a 'rather liberal, not protectionist stance' in regard to the Nordic countries, and within TRIPS talks, it supports the right of the developing and least developed countries to 'make use of patented drugs for serious illnesses' (Ministerstvo průmyslu a obchodu České republiky 2005). However, this position is not contradictory to its own interests because the Czech pharmaceutical industry – with its largest manufacturer, Zentiva, leading the way – specialises in generic drugs for the Central and Eastern European market. Free access to the market of the North by the Least Developed Countries is considered a priority (Ministerstvo průmyslu a obchodu České republiky 2006), but no mention has been made about agricultural subsidies.

The *Ministry of Agriculture* defines its own position as 'liberal-pragmatic', which means that it is liberal when national interests are not questioned.[32] It posi-

tions itself between France and Sweden, with whom it shared the EU presidency in 2008 and 2009. In the following discussions, the development appeared once – in the context of the development of Czech rural areas. Developing countries, namely China and India, appeared only as possible markets for European products. Afterwards, the discussion again turned to the position of Czech peasants.[33] In contrast to these preoccupations, the awareness of the effects of a common agricultural policy is almost non-existent. When the foreign company Eastern Sugar released a 100thousand-ton quota on sugar production and closed a sugar refinery, it was the minister who deplored it as a disaster for the Czech sugar industry. If this quantity of sugar had been produced by developing countries from cane, their additional profits would an additional 30 million euros, which would be roughly equal to the Czech bilateral ODA.[34] In this particular case, the pragmatic argument of self-sufficiency overrode any other effects on the European and global market. In practice, while both ministries claim to take the interests of developing countries into account, they never go beyond existing international commitments. They consider the Doha Development Round to be the most advantageous proposal ever offered to developing countries and, with regard to EPAs, the Czech Republic is 'on the side of developing countries'. In a spontaneous discussion, however, they wrap it up by shifting to domestic interests.

The Czech Presidency of the EU, in the first half of 2009, promoted 'competitiveness, the four freedoms and the liberal trade policy' under the slogan 'Europe without barriers' (Úřad vlády ČR 2008). The Budget Review and reform of the Common Agricultural Policy rank among the six most important themes, but the President's priorities were absent from the joint French, Czech and Swedish position document and must be considered a centre-right political program of its current government. The Czech liberal position is promoted for its own sake, and any positive effects it may have on developing countries would only be an unintended effect of domestic EU reforms. The President's detailed program makes no reference to global markets, while budget reduction is stated as the main goal (Útvar místopředsedy vlády pro evropské záležitosti 2008). The Czech Republic's agricultural sector is relatively unimportant and competitive, and so its liberal position is not contradicted by the interests of the domestic constituency.

While there is some awareness about the link between migration, trade and agricultural policies, nothing has yet been said about the link between state guarantees and Czech firms that export to developing countries.[35] Very few NGOs are currently interested in state guarantees for the construction of a nuclear plant in Bulgaria, an EU member, and no case has ever generated so much public and political interest as the approval of the guarantees for the construction of the Three Gorges dam by the Swiss government in the mid-1990s.

According to the 2005 Annual Report of the *Czech Export Guarantees and Insurance Corporation (EGAP)*, the state-owned company monitors and evaluates the impact that the guaranteed exports have on the environment of the destination countries in compliance with the OECD agreement. In 2005, no project was classified under category A (having a considerably negative impact on the environment) or under category B (the environmental impact is less significant and locally restricted, and the negative impact can be eliminated). (EGAP 2006: 12). In 2006, one construction project in Kazakhstan received a category B classification. The EGAP's commitment to the implementation of anti-bribery measures is, however, less clear. ECA Watch (2005a) states that the Czech Republic, the Netherlands, Spain and the United Kingdom required a 'practice to inform investigative authorities of suspicion or sufficient evidence of bribery before support [was] given'. But, at the same time, it seems that the Czech Republic, along with Germany and Belgium, blocked the anti-bribery Action Statement of the OECD's Export Credit Group. The group considers a simple declaration by the exporter claiming that no corruption was encountered as sufficient proof (ECA Watch 2005b).

The role of state guarantees should not be underestimated. In 2005, 12% of Czech exports were insured by EGAP, and more than half of them were backed by the state. As EU importers are not generally involved, EGAP covers a considerable portion of Czech exports to developing countries, with few exceptions: some ten countries are not insurable at all, including Angola, a priority country in the Czech scheme of development cooperation. Within this framework, synergies between aid and trade are very difficult to establish.

Incoherencies between development, trade and agriculture policies are among the most cited examples of PCD. The latter are common EU policies and are often presented by domestic actors as a uniquely European problem. Unilateral concessions by the Member States in favour of developing countries are difficult, and therefore, the collective action has thus far failed. The analysis of Czech actors and their positions shows that, although the interests of developing countries are seldom considered, if they are sometimes considered for any length of time, then the topic is usually misunderstood. PCD implementation at national level, and indirectly at European level, is almost impossible in situations of this kind.

Conclusion

Policy coherence for development is a very normative concept. One cannot say whether coherence is a good thing or not for development since it depends on how it is used. The concept assumes a shift of interests in favour of the developing world, but it can also dilute one's responsibilities in a situation where different

policies are unsuccessful in attaining their respective goals. The actors accountable for development policies may have two basic strategies: coherence can be used to 'name and shame' the adverse impact that policies other than development policies have on the developing world or they can emphasise 'win-win' situations and new synergies. The latter strategy is more suitable when the pragmatic interests of other actors can be evoked and the former will necessarily involve idealistic arguments and emotions.

In the Czech Republic's case, PCD is embedded in government decisions, and institutional inter-ministerial mechanisms for its promotion are also now in place. However, the recent transformation of bilateral cooperation has exhausted the MFA's capacities. The MFA is responsible for Czech development policy and incoherencies have not been addressed. The Department of Development Cooperation and Humanitarian Aid believes that the more development policy becomes emancipated and independent, the more it can introduce development objectives into other policy areas. Its recent compromises with other foreign policy concerns show, however, that it must become free of its own ministry's constraints before PCD can be promoted at the government level.

Policy coherence at any of the intra-ministerial and inter-ministerial levels cannot be implemented without recognising common interests. This is only possible, however, if the involved are aware of the contradictory practices of different governmental bodies. If policy recommendations are to be effective, they must be based on evidence. A precise analysis of incoherencies is also needed.

In spite of its idiosyncrasies, the Czech Republic is a re-emerging donor on its way to an alignment of its development policy with those of the more experienced donors. The non-implementation of policy coherence is paradoxically due to the Europeanisation of the Czech foreign policy: Europe and the OCED's unenforceable 'soft law' has been adopted to indicate that a country belongs to the EU, but public awareness, political will and analytical capacities continue to lag behind because they need more time to develop.

"The case of migration and development coherence in the Czech Republic presents an atypical example of the policy coherence agenda because it was promoted by another ministry, which was afraid of losing its influence on the Czech Republic's development policy after the centralisation of development cooperation. In order for the European Consensus on Development (European Commission 2005b) to be enacted by all of the EU's Member States and subsequently lead to the reduction of priority sectors, involving the affected ministries in the debate on coherence could be an alternative strategy for the promotion of PCD in the name of aid effectiveness.

In the case of trade, despite ongoing awareness activities, the potential implementation of PCD is much more difficult. The MIT and the Ministry of Agricul-

ture are more connected to the profit-oriented private sector than the Ministry of the Interior or the Ministry of Labour and Social Affairs, which put a greater accent on public interest, even though it risks being influenced more intensely by the private sector, which demands more and more qualified workers. However, most importantly, there is a severe incompatibility at conceptual level, which prevents further steps towards the implementation of PCD in trade from being taken because some of the involved actors consider the development cooperation budget to be an export subvention. There is no consensus on the meaning of 'development', which can be identified with trade as such.

In the Czech Republic and other NMSs, the development cooperation programs are considered a very technical issue, and there are almost no high-level political debates on their priorities. They also serve as proof of the 'Europeanness' of the post-communist countries. The promotion of PCD may thus serve as an agent of the re-politicisation of development issues, which starts with the identification of incoherencies and then makes them visible in the public space. Actions at the EU level are not enough. The Czech Republic intends to promote PCD during its EU presidency in the first six months of 2009 because other donors have also done this, but this does not guarantee sufficient internal pressure on the promotion of incoherencies at national level.[36]

What are the most important lessons of the Czech case? At a theoretical level, the trade and development case shows that understanding PCD is very much related to an understanding of development in general. Development studies have offered a wide range of development theories, ranging from modernisation and dependence to post-development theories, which means that the concept and the policies implemented in the name of policy coherence deserve a thorough analysis from a variety of standpoints. At the practical level, in a situation in which PCD is promoted at European and OECD levels, and where national institutional arrangements are set up without being used, awareness-raising and analyses appear to be the most important elements for discovering conceptual and policy contradictions in public administration.

Notes

1 The author is grateful to the chair Paul Hoebink and the discussant Lars Holstenkamp of the Working Group Aid Policy and Performance at the 12th General Conference of EADI in Geneva, June 2008, two anonymous referees, and to all the interviewees and respondents from the following institutions: Permanent Mission of the Czech Republic to the UN Office in Geneva; FoRS – Czech Forum for Development Co-operation; Development Centre; Department of Development Cooperation and Humanitarian Aid, Ministry of Foreign Affairs (2 x); Committee on Foreign Affairs, Chamber of Deputies; Department

of Development Aid and Project Co-operation, Ministry of Environment; Confederation of Industry of the Czech Republic, Asylum and Migration Policy Department, Ministry of Interior; Department of the European Union and International Relations, Ministry of Finance; Department of International Relations, Ministry of Labour and Social Affairs; Department of the European Union and International Relations, Ministry of Finance; and Department for Migration and Integration of Foreigners, Ministry of Labour and Social Affairs. The field research was carried out between 9 July 2007 and 20 March 2008.

2 The new EU Member States of the include five Central European countries (Czech Republic, Hungary, Slovakia, Slovenia and Poland), three Baltic countries (Estonia, Latvia, Lithuania), and two Mediterranean countries (Cyprus and Malta) since 1 May 2004, and two Southeast European countries (Bulgaria and Romania) since 1 January 2007.

3 Based on rough calculations of reported data and estimates from OECD DAC (2007b) and PASOS (2007).

4 See, for example, Ferguson (1997) for a meso-level view or Rist (2001) for a macro-level view.

5 For an analysis of PCD at global level, based on the Monterrey Consensus on Finance and Development, and from a gender perspective, see Floro and Hoppe (2005).

6 There are striking similarities between the promotion of PCD at both European and Czech levels: it is a time- consuming process, political commitment and the pressure from external actors are essential, and the gap between discourses and practices remains wide.

7 Policy makers often stress that a 'win-win' situation where greater coherence for development could be achieved without harming the interests of the North is imaginable: 'In particularly sensitive areas, such as migration or security, the promotion of European interests and the identification of partner countries' own concerns must be balanced, with a view to finding *win-win* solutions.' (European Commission 2007: 9, author's emphasis). This would be possible only if policy making was simply inefficient and transaction costs to overcome inefficiency were zero. In this case, success could be achieved by separate policies. Another strategy used by policymakers is to identify the South's interest with that of the North's and call for 'increased awareness of the fact that development and poverty reduction are eventually in Europe's own interest.' (European Commission 2007: 10). Here, the coherence problem is reduced to long-term vs. short- term priorities, which, however, remain the object of divergent political interests as well.

8 'Security and development' was the main topic of the preceding EADI General Conference, which was held in Bonn in 2005.

9 It might seem surprising that development policy, which could be considered to be a regional policy, is a matter of serious incoherencies. An empirical assessment of internal US policies shows that regional policies rank among the most coherent ones and are characterised by a concentration of issues and interests (May et al. 2006). Drawing on the theory of public policy could help to clarify the concept in the context of development as well.

10 For a complete review of the development policies of the NMS from a historical, institutionalist approach, see Vencato (2007).

11 These preoccupations do not make full sense if they are not seen as an expression of French and Spanish foreign policy priorities in Africa and their concern with the realignment of the European Union towards the East.

12 During the accession process, the topic of development cooperation, a part of the *soft acquis*, was hardly raised. It is true that development cooperation needs sufficient constituency, political and public support, but still, the ease with which the 'double speed' EU development policy was institutionalised has yet to be questioned.

13 Historically, the development cooperation programs were born out of activities that resumed in the 1980s, or they were transformations of humanitarian interventions in the former Yugoslavia. The 1995 decision acknowledged the dispersion of development cooperation between nine line ministries with the multiplicity of the objectives.

14 To compare the situation of an experienced donor outside the EU, Switzerland had already institutionalised coherency as early as 1994 in the separate message *Guiding lines North-South* (Conseil fédéral de la Conféderation Suisse 1994). There has been neither a follow-up nor a reference to the document since then.

15 The negative stance to the general budget support is based on a general mistrust of the state as a stimulus of development, higher risks of corruption and, last but not least, the exclusion of the Czech subjects from the implementation of development projects on the ground. Projects are seen as essential to capacity building and reinforcing the contacts of the Czech Republic with the developing world.

16 As of August 2009, the MFA has not undertaken any steps to promote PCD. On the contrary, the centralisation of decision-making in Czech development cooperation policy has increased, the use of bilateral aid for the sake of security and transatlantic interests has been reinforced.

17 Three working groups were established by the Council in February 2008 by the Council, but none involving PCD.

18 The campaign is another example of the MFA using the NGDOs to promote development issues. It was subsidised by the state as a 'development education and public awareness' project and, it was highly critical of the Czech trade and agricultural policies and of the Ministry of Finance, which basically has control of particular aspects of the cooperation budget.

19 According to the Czech migration expert Dušan Drbohlav, the pattern of migration between Ukraine and the Czech Republic is very similar to that of the migration patterns between Mexico and the United States.

20 While 'brain drain' designates the use of education acquired in the South by the migrants in the North, 'brain waste' concerns the unused skills of the highly educated migrants from the South who are employed in unskilled positions in the North.

21 For the sake of comparison, according to an Interfax news report from 5 July 2007, the large majority of Polish migrants to the United Kingdom and Ireland are overqualified, and as many as 22% of Polish manual workers have a university degree.

22 The other priority countries are Angola, Mongolia, Vietnam, Yemen and Zambia, and, in the short term, Afghanistan and Iraq. Recently, the MFA has sought to enlarge its list rather than to reduce it.

23 The recent simplification of the 'green card' system, approved by the government, which now includes less-qualified migrants, was criticised by non-governmental organisations because it denies civil rights to migrants. Human rights and development policies conflict with one another. The civil rights of migrants have been limited precisely because the government wanted to preserve circular migration.

24 Students could choose their academic majors without any limitations. One Senegalese student studied nuclear physics, while one Belarusian student studied Russian. However, in the long term, the foreign graduates of the Czechoslovak universities during the communist era were members of various elites, especially in Vietnam and Mongolia, where Czech lecturers occupy important political and administrative functions and facilitate development cooperation.

25 This information was not confirmed by the other parties.

26 Moldova is one of eight (plus Iraq and Afghanistan) priority countries of Czech development cooperation.
27 The seminar eventually took place in the spring of 2009, in cooperation with the Multicultural Centre Prague.
28 On the policy level, she refused to evaluate whether the policies of the Ministry of Agriculture and the MIT were coherent with development, pretending that it was not her role.
29 He does not seem to have enough information about Czech development cooperation.
30 In the NMS, I identified other comparisons related to policy coherence, namely hypocrisy and indifference. In Poland, a UNDP representative stated that 'on the one hand, we give money and that's why we feel morally better, but, on the other hand, we pose conditions which de facto prevent these countries from developing in the long term.' (Szczyciński et al. 2005). In the Czech Republic, the former Head of the Development Centre voiced his criticism that one hand does not know what the other is doing or even that one hand is destroying what the other has done (approximate quotation). This saying implies that the existence of a coherent government body, and more generally, the tropes aim to connect or disconnect two different areas of human activity.
31 This definition of trade development is actually mercantilist rather than liberal.
32 One official assessed the Czech position during the seminar 'Preparing the Czech EU Presidency' by wondering: Why Should Subventions and Cutting Barriers Harm the Poor?' The seminar, was organised by the Glopolis think-tank Glopolis on 13 December 2007.
33 The MIT official also kept changing the focus of the debate. This was also the case with the MIT official: the discussion turned to the BRICs and, finally, to the competitiveness of the Czech economy.
34 More research is needed on the estimates of the Czech Republic's impact on developing countries via the Common Agricultural Policy.
35 The topics for which 'more research is needed' include debt relief, investments and arms exports. The debt relief aspect of the Czech bilateral ODA is a substantial 15% (Stálá mise České republiky při OECD 2006), but there seems to be no link between debt relief and Czech development strategy. Most of the loans, of which the Ministry of Finance is in charge, were contracted during the communist era and remain secret (Stojanov 2006). To summarise, the Czech Republic's entire debt relief strategy is anything but transparent, and its coherence cannot be accurately evaluated. Compared to trade, Czech investments in developing countries are still modest: almost zero in Africa and Latin America and US$ 27 million in Asia and US$ 321 million in the Middle East. (Česká národní banka 2006). While these numbers are insignificant compared to Swiss investments, for example, which are worth US$ 3.6 billion in Africa alone (Banque Nationale Suisse 2006: 23), they may have become more important in recent years. Too little information has been released on arms exports. In theory, the Czech Republic should respect international commitments, but arms are probably being delivered to Nigeria and Ethiopia, whose governments may use them against their political opponents.
36 France chose Migration and Development as one of its priorities. The EU Presidencies are an important stimulus of change in EU policies, including the promotion of PCD (Egenhofer 2006).

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Part IV

From the Global to the Local

The Role of European Local Governments in Development Cooperation

Examples from the Netherlands and Germany

Mariken Bontenbal

The analysis and review in the academic discourse on European development cooperation has been largely geared towards bilateral and multinational donor assistance, on the one hand, and the role of NGOs and CBOs, on the other. The former category is mainly concerned with development cooperation at the macro level by national governments and international donor institutions, often focusing on public sector reform and good governance in relation to SWAPs and budgetary support. The latter type of cooperation is usually directed toward local level development and poverty reduction dealing with civic society, with NGOs in the North working in direct partnership with locally based organisations in the South. In the dichotomy of bilateral macro-donor assistance versus local, NGO-based cooperation with civic society, there has been limited amount of academic attention paid to development cooperation initiated by and aimed at government at the local level.

Local governments have stepped into the international development cooperation arena all over the world. Through city-to-city cooperation (C2C), such as city twinning and organised city networks in transnational North-South settings, cities cooperate to improve local governance and enhance local development in young democracies and areas struck by poverty. In the South, ongoing decentralisation processes explain much of the current needs for institutional capacity building for local governments. City partnerships can be used as an instrument to address such needs, channelling knowledge and expertise from the North to partner municipalities in the South.

In the discourse on development cooperation, a focus on development assistance geared towards municipalities and performed by partner municipalities has thus far been lacking to a large extent. A need for further research has been indicated to understand the content, objectives and implications of such interventions.[1] This paper seeks to contribute to filling this knowledge gap, by exploring the way European *local* governments participate in international development

cooperation. There is a need for understanding the conditions which affect the role of local governments in the North as development agents, e.g., regarding policies, capacities and political will. The aim of this article is therefore to explain the factors that shape the position and potential impact of local governments in the North as partners in international development cooperation through C2C partnerships.

The paper starts with a review of city-to-city cooperation and urban development policies, and the linkages to improving local governance and institutional performance of local authorities in the South. Then, specific reference is made to the C2C policy context in the Netherlands and Germany. Subsequently, five critical conditions for local government participation in development cooperation are discussed. Findings are presented of comparative empirical research of four North-South city partnerships between Dutch and German municipalities and their partner cities in Latin America and Africa.

City-to-City Cooperation and Urban Development Policies

It has been estimated that 70% of the world's cities currently participate in so-called city-to-city cooperation partnerships, projects and programs.[2] Looked at from an historical perspective, city twinning has been practiced to serve a range of goals and interests. These have included building peace and mutual understanding 'from below' in post-war Europe,[3] expressing solidarity with suppressed population groups (e.g., the Soviet regime, Apartheid in South Africa) and with ideological movements (the Sandinista revolution in Nicaragua).[4] Some twinnings obtained a more economic-oriented character, fostering entrepreneurship and trade. Another type of interaction between cities is 'city-to-city cooperation', which has evolved in pursuit of development and poverty alleviation in the South. The idea of 'cooperation twinnings' was launched in the 1960s after the independence of several African countries, and was practiced essentially between French and West African municipalities, in particular Senegal. This type of decentralised North-South cooperation developed further in the 1970s and 1980s, becoming more project-based and technically oriented.[5] City-to-city cooperation has been considered a promising mechanism for building and developing capacity in local administrations and contributes to improving the living conditions in urban communities,[6] which has become a pressing need in many developing countries after decentralisation reforms.

The rise of city-to-city cooperation as a mechanism for development assistance can be explained by a number of trends. The first trend concerns the fact that local governments are increasingly recognised as actors in development.

This is reflected in a more general tendency in which the international donor community has become more receptive to incorporating non-conventional donors including NGOs, civic society, local authorities and communities. Agendas of various international development institutions point out that local governments play a major role in attaining sustainable development. Chapter 28 of Agenda 21, the outcome of the 1992 Rio Conference (Earth Summit), is a very clear example in this respect. As a result of this international agreement, local governments world-wide have taken the lead in devising their own Local Agendas 21 (LA21), and enacting them. In a similar vein, the Habitat Agenda (outcome of the Habitat II conference in Istanbul, 1996) emphasises the crucial role of local governments as the 'closest partner' in the Habitat process, and encourages national governments to strengthen municipalities. This paradigm shift away from the former central state orientation towards a new emphasis on strengthening the capacities of local governments, including their ability to become efficient and effective agents for local development, can be observed in the latest World Bank policies. In the Cities Alliance program, for instance, Local Government Associations fully participate in the Consultative Group, and negotiations are taking place directly with the local authorities of the cities involved. More recently, at the UN World Summit on the Millennium Development Goals in 2005, the vital importance of cities and communities in achieving them was stressed.

The understanding that nation-states no longer represent the sole milieu for solving current problems[7] has strengthened the role of non-state actors and micro-order players in development aid. Decentralised international cooperation, including C2C, implies that the venture of development assistance is no longer limited to multilateral donors and national governments. In the framework of the French presidency of the European Union during the second half of 2008, France proposed an initiative to value the importance of the local dimension of development and to recognise the role of local governments, community-based organisations, and other local actors in international cooperation.[8] Indeed, one of the thematic programs of the European Union for development cooperation for 2008-2013[9] is aimed at 'non-state actors and local authorities in development'. These grassroots actors purportedly have a thorough knowledge of local communities and access to reach them through their extensive networks. Putting local-level governance and development high on the EU agenda is just one example of the accumulation and consolidation of attention and recognition that has developed over the past few years from donors, governments and practitioners alike to decentralised cooperation, in which cities assume a key role.

A second trend has occurred in the theories involving urban development, which have increasingly embraced the importance of institutions and good gov-

ernance at the local level. In other words, urban development requires strong local governments. 2007 was the first year in which the majority of the human population lived in urban areas. While this milestone is the result of rapid urbanization over the last decades, growth is expected to continue at an unprecedented rate in the coming decades. Urbanization is most rapid in developing countries,[10] which implies that poverty is becoming increasingly urbanized. It also means, as donors argue, that the challenges in the future are strongly correlated with global urbanization, and that both the cause of these challenges and their solutions can be found in cities. The management of urban areas and their populations will become more multifaceted, and cities are under increased pressure to find solutions and improve their planning strategies to accommodate the poor, enhance urban living conditions, infrastructure, services and employment opportunities, and strengthen governance in increasingly complex urban systems.

In the early days of development planning, the growth of cities and their populations were generally considered an undesirable and negative development, as overpopulated and congested urban areas were seen as unhealthy, prone to crime and lacking sufficient opportunities to accommodate rural newcomers. Planners stressed that growth had to be controlled, rural-urban migration mitigated and urban slums eliminated. Since the 1970s, however, the traditional rural-oriented development model was challenged by a new paradigm, which revolved around urban development.[11] It was based on a 'new realism', which recognised that urban growth could not be prevented and should instead be accommodated.[12] The first UN Habitat conference held in Vancouver in 1976 and the establishment of the United Nations Centre for Human Settlements (UNCHS-Habitat) in 1977 effectively served as the foundation of donor commitments to urban poverty issues. In the evolution of urban development thinking from the early days in the 1970s until the present day, various phases can be distinguished.[13] In the 1970s, urban development was rather narrowly defined and focused essentially on meeting housing needs, in particular, through settlement upgrading and self-help housing. In the following decade, the urban development approach became more multidimensional. With the start of the Urban Management Programme (UMP) in 1986 – a joint effort of UN-Habitat, UNDP and the World Bank – a more integrated perspective towards urban development began to include a range of urban sectors such as markets and the financial sector, infrastructure management, and land and environmental management. Capacity building and institutional strengthening of local authorities became major strategies to increase urban productivity, raise local revenues and improve urban socio-economic conditions. In the 1990s, the concept of 'good governance' gained ground, also in urban development thinking. Urban governance has been increasingly

considered an imperative for the sustainable management of urban areas.[14] The 1990s moreover can be marked as the heyday of decentralisation policies. Democratic and decentralised governance was increasingly considered an essential component of urban development initiatives. Strategies aimed to both contribute to the decentralisation process itself and strengthen local institutions and the capacities of local governments. This capacity building of local authorities and technicians has been indispensable to the ability to respond adequately to the new responsibilities that decentralisation has brought. Thus, some programs have provided support to central governments in designing and implementing decentralisation plans (reforming legal, political, and fiscal systems), while others have addressed local government capacity building and strengthening, e.g., resource management, social services delivery, and civic participation.[15] The concept of 'good urban governance' has, in particular, been employed by UN-Habitat's Global Campaign on Urban Governance launched in 1999, which aims to contribute to poverty alleviation through improved urban governance. Capacity building for local governments is a key strategy to realising 'the inclusive city', i.e., 'a place where everyone (...) is enabled to participate productively and positively in the opportunities cities have to offer'.[16] The key principles to reaching inclusive decision-making and good urban governance include sustainability, subsidiarity, equity, efficiency, transparency and accountability, civic engagement and citizenship, and security.

A final trend that is discussed here to explain the contemporary position of C2C is the rise of city networks and the growing importance of 'partnerships' in international cooperation. The introduction of the concept of 'partnership' in the international cooperation debate has indicated a move away from the traditional hierarchical patron-client relationship between donor and recipient partners towards a more balanced North-South power relationship in which partners cooperate on a peer basis.[17] In an urban context, an opportunity for partners (i.e., cities) to achieve such relationships and learn from peers is through the networking of cities, to exchange knowledge and seek best practices elsewhere that will find solutions to urban problems. It was found[18] that between 1982 and 2004, the number of such international city networks grew from eight to 49. Agenda 21's call to cities to participate in international sustainability city networking was a key driving force in this trend. A major impetus with regard to city-to-city cooperation, also seen as the "most basic building block of city networking",[19] was provided by UN-Habitat, which chose city-to-city cooperation as the theme of World Habitat Day in 2002.[20]

City-to-city cooperation

City-to-city cooperation can be considered a decentralised form of development cooperation, in which local authorities have become development agents and partners. The objectives are generally two-fold. Firstly, C2C is relevant from the viewpoint of fostering decentralised 'good governance' as a precondition to local development. Due to the changing nature of local administration as guided by decentralisation processes, local governments in the South have increasingly been given new mandates and responsibilities, dealing with basic service delivery, urban infrastructure and financial resource bases to manage. Moreover, many are now expected to assume a role that actively fosters local development and tackles urban poverty. Changes in the legal and administrative environment however pose difficulties to organisational capacity and basic service delivery. For the majority of local governments in developing countries, institutional reinforcement is one of the most pressing challenges of the near future. In this light, C2C is considered an instrument to enhance the capacities of local institutions for improved local governance. In the public sector, capacity building is mainly directed towards the institutional strengthening of public institutions and administrations, aiming at 'getting good government'[21] through increased institutional performance. In this respect, C2C initiatives can be potentially employed with regard to service delivery, creating an enabling legal and institutional environment, and fostering partnerships with key local public, private and community actors. Cities set up and support projects, and provide knowledge and expertise through the delivery of technical assistance to their partner cities, often organised in a peer-to-peer setting for local government officials and technicians. The 'colleague-to-colleague' approach is considered a vehicle for knowledge and skills transfer that is unique to C2C partnerships and scarcely found among other modalities of development cooperation.[22]

A second C2C objective regards the contribution to community development and (basic) urban services. C2C is not confined to the participation of local administrations alone. Indeed, it has been observed,[23] while the concept of a relationship between local authorities is at the core of the partnership, the participation of civil society is a feature of equal importance. A characteristic of C2C is that it is usually founded on two pillars; the local state apparatus and its constituency, the citizens themselves.[24] While the former relates to the above-mentioned objective of institutional strengthening, the latter relates the participation and contributions of civil society, the non-profit and the private sector. Activities include a wide range of small-scale community development initiatives such as fundraising for education and health care projects, and stimulating business entrepreneurship through micro-credit support. While the development effects in

the partner city are often modest, such activities are crucial to the sustaining of public support for the partnership. Raising awareness on global issues (poverty, inequality) and development cooperation is an important goal. These activities in the civic society sphere have a substantial symbolic meaning, reinforcing the link between the cities and further stimulating public support.[25]

If local governments in the North seek to act as development agents, they need to comply with some necessary preconditions for successful North-South cooperation. Development cooperation is not a core task of municipalities and lack of expertise may undermine good intentions. Partnerships fail when Northern partners wrongly assume they have all the necessary professional expertise and knowledge needed to engage in development cooperation: 'Many [Northern municipal partners] see themselves walking into the aid business with none of the knowledge which has built up in NGO circles over the years, so there is a danger if guidance is not sought, of their taking part in very amateurish aid efforts'.[26] Examples of the lack of development expertise among municipal staff in the North include the lack of knowledge of local contextual conditions, not taking into account adequate evaluation and monitoring criteria, or lacking the required advisory skills.[27] The dilemma of well-intentioned aid ambitions versus the lack of professional expertise was accurately expressed in the title of a recent Dutch Government evaluation of national C2C support programmes: 'On Solidarity and Professionalisation'.[28]

City-to-city Cooperation in the Netherlands and Germany

In the Netherlands, 72% of the municipalities are involved in international cooperation.[29] It is estimated that 10% of these efforts are with developing countries.[30] National development policy in the Netherlands has traditionally supported C2C cooperation, albeit with different motives. During the 1990s, municipal C2C efforts were primarily considered relevant for awareness raising and creating public support for international development cooperation. A second task was the provision of technical assistance and the transfer of knowledge and expertise to Southern partner cities. Strengthening local government in developing countries was seen as a precondition that would allow marginalised communities access to political decision-making.[31] Capacity building to strengthen municipalities and good governance became a more central objective some years later, in which the principles of reciprocity and mutual learning were emphasised. Throughout the 1990s, policies in favour of C2C received strong parliamentary backing, partly because it was considered helpful for the maintenance of public and political support for development cooperation in general. Between 1998 and 2002, national

support experienced a temporary decline when the effectiveness of C2C in reducing poverty was questioned. There were doubts whether Dutch municipalities, despite their knowledge of governance and urban policies, also possessed the relevant expertise necessary to act in the domain of development cooperation.[32] C2C has over the past few years regained its prominence on the agenda. Current development cooperation policy stresses the importance of partnerships, which certainly applies to C2C. The C2C budget for 2005-2008 was expanded to € 12.4 million, an average of € 3.1 million per year.[33] In previous years, this average had been € 2.2 million.[34] The main objective has shifted from awareness raising to local governance capacity building in the South. The national C2C budget is transferred from the Ministry of Foreign Affairs to the International Co-operation Agency of the Association of Netherlands Municipalities, VNG International (VNG-I). VNG-I, in turn, is responsible for support programs to which Dutch municipalities can turn to for financial and technical assistance. The objective of this funding program[35] is to 'strengthen good local government as a condition for poverty reduction' by means of capacity building to develop human capital in local government organisations. Twelve countries have been targeted.[36] The contribution from the Ministry accounts for an estimated 60 to 70% of the funding for the C2C projects, while the remainder comes from the participating Dutch municipalities, provinces, municipal water boards, and waterworks.[37] As of January 2008, some 40 Dutch local governments were participating in some 46 projects.

German development cooperation policy and practice at the community level takes a holistic and multifaceted approach compared to the more narrowly defined Municipal International Cooperation (the Dutch terminology for C2C) in the Netherlands, which place particular emphasis on the partnership element. German *communal development cooperation* incorporates fair trade projects and events, fair procurement policies in local authorities, development education and 'global learning'.[38] It has been estimated that German cities together maintain between 5,000 and 7,000 international partnerships.[39] However, the bulk of the relations are within Europe and only 3% of partnerships are with the developing world.[40] Communal development cooperation is characterised as civic society driven (mainly by churches and community organisations), operating with small budgets and mainly financed by donations.[41] Many North-South initiatives are framed in Local Agenda 21 processes. The LA21 movement has been successful in Germany, where it has been adopted by 20% of the municipalities (SKEW, 2007). In the Netherlands, on the contrary, LA21 is not an issue in urban (environmental) planning.

Local political support in Germany is ubiquitous, but it is not accompanied by the necessary financial and administrative support. This is in contrast to the Netherlands, where local political support is generally expressed in providing fi-

nancial resources (from the municipal budget or by attracting external funding) to C2C initiatives. The lack of a clear mandate among German local governments makes it difficult to actively engage in development cooperation, especially in communities that are facing budget deficits and are struggling to adapt to legislative changes after German reunification.

The main organisation in Germany supporting communal development cooperation is the 'Service Agency Communities in One World' (SKEW), which is a subdivision of the non-profit organisation Capacity Building International (InWent). This is similar to the VNG-I in the Netherlands, which also concerns its role in motivating and informing communities. However, the situation in Germany differs from the Netherlands in that SKEW does not fund community projects. Cities generally work much more independently on development initiatives. Moreover, while the Dutch central government provides funding for C2C projects, these resources are not available to German municipalities. It has also been observed[42] that the legal conditions for the use of municipal resources for North-South city partnerships remain unclear, due to an unresolved constitutional debate on the limitations of municipal self-government and the monopoly that the federal government officially maintains on engaging in foreign relations. As a result, German municipalities operate in a rather different financial, juridical and political reality than Dutch cities. This has implications for the role of local governments as partners in development, the objectives set in North-South twinnings, and the capacities, resources and political backing available to support these initiatives.

Local Government Participation in Development Cooperation: Five Critical Conditions

Drawing on empirical evidence from four North-South city partnership case studies, and taking the perspective from the North – i.e., local governments as development agents, this section discusses five critical conditions that have been found to impact on the role of local governments in development cooperation through the practice of C2C. Between 2005 and 2007, research was conducted on four partnerships involving cities in the Netherlands and Germany and their partner cities in South Africa, Nicaragua and Peru.[43] The partnerships reviewed are briefly summarised in box 1. The factors discussed are:

1. The extent to which C2C partnerships are politically embedded in municipal international cooperation policies;
2. The availability and quality of human resources in the local administration for C2C;

3. The availability of financial resources and the capacity to tap into external funding;
4. The level of political, administrative and public support for C2C;
5. The extent to which local governments cooperate with development partners to support their C2C efforts.

Box 1 The four C2C partnership case studies

- The municipalities of Amstelveen, the Netherlands and Villa El Salvador (VES), Peru became official partners in 1997. Recent cooperation projects (2004-2007) were aimed at strengthening the local administration of VES with a focus on municipal finance, and environment and waste management, e.g., setting up an Environmental Department and introducing separate waste management in VES.
- Since its inception in 1983, the partnership between Utrecht, the Netherlands and León, Nicaragua has experienced both municipal and civic society participation. Since 1998, the City of Utrecht has supported León in its urban expansion ambitions in the long-term, multi-dimensional León South East project to build 15,000 dwellings by 2020.
- The partnership (1998) between the Berlin District Treptow-Köpenick and the Municipality of Cajamarca, Peru, is an example of C2C as North-South component in the framework of Local Agenda 21. Mainly driven by civic society, the municipal role is more limited. The partnership aims at fostering exchanges (e.g., schools), awareness raising and fundraising.
- Alphen aan den Rijn signed a twinning agreement with Oudtshoorn, South Africa, in 2002, focusing on strengthening institutional performance and community development in Oudtshoorn. Oudtshoorn municipality has been assisted with policymaking on HIV/Aids, gender and social housing, and the implementation of a Performance Management System.

1 *Municipal International Cooperation policy frameworks*

Perhaps the greatest difference between local administrations and mainstream, traditional decentralised development organisations such as NGOs and charity organisations is that international cooperation (IC) is not a core task of local administrations. In both the Netherlands and Germany, municipal IC is not required by law. While it is heavily promoted by Local Government Associations and (inter)national support organisations, local governments are not formally mandated to invest in IC or establish IC policies. Hence, international municipal efforts are voluntary. In this light, and due to the fact that municipalities are political institutions, the first critical factor is the political orientation of the municipal council and of the leading local political parties as an important determinant of city partnership organisation. In the absence of a guiding legal framework, political programs and supporting IC policies shape and outline the

IC vision and strategy of municipalities. Formalised policies can be considered a political determinant for the emergence and fostering of IC, guaranteeing a stable flow of financial resources as IC becomes an item on the municipal budget. The political programs of the three Dutch cities that were studied all contain an item on international cooperation.

C2C partnerships are often embedded in an IC policy framework that serves a range of objectives. They show great variety regarding geographical orientation (e.g., European vs. North-South), instruments (long-term partnerships, international city networks, projects) and activities (knowledge exchange, granting subsidies). North-South city partnerships may be just one aspect of a municipality's international cooperation strategy (e.g., Utrecht), or it may be the singular IC activity performed (Alphen aan den Rijn or Alphen for short). Diversity in policy objectives is evident: they may be economic and trade-oriented, which is the case for Amstelveen and Utrecht. EU affairs, such as subsidies and legislation have clearly been observed in both Utrecht and Treptow-Köpenick. There was mention of fostering international exchanges and city networking in Treptow-Köpenick, Utrecht and Amstelveen. All four North-South partnerships in this study contributed to a fourth objective, i.e., international solidarity and accepting a role in development cooperation. The Dutch cases show a dual strategy in this respect: on the one hand, contributing to the strengthening of local governance and local democracy in the South, on the other hand, engaging in awareness raising and the education of citizens on development issues. This duality is also expressed in the financial details and in the relations between the local administrations and civic society as city partnership actors, as will be discussed below.

The case of Amstelveen will be used here to illustrate how C2C partnerships are embedded in a more general IC policy framework. The partnership agreement with Villa El Salvador fits into the wider 'international orientation' program, which forms the political mandate that gives guidance to all international activities. It is based on three main motives for engaging in international cooperation: a) the exchange of knowledge, innovation and 'best practices' of municipal affairs; b) economic motives in attracting foreign investments; and c) ideological motives, i.e., to raise global awareness, and 'contribute to local democracy and governance elsewhere through the provision of in-house municipal expertise'.[44] The latter provides the framework for cooperation with VES. In contrast to the three European city partnerships, which are predominantly directed at cultural and people-to-people exchanges (the so-called *jumelages*), the (knowledge) exchanges and projects with VES have a clear development objective, with the aim to strengthen local governance in the partner city. VES is considered the most relevant initiative for the involved international partner cities; an estimated 70%

of the budget for international cooperation is allocated to VES.[45] Moreover, political, administrative and community involvement are predominantly focussed on VES rather than on other international activities.[46]

In contrast to the three Dutch examples, the Berlin District of Treptow-Köpenick has no official political IC vision or policy. One of the reasons is related to the administrative status of Treptow-Köpenick as one of the 12 Districts of the City of Berlin. While the Senate of Greater Berlin has its own IC policies and city partnerships, the majority of the Districts also maintain their own international relations. At district level, however, IC is not an official administrative mandate. This means the districts, which are not autonomous, do not receive any IC financial or technical support from the Senate. Treptow-Köpenick thus has very limited resources for international cooperation and this has been a major limitation for the international relations of the district.[47] Despite the absence of a formal IC policy, the local administration is engaged in international affairs. The focus is mainly on the European Union, e.g., attracting EU funding and projects, and engaging citizens to participate in European affairs and exchanges. Moreover, the district government is concerned with the significant number of 11 city partnerships, of which Cajamarca is the only partner in the South; although a large number of these partnerships are currently inactive.

Some observations can be made from comparing the cases. Firstly, the lack of a political mandate in the German case makes the involvement of the local administration voluntary, which may undermine the stability and continuity of municipal engagement in the partnership. The role of political will and the personal involvement of the mayor becomes crucial in this respect. Secondly, it must be noted, however, that the Treptow-Köpenick-Cajamarca partnership is largely a civic society-driven effort, in which the local government only has a modest role in providing political support and some funding. There are, for example, no direct exchanges between municipality staff. The consequences of the absence of a municipal IC policy should in this respect not be exaggerated. Thirdly, instruments other than IC policy can also provide guidelines for shaping the various international cooperation strategies and activities. In the German case, this is the partnership agreement signed by the two cities and the Local Agenda 21 process in Treptow-Köpenick.

The cases show that North-South city partnerships are not isolated activities but are part of a broader municipal IC policy framework. For local administrations, city partnerships are instruments that serve a range of objectives, including contributing to global awareness raising, facilitating civic society international cooperation initiatives and strengthening partner municipalities and local governance conditions in the South.

2 *Local government human resources for C2C*

A second factor that has an impact on the performance of municipalities in development cooperation refers to the availability of human resources for IC activities. The existence of organisation-wide consultation structures and the definition of key roles within local governments determine whether a pool of experienced and skilled staff members is available for partnership projects. Individual capacities (both technical and partnership capacities to interact with the partner, such as language, cultural understanding and knowledge of the partner country) as well as the mechanisms to select staff for partnership projects are underlying determinants. The availability of human resources is particularly relevant as local governments are not core development experts and questions have been raised about the suitability and knowledgeability of local governments to act as partners in the international development arena.

A first point of attention is the positioning of IC in the organisation, the subsequent staff time available for IC, and how participation of staff and decision-making are organised. In the municipality of Amstelveen, the administrative responsibility for IC lies with the Policy Department, with its budgeted schedule of twenty hours per week. The number of individuals involved can be regarded as limited and fixed. There is no formalised consultation structure such as a working group or task force that brings together partnership participants. In Treptow-Köpenick, IC is administratively embedded in the mayor's office. The full-time position is officially for EU affairs only, and due to the absence of a clear C2C mandate, partnership activities are not formally administered. No additional municipal staff is involved in the partnership as there is no institutional capacity building relationship with Cajamarca. The lack of C2C policy instruments leaves decision making largely to the mayor, making the partnership vulnerable to political will and commitment. In the Alphen administration, the four to six hours per week dedicated to IC can be regarded as very limited. Similar to Amstelveen, while a relatively limited but permanent group of officials is involved in the partnership, there is no formalised consultation structure within the local administration. Part of this is due to the unfortunate position of IC in the organisation. IC is embedded in the Department of Welfare and Education, which covers more than 30 policy topics and where IC is the odd one out.[48] The local government has considered shifting IC to the Municipal Manager's office. This shift would not only permit more integral project planning and corresponding participation from the various departments, it would also enhance the possibilities to make IC more visible and exert influence directly on the various departments.

The administrative responsibility of the partnership in Utrecht lies with the Department of Governmental and International Affairs, concerned with a wide

range of international issues. Moreover, within the administration, a decentralised consultation structure is set up to manage the León South East (LSE) project, which has been the key focus of the municipal partnership between Utrecht and León since 1998. The structure brings together various line Departments, staff and external advisors and an external consultant, the project coordinator. Such a multi-disciplinary team, which includes urban planners, architects, and social policy advisors, contributes to the integral approach the LSE project seeks to have. It also facilitates and coordinates the division of labour in accordance to the needs expressed by León municipality. The project group meets every six weeks. Four to six work visits are paid to León by one or two members. The decentralised structure allows for broad consultation within Utrecht's administration. Not only do the involved officials deliver technical expertise, each line department also contributes financially to the LSE project. Such an integral project structure is a positive factor with regard to generating wide administrative support and additional funding for the partnership and facilitates matching existing expertise with the partner city's needs.

A second note that can be made is that, with regard to human resources, various mechanisms are in place for the selection of project participants. In Alphen and Amstelveen, participation was mainly based on invitation, according to expertise needed. In Utrecht, the LSE project group has selected through conducting interviews and reviewing CVs. Not only technical expertise but also knowledge of the Spanish language and experience with working in developing countries are considered, as well as the ability to understand the way of working of the Southern partner. Such criteria are important to take into account if local governments seek a professional approach to development cooperation, not only to maximize project performance but also to prevent the involvement of staff members who are just looking for an opportunity to travel or who may be very eager to participate but lack the necessary technical or cultural skills to cooperate effectively with the partner organisation.

3 *Available financial resources and the capacity to tap from external funding*

A third factor concerns the financial resources that municipalities make available for their North-South partnership. Municipal IC is voluntary, thus the availability of capital may be a sensitive issue. In all four case studies, part of the municipal budget is allocated on a structural basis to international cooperation and the partnerships in particular. Table 1 provides an overview of the main annual financial figures for the four Northern cities.

Comparing the financial contribution for the C2C partnership with the total IC budget,[49] the four cities spend an average of 31% of their IC budget (LA21

budget for Treptow-Köpenick) on the city partnership. The figure is relatively low for Amstelveen, where a large portion of the IC budget is absorbed by economic development/trade activities. For international partnerships, 70% is dedicated to VES. The figures for Alphen are rather surprising since the partnership with Oudtshoorn is considered the single activity of International Cooperation in Alphen. Apparently a large share is also allotted to civic society initiatives. The € 35,000 amount is based on the calculation of dedicating one former Dutch guilder to IC for each Alphen inhabitant. Because the partnership with Cajamarca is an element of Treptow-Köpenick's LA21 process, the figures show the IC share in the municipal contribution to LA21 activities. In 2006, the municipality for the first time allocated a structural budget to Local Agenda of € 30,000 per annum. This helps overcome the vulnerable financial position of the partnership, as the municipality does not have a structural budget for IC.

Table 1 Annual municipal budgets for C2C and IC (Euro)

	Municipal budget for C2C partnership	*Municipal budget for international cooperation**	*Share of C2C partnership in the IC budget (%)*
Amstelveen (2007)	30,000	146,000	21%
Treptow-Köpenick (2006)	10,400	30,000	35%
Utrecht (2007)	128,700	565,876	23%
Alphen (2006)	15,000	35,000	43%

* For Treptow-Köpenick: Municipal budget for Local Agenda 21

The figures only reflect structural contributions. Moreover, Municipal Councils may decide on occasional donations. Examples include a project by Amstelveen for disabled people and donations for reconstruction after a fire in 2003 in VES, and Alphen offering emergency relief in response to, for example, the Asian tsunami in 2005, and the humanitarian crisis in Darfur. The amount of these ad-hoc donations have ranged from € 1,000 to € 25,000.

The budgets illustrate the financial resources available from the municipality as an institution. Moreover, there are various examples where, on an organisational and even an individual level, financial contributions are made to the partnerships. A very clear example of the former is the decentralised financial contribution that the various line departments in Utrecht's government make as member of the León South East Working Group. Six line departments contrib-

uted € 13,000 each to the project annually. The aggregate amount of € 78,000 is an addition to the central municipal LSE budget and accounts for over 50% of the project budget of € 130,000 made available by the Municipality annually.[50]

Within the local administration, various donations are raised for the North-South partnerships. Examples include fundraising activities during Christmas or at social staff gatherings (Alphen, Utrecht), or charity events such as the collection of second-hand toys to ship to the partner city (Alphen). At the individual level or the staff member level, some financial contributions to partnership projects were observed. Examples include the donations of departing councillors (Amstelveen) and officials (Utrecht). The donation of Christmas bonuses was also mentioned. Although these contributions may be considered very modest and fairly insubstantial financial contributions for the partnership, they are more important for their added value in awareness raising and creating support for the partnership among local staff. It also reflects the often tremendous personal commitment and dedication to the partnership and its projects.

Municipalities in the North are often severely limited in their international aspirations due to restricted financial resources. Small and medium-sized municipalities, in particular, have modest budgets for international cooperation. Municipalities thus turn to external funding sources that have increasingly become available via national and supranational organisations. In the case of Amstelveen, the main external funding source was provided by VNG. Moreover, the municipality has also been able to receive funding from the Province of Noord Holland, where the city is located, as well as from a local housing association. The financial contributions from local administrative sources are very modest compared to various external sources. The contribution is mainly of an in-kind type, i.e., the hours invested by local officials who provide knowledge and expertise in city-to-city exchanges. While it was estimated that in 2004 and 2005 a total of over € 500,000 was invested in the partnership from external funding,[51] the municipality's contribution was approximately € 60,000 for that same period.[52] The large majority of financial contributions thus come from external sources.

VNG has also been a major source of additional funding for Utrecht and Alphen. In Utrecht, VNG funding accounts for 40-50% of the annual budget for the LSE project, which was € 124,262 in 2006. In Alphen, virtually all of the technical exchanges and work visits were financed by a VNG subsidy. In recent years, the City of Utrecht has further attracted external funding from a range of NGOs and CBOs. It was estimated that in 2007, € 70,000 was allocated to León from the municipal budget against € 502,000 from external sources.[53] Moreover, both Amstelveen and Utrecht have been very successful in finding additional donors and other partner cities involved in VES and León for their partnership projects, which generated more financial assistance.

Hence, for three of the four involved partnerships, external funding was essential for the Northern cities. This has a number of consequences.

– The cities in the North have created a multiplier effect of financial resources channelled to their partner cities in the South. By using C2C partnerships as a development cooperation strategy, various flows of Dutch national and subnational funding sources are funnelled into the local level in the South, allowing Dutch financial development assistance to become decentralised.
– It should be noted that while additional funding is often crucial to the financial viability of C2C partnerships, there is also a danger that local administrations will become overly dependent on external funds. The criteria to gain access to external funding may have a strong impact on partnership agendas and may impose limitations on the utilising of the full potential of municipal expertise. It can also undermine the continuity of partnerships when subsidies are withdrawn.

4 *Political and administrative support for C2C*

A fourth condition is political and administrative support that is needed to sustain C2C efforts. It has been considered[54] an advantage that IC is not a core task for municipalities, as they are not dependent on this task for their existence. However, it also presents one of the main vulnerabilities of IC: it is highly dependent upon political will and administrative support to make it a successful municipal affair. Will power and commitment are relevant on both the political level (it produces a political mandate which justifies IC activities) and on the administrative level. Meanwhile, for the large majority of local officials, IC is not a core responsibility and participants are involved on a voluntary basis.

Local political leaders assume both the key political and representative roles in the partnerships. The political responsibility for IC usually lies with the mayor. Political leaders have the capacity to increase and sustain political support for the partnership within the Municipal council and to assist in attracting potential partners in partnership activities. Mayors play a significant role in partnerships and are often involved in work visits and other activities. It has been found that the representation and ceremonial aspects of international cooperation seem to be valued, especially by municipalities in the South. This is illustrated by the signing of various cooperation agreements by the mayors in all four case studies, or it involved official mayoral visits to the partner city.

In Treptow-Köpenick, in the absence of any formal IC policy, the mayor's role and the need for political commitment have been essential. In Alphen, although IC is politically mandated and the mayor is very much in favour of strengthening local governance in the partner city Oudtshoorn, broad politi-

cal support and commitment from the council is virtually absent. The political engagement in IC is very limited.[55] A general lack of political support makes the partnerships vulnerable. This became very clear in 2004, when, in the context of municipal expenditure cuts, the city council proposed to remove IC from the muncipal budget. There are some similarities in the case of Amstelveen. While there is council support for IC, the city partnerships are rarely an agenda item at city council meetings and cannot be considered a relevant political issue.[56] In the case of Alphen and Amstelveen, we can therefore speak of 'passive political support', in which the Municpal Council approves and tolerates International Cooperation rather than their actually being pro-actively involved and politically interested.

The presence or absence of political concern is also reflected in the appearance of IC as an issue during the election campaigns of local political parties. In a review of election programs of the various local political parties in Alphen and Utrecht presented during the municipal elections of March 2006, there is mixed evidence regarding the importance of MIC to local political parties. While the election programs in Alphen reveal that local political parties barely acknowledge the potential responsibility local governments could have with regard to International Cooperation, the political parties in Utrecht are generally much more aware of the city's international position. With some exceptions, the frequent appearance of IC as an item in municipal election campaigns reflects that local political visions do have an international dimension in Utrecht.

Support among administrative staff members for C2C activities has also proven important. While the objectives of solidarity and development cooperation have been mentioned as important driving forces in the maintenance of international partnerships for the various municipal institutions, additional advantages have been mentioned that may be related to the sphere of human resource management. The possibility of participating in partnership activities can be regarded as fringe benefits to local government officials, which fosters employee satisfaction and motivation, while, at the same time, strengthens the capacity of the local government. Amstelveen's mayor stressed that participation in the partnership enriched his staff, empowered and inspired them in their functions. A senior manager stressed the importance that the partnership provided his experienced staff with a "completely new point of view".[57] Partnership participation was seen as a relatively radical way to put one's daily work routine into perspective. The international experience through partnership participation is thus regarded as an opportunity for human resource development. In Amstelveen, therefore, the current discussion revolves around the various partnership activities and how they can become a more integral part of Human Resource Management policies as a fringe benefit.

Participants no doubt reap benefits from participating in these activities and are usually very committed, although, in most of the cases, overall administrative support was fairly passive. The majority of staff were not really involved in any partnership activities, and participation was 'limited and vulnerable'.[58] In this light, the role of local champions acting as ambassadors for the partnership in their organisation and beyond appears crucial in all of our case studies. Moreover, the mayors have proven that they are a vital link in creating such support. Table 2 provides an overview of mayoral activities that are illustrative of how they champion the initiatives.

Table 2 The champion role of political leaders

Amstelveen	– Leadership for campaigning and fundraising after a 2003 fire which damaged part of the partner city – Mayor lobbied within Municipal Council to create political support before the 2006 Municpal Elections – Mayor lobbied in Dutch Parliament and VNG for C2C and Peru
Treptow-Köpenick	– Ceremonial openings of partnership exhibition by mayor – Mayoral work visits to Cajamarca – Mayor allocates municipality's 'representation budget' to C2C
Utrecht	– Regular mayoral visits to León – Chairing of city-wide consultation meetings on C2C with León
Alphen	– One technical exchange project started thanks to personal contact the mayor had with his counterpart in South Africa – Mayor has IC track record and has a key advisory position in VNG activities regarding international relations – Mayor argued succesfully to have an international paragraph included in the municipal programme and budget (2002-2006) – Mayor seeks public relations opportunities by doing interviews in staff journal and local newspapers to promote C2C

5 *Local government cooperation with development partners in support of C2C efforts*

A final condition for local governments as development agents is related to their potential to establish strategic alliances or relationships with other partners for their C2C efforts. As was already noted, C2C is not just confined to local governments alone. The participation of civic society and other urban actors has often been mentioned as a critical and distinguishing element of the C2C modality. Moreover, local governments in the North may seek external financial and capac-

ity support from their national governments and official donors to sustain their C2C activities. The relationships of local governments discussed here are with a) international and national government partners, including local government associations, b) the decentralised public sector, c) NGOs and other external, non-governmental development agents, d) civic society, and e) the private sector.

National governments, local government associations and international donors have set up a wide range of support programs for C2C, such as the United Cities and Local Governments (UCLG), UNDP, UN-Habitat, the European Union, Cities Alliance and the European Council of Municipalities and Regions (CEMR).[59] The question is to what extent local governments make use of the support and assistance available from external funding and donors for their C2C activities. This not only refers to the extent to which municipalities attract external funding, as was explained above, it also entails tapping into technical capacity building to increase their performance as development partners. VNG has offered numerous training programs for Dutch municipal staff. Courses are provided on local governance in the South, the conditions of working in North-South partnerships and preparations for overseas missions. The Dutch cities have participated in a number of these programs. Amstelveen has also been successful in getting moral support from the Dutch embassy and financial cooperation for an environmental project in Villa El Salvador from the European Commission Delegation in Lima.

Various public institutions (both governmental and semi-governmental) at a decentralised level often participate in partnership activities. In both Alphen and Amstelveen, local housing associations have been actors in the partnership. In Amstelveen, the association provided external funding to set up a municipal technical support office in Villa El Salvador to give advice on housing construction and gaining access to government housing subsidies and construction licenses for VES citizens. In Alphen, the municipality discussed the possibilities of seeking financial and technical assistance from the local housing association for a social housing project in Oudtshoorn. Furthermore, Amstelveen has been able to involve the Province of Noord-Holland, which has provided funding for the installation of a water and sewage system in one of the newer VES neighbourhoods. Utrecht's municipal electricity company facilitated the installation of solar energy panels in a rural development project outside of León. In Treptow-Köpenick, there are no actors in this category of the partnership network.

National NGOs and other external development agents are partners that bring in external financial- or knowledge-related resources to local governments for their C2C activities. These include various national subsidy schemes aimed at decentralised development cooperation and subcontracting project consultants. In Utrecht, various Dutch NGOs (MFOs)[60] have contributed to partner-

ship activities and have financed awareness-raising projects. Moreover, these organisations have contributed to existing local projects through national funding schemes such as KPA, which double the investments.[61] Treptow-Köpenick has been able to invite a number of officials and students from Cajamarca on three-month professional internships in Germany, financed by the ASA program.[62] Utrecht and Alphen have used external consultants, bringing in development expertise to C2C projects that would have been unavailable within the local government environment.

The relationships of local governments to civic society were plentiful and diverse. In all of the cases except Amstelveen, a coordinating civic society entity has been a central source for the local C2C partnership architecture. These entities can be defined as non-governmental organisations that have been established to carry out activities within the framework of the C2C partnership. They have a unique position in the sense that their existence depends primarily on the fact that the city is engaged in the C2C partnership, while the partnership in most of the cases is not a core issue for other participating actors, including local government. The coordinating entities are often funded by local government agencies, to enact awareness raising and educational activities. For other civic society actors involved in the C2C partnership, it has served as a coordinating and facilitating role in the various collaborations and projects executed in the partner city. For example, in Utrecht, the Foundation Utrecht-León serves as the coordinating entity. It channels initiatives from Utrecht's civic society to support León, and thereby facilitating the linking of schools and child care centres in the two cities, initiating development educational, employment creation and cultural projects in León as well as projects that foster the organisational strengthening of Leonese NGOs and micro-finance schemes. The foundation is funded by the City of Utrecht to cover administrative costs. In return, the foundation is engaged in awareness raising and education activities, which are essential to the municipality's IC policy. Similar coordinating civic society entities exist in both Alphen and Treptow-Köpenick. They have an additional role in joining and subsequently facilitating various C2C activities for numerous civic society groups, including schools and youth, citizens (volunteers, neighbourhood committees), churches, libraries, private charity funds, etc.

The practice of local governments cooperating with the private sector in C2C activities is still very limited. Moreover, business participation is often channelled through local charity wings of business associations such as the Rotary Clubs, which represent the business sector as a whole rather than individual local businesses. Rotary Clubs play a role in the three Dutch cities in partnership activities. They donate money or organise various charity projects. Some individual businesses donate directly on an ad hoc basis. In Alphen, the local Fair Trade shop

sells products made by a small-scale handicraft business in Oudtshoorn. Private sector contributions to C2C activities are, however, mostly facilitated by the co-ordinating civic society entities and this means they usually do not directly take part in local government activities.

Discussion and Conclusions

Due to ongoing urbanisation and the understanding that future poverty challenges need to increasingly be tackled in the cities of the developing world, and in the light of increased acknowledgment of the 'urban' in development thinking, it seems that the presence of cities and local governments in the development cooperation arena is here to stay. This is manifested by the ever-growing number of cities engaged in international activities and the number of city networks that bring together cities to work on various development issues. This chapter has discussed the role of local governments in development cooperation so that we can better comprehend the underlying factors that shape this role and that explain its successes and failures to a large extent.

The Dutch and German examples have shown that, because of the voluntary character of municipal involvement in North-South cooperation, C2C efforts need to be institutionalised in local governments in order to be sustained. This includes having a formal international cooperation policy framework in place with the necessary financial and human capital available. Gaining political and administrative support for C2C activities is equally important. Because resources are often limited and development cooperation is not the *raison d'être* of municipal organisations, the case studies reveal that seeking external support for funding and expertise amplifies the opportunities for C2C. Building multi-sectoral partnerships with local community actors strengthens the necessary public support and widens participation.

From the national policy context analysis, we can conclude that local governments in the Netherlands and Germany operate in different political, financial and juridical realities. The empirical examples have demonstrated how the differences in the institutional frameworks of the two countries are manifested at a community level. The German case of Treptow-Köpenick shows the struggle to guarantee and sustain the provision of human and financial resources for international partnerships and activities that have been very dependent upon the political initiative of the local mayor. The Dutch cities seem to benefit considerably from the funding and technical expertise from the national government available to the C2C partnerships. It should be noted, however, that while external funding is of great importance for local governments that engage in development coop-

eration, it also simultaneously poses some real risks of becoming too dependent. For example, Amstelveen found itself no longer being funded by VNG-I in 2008. This made the continuation of the projects uncertain and the municipality had to invest a great deal of time and energy into seeking new funding opportunities.

An interesting point of discussion is the dual objectives of cities engaging in C2C partnerships, which aim to strengthen local institutions and foster local development in the South, while at the same time, they aim to raise awareness and public support among their own citizens on development-related issues. Local level partnerships have traditionally been considered sites for development education in the North. But because C2C is not confined solely to local government activities, it offers many opportunities for citizens to be exposed to development cooperation and issues related to global poverty and inequality, and the possibility to establish intercultural contacts and obtain greater global awareness. C2C is a form of decentralised development cooperation that directly involves communities, which has the potential to translate the abstract matter of far away places and large-scale donor development assistance into the world of the citizen. The dual objective, however, also poses some tensions regarding the scope and content of C2C activities and projects. For example, although donating school materials to various educational institutions in the partner city may offer a concrete illustration to donor citizens and may correspond to their notion of solidarity with the South, the developmental impact may, in practice, be rather limited. On the other hand, the technical exchanges between the partner municipalities do not generally appeal to the citizens, especially when they are not 'visible' due to the projects' focus on institutional or organisational aspects, such as financial administration, implementing IT systems or the design of new policies and plans. When results are difficult to demonstrate it may also be complicated for local governments to justify their international aspirations and investments vis-à-vis their constituents who want their local taxes to be well spent. Local authorities thus need to find a balance between generating visible, media-attractive development results and employing their expertise in highly technical municipal cooperation efforts. The case of Utrecht is a good example in this respect, where the municipality has 'delegated' awareness-raising activities to the Friendship Foundation, while, at the same time, it also engages in technical cooperation with the partner municipality in León.

It should be noted that in order to fully understand the impact of C2C on local governance strengthening and community development in the South, more questions need to be answered. The position of local governments in the South that become involved in C2C is one area that needs more research. This includes many of the conditions discussed here, as well as the institutional framework municipalities are operating under, such as the country's decentralisation agenda and

the fact that development assistance flowing directly to local levels is not always appreciated by national governments in the South. It can be argued that in order to fully reap the benefits of C2C, local governments in the South need to have a locally created development strategy in place on which C2C interventions can build. This also allows for the coordination of projects from various C2C partnerships, because many municipalities have more than one partner city (León and Villa El Salvador are examples). A second area relates to the question how cities operate in a partnership context that connects the different realities of the North and South. C2C links similar institutions with relatively similar characteristics, activities and roles in their respective communities, which produces a relatively high level of mutual understanding. At the same time, structural inequalities are persistent in North-South partnerships with the North having financial, technological and institutional advantages over the South. For C2C to be most effective, there is a need to understand how North-South partnerships between local governments can be shaped to respond to existing needs and a development strategy put forward by the partner in the South.

Notes

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34 Interview with H. Buis, VNG-International, January 19, 2006. In 2006, the programme was extended until 2010 and received an additional grant of € 24 million, which reflects the Ministry's continued acknowledgement and commitment to decentralised cooperation in the Netherlands.
35 The design of the funding programme has been influenced by a study carried out by the Ministry of Foreign Affairs. For the first time in history, Dutch city-to-city cooperation policy was evaluated on a national scale. The report recommended to make policy formulation more results-oriented and flexible while increasingly taking into account the local context. A stronger thematic and geographical focus should prevent scattered, isolated activities. Moreover, it was suggested that C2C as specific form of development cooperation be more aligned and harmonized with other aid modalities, to facilitate mutual synergies (see note 28).
36 They include: Benin (local taxes), Egypt (local water supply and sanitation), Ghana (financial management), Indonesia (local water management), Namibia (HIV/AIDS), Nicaragua (local government), The Palestinian Territories (solid waste and waste water management), Sri Lanka (waste management), Sudan (water supply and waste management), Surinam (capacity development of decentralised districts), Tanzania (financial management) and South Africa (social housing).
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39 On a total of some 12,000 German municipalities, this figures suggests that 40 to 56% of German communities are engaged in international partnerships. The figure however does not take into account the distribution of the number of partnerships among the municipalities.
40 Heinz et al., 2004 quoted in Nitschke and Wilhelmy, 2009.
41 Nitschke and Wilhelmy, 2009.
42 Ibid.
43 The main criteria for the selection of these partnerships include: a) A formal cooperation agreement exists between the local authorities of the partner cities, b) a range of urban actors is involved, representing and targeting both local institutions and civic society in both partner cities, and c) the objectives of the partnerships (e.g. expressed

in cooperation agreements) are linked to institutional strengthening, poverty alleviation or local development in the South. Research methods included interviews with key stakeholders from municipal councils, local administrations and civic society; document analysis of e.g. municipal international cooperation policies, municipal budgetary reports and project evaluations; and observations of e.g. partnership missions and visits to project sites.

44 Amstelveen Municipality *Beleidskader internationale betrekkingen 2006-2010*, 2006.
45 Interview official 1 Amstelveen Municipality, January 18, 2007.
46 Interview official 2 Amstelveen Municipality, July 5, 2007.
47 Interview official 1 Treptow-Köpenick Municipality, January 10, 2007.
48 Interview official 1 Alphen Municipality, October 23, 2007.
49 The overall IC budget relates to all IC activities. The figures are derived from an analysis of municipal budgets and IC policy and work programmes and from personal communication.
50 Interview LSE working group member, May 10, 2005.
51 Amstelveen Municipality, 2006.
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55 Interview Mayor of Alphen aan den Rijn, March 15, 2006
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The Role of Local and Regional Authorities in European Community Development Aid Policy

Beyond Decentralised Aid

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Clarification of Concepts: About Decentralised Aid

To avoid possible confusion about the contents of this paper, it is necessary to start by clarifying a number of concepts related to international development aid. First, there is a difference between the development aid of the European Union (EU) and community development aid. The latter refers to development aid to third countries which originates from, is planned and managed by, and in large measure also carried out by institutions of the European Community (EC).[2] This European aid, together with the aid from Member States is what is referred to as EU development aid. Community aid is complementary to that carried out by the EU Member States. In this sense, as long as there is no significant transfer of bilateral development efforts to the objectives of the political community, it can be said that EU aid is based on the model of the 15 Member States (or the 27 if we take into account the latest accessions to the EU). The aid efforts are bilateral and are complemented by aid coming from community institutions. In spite of this fragmentation of official aid, it should be borne in mind that, taken as a whole, the EU contributes more than half of the world's Official Development Aid (ODA), much more than that of the World Bank or the United Nations (UN).

Second, when looking at decentralised aid and community aid in greater detail, it is useful to differentiate between bilateral and multilateral aid. Public and official financing comes from the budgets of central, regional and municipal governments, and these funds can be directly channelled by the donor governments to the recipient governments (bilateral aid) or can be used to fund multilateral organisations (multilateral aid). In the latter case, control of the funds lies not with governments but with the international institutions.

Traditionally, community aid has been classified as multilateral aid, given that the institutions of the EC controlled the funds, which came primarily from the Member States. However, this has been called into question since, with the 'com-

munitisation' of development policy, although the EU itself has begun to be seen as a relevant actor on the aid stage, the role of Member States in designing and implementing Community aid has continued to increase.

Third, it should be noted that there is no consensus on what to call aid provided by sub-state administrations. While some institutions, such as the OECD's DAC, prefer to use the expression 'extended aid' to refer to ODA provided by municipalities, provinces, regions and/or states of federations (OECD 2005), there is a tendency elsewhere to use the confusing expression 'decentralised aid'. Decentralised aid could have several different meanings. The phrase has been devised to mean aid that comes from sub-state level administrations, but it could also mean a new conception of aid with the participation of a new broad spectrum of actors from societies in both the North and the South, characterised by a decentralisation of initiatives, which has arisen as a reaction to the over-centralisation of ODA and of the donor countries (Dubois 2000).

In the case of the EU, decentralised aid is mostly used in this second sense. There is a tendency to define it to include all of the development activities carried out by agents and institutions which are not part of central governments, including official actors and civil society (AIETI 2000). Within this perspective it is common to place NGOs alongside local and regional authorities in the category of non-state actors, even though the latter undoubtedly have a governmental role and are thus part of the state.

Decentralised aid is defined as including aid from local and regional authorities and other sub-state institutions, or in other words from non-central governments (NCGs), a term which includes the aid provided by municipalities, provinces, regions and/or states which are part of federations and is preferable to the term 'non-state actors'. This type of aid is also known as Official Decentralised Aid (ODA) (Díaz Abraham 2008).

Fourth, and lastly, it is worth clarifying whether cooperation by the NGOs and other non-governmental actors comprises decentralised cooperation or not. This confusion arises primarily because a large percentage of the decentralised initiatives undertaken by the NGOs are financed with funding from a number of public administrations. Bearing in mind that the definition that establishes decentralised aid as cooperation carried out by sub-state administrations, the aid provided by NGOs, would not be described as decentralised aid.

On the contrary, starting from the second definition (Dubois 2000; AIETI 2000), a distinction can be made between the aid provided by NGOs – that of non-governmental decentralised aid – and the decentralised aid provided by the NCGs – Official Decentralised Aid. That distinction will be the focus of this paper.

Decentralised Aid in EU Member States: A Diverse Picture

There are no detailed studies or reliable data on the aid provided by regional and local authorities in EU Member States. The main reference is the recent report of the OECD DAC (2005) on 'extended aid', which compiles statistical information and describes the nature of the institutional framework of the aid carried out by the local and regional governments of 12 DAC member countries, eight of which are EU members (Austria, Belgium, France, Germany, Greece, Italy, Portugal and Spain).

The report identifies major limitations in analysing decentralised official aid in the DAC/OECD countries: the problem of reaching a consensus on the terminology related to decentralised aid, the lack of unified criteria and methods for the collection of information in different countries, the existence of numerous initiatives of non-central authorities which do not fit the description of ODA, and the absence of data about some states where local governments play a significant role in aid (the Netherlands and the UK, for example).

In spite of these problems, however, this DAC publication provides a very informative and perceptive introduction to the rising phenomenon of NCG aid in the main donor countries. The chart in appendix 1 reflects the increasing importance of local governments in ODA.[3] The more difficult question concerns the analysis of the EU's official decentralised aid.

The obstacles to analysing official decentralised aid in the EU arise from various complexities. These include the diverse nature of states (federal states, regional states with or without autonomy, centralised or non-centralised unitary states), the complication of intergovernmental relations, which is part of the process of European integration, and the lack of homogeneity between the institutional levels of different Member States.

Using the DAC report as a basis,[4] and with no claim to completeness, appendix 2 provides some data about state systems, the capacity for external activities by sub-state entities and the legal–institutional framework of decentralised cooperation in EU Member States, which are also DAC members.[5]

With regard to the models of political-administrative organisation of states, and more specifically to the capacity of different sub-state administrations to carry out external activity and development aid, the following observations can be made.

First, the form of the state (federal or unitary) is not the main determinant of whether EU countries have a highly active NCG sector in development aid activities. While the sub-state administrations of federal states (Austria, Belgium, Germany) and of both regional states and unitary states with high levels of political and administrative decentralisation (Italy, Spain) tend to have especially

active NCG aid programs, we should recognise that the foreign aid activities of local institutions in the other more unitary states (especially France) are on the increase.

In nearly all cases, central governments are responsible for international relations. In many of the states analysed, however, there is some kind of legal-constitutional recognition that NCGs can also engage in international action (at least in Austria, Belgium, France, Germany, Italy, the Netherlands, Portugal, Spain and the UK). There is no doubt that in recent decades local and regional governments, as well as the institutions of the Community, have been increasing their presence on the international political stage and this complicates the sharing of competencies between different levels of government on the question of development aid.

Second, it is clear that there is a great diversity between local and regional structures within each country. This means that every Member State has its own special model of official decentralised aid. The degree of transfer of powers from central governments to municipalities, regions and/or federated states is so heterogeneous that external action by sub-state administrations in the field of development aid is almost impossible to classify coherently.

What does emerge from the analysis is that not all EU Member States are active on every level of their respective sub-state administrations. In Austria, Belgium, France, Germany, Italy and Spain regional governments and the municipalities (and sometimes provincial governments) all have their own development aid policies. The rest of the Member States (Denmark, Greece, Ireland, Luxembourg, the Netherlands, Portugal, Sweden and the UK) are only active at municipal level.

Third, the level of institutionalisation of these policies is also very heterogeneous. In some countries, such as Austria, Germany, Spain, Italy and France, the NCGs (*Länder*, regions, autonomous communities, provinces, municipalities and groupings of municipalities) have their own funds and specialised public bodies which plan their development aid initiatives, and even coordinate them with their respective central governments. In other countries, there is a much greater degree of informality in the development-oriented activities carried out by local bodies and the level of institutionalisation of decentralised cooperation is much lower.[6]

Fourth, provisional data suggests that Belgium, Germany, Spain and to a lesser degree Italy devote more ODA to official decentralised aid (or 'extended aid'). On the other hand, partly in contrast to some of the conclusions of the DAC report, it can be said that the expansion of this kind of aid is no longer something peculiar to those states. Although the different aid initiatives of the NCGs in the rest of the Members States largely depend on contributions from their respective state development agencies and they are rarely self-financed, a growing interest in this kind of aid can be detected in the majority of these countries.[7]

As will be seen in the next section, however, the activities of local and regional governments continue to play only a marginal role within the totality of Community policy. The inclusion of aid dispensed by non-central administrations in the Member States in the same category as aid by NGOs and other non-governmental actors, as well as the lack of interest in achieving greater coherence and complementarity between local and regional policies and Community policy on this question, offer conclusive proof of the meagre importance which the Community authorities give to the area of decentralised official aid.

Overview of the Legislation, Instruments and Institutions of Decentralised Aid in Europe

The end of the Cold War presented the world with new challenges, especially in relation to fighting poverty and attaining the Millennium Development Goals. At the same time, there has been a deepening of the process of European integration, marked by particular uncertainty about the evolution of a Common Foreign and Security Policy (CFSP). Both of these developments have accelerated reflection about and the implementation of a new model of development cooperation in the European Community.

The present legal framework (Titles XX and XXI of the Treaty of the European Community) affirms the complementary character of Community development policy and the bilateral aid policies of the Member States. The document which establishes new directions for European Community aid policy (European Consensus on Development 2005) continues to be committed to move towards a Community aid policy which is more internationally relevant and which improves its complementarity with the aid policies of the Member States and cohesion with all the other European Community policies which affect third countries (trade, security, migration, environment and so on).

The 1999 reform of the Commission led to profound changes in the legal-institutional model of Community aid. These included the formation of EuropeAid, reduced concentration of aid to the Commission Delegations in developing countries, accelerated the adoption of new aid rules, decision-making via recognised procedures and co-decision, and a resulting increase in the role of the European Parliament. In addition to these changes, the important formation of the EU General Affairs and External Relations Councils (GAERC) in the design of development policy and the new sharing of functions between the Directorates General of Development and External Relations (DG DEV and DG RELEX) in the Commission are facilitating deeper 'communitisation' of aid policy (Alberdi 2007).

Some examples of the growing articulation between Community aid and the bilateral aid policies of the Member States are: the adoption of some joint aid strategies based on different international undertakings (the MDGs and the fight against poverty, the effectiveness of aid and the Paris Declaration); the coordinated drafting of Strategic Country Documents, which help to determine the development policies of partner countries; and the improvement of the follow-up mechanisms and the annual European Community development policy reports (Maxwell et al. 2004).[8]

In spite of these improvements in the organisation of joint action between the community institutions and the Member States, the EU's aid policy is by no means perceived as a single entity. On the contrary, there are new sources of confusion regarding the part aid recipients and other international actors play when attending a donors meeting. For example, it is normal to find one chair occupied by a representative of the European Commission and others occupied by different representatives from the bilateral aid agencies of the Member States.

The steps that have been taken towards the communitisation of aid and development in the last few years are a good reflection of the dialectic between the inter-governmental and federalist visions in the process of constructing the EU. Without any doubt this tension leaves a number of legal-constitutional questions unresolved. These include the sharing of functions regarding development aid, the participation of the Community institutions and the Member States in the decision-making process, and the coordination and collaboration between bodies, which administer different aid initiatives.

Within the framework of this transformation of EU aid policy, the role played by local and regional bodies has been a residual, even irrelevant, one that neither corresponds to the level of interest nor to the surge in these local development aid initiatives in virtually all Member States mentioned in the previous section.

As already indicated, the EU considers decentralised aid to be a new angle on aid in which the main protagonists are local authorities and civil society – an angle which aims to reinforce the capacity for dialogue among the involved actors in the developing countries thus stimulating the rise and consolidation of democracy. The European Community, in carrying out its mission to complement the aid activities of the Member States, has not shown much interest in aid provided by local authorities in Member States, and has limited itself to providing resources to various actors in civil society and in local institutions.

For the EU, decentralised aid has thus been converted into an instrument of poverty reduction and the pursuit of sustainable development, especially in very difficult contexts in which traditional mechanisms (ODA, indicative national plans, diplomacy, sanctions, embargoes, political dialogue and so on) do not work. In such difficult circumstances, EC institutions can use the international

relations involved in the NCGs' decentralised aid to try and influence weak or authoritarian governments in developing countries. Nevertheless, the limitations of the EC's financial programs in relation to decentralised aid and the scant amount of attention given to this means of cooperation make it difficult for these initiatives to become key instruments for the reduction of poverty. It does not seem likely that their results in situations where cooperation is difficult are going to contribute to the substantial improvement in contexts of fragility and a lack of democracy.

As will be seen below, this perspective of the European Community on decentralised aid has not changed much since the beginning. The 1989 Lomé Convention contained the first references to decentralised development aid. EC Council Regulation 443/92 regarding financial and technical assistance for economic aid to developing countries in Latin America and Asia underlined the convenience of adopting an approach to development that included decentralised aid.

Within the framework of the 1992 budget, initial funding was therefore included in order to encourage this approach and this was later consolidated with EC Regulation 1659/98 of the 17 July 1998 Council meeting on decentralised aid. This Regulation recognised the support of the EC for development initiatives carried out by the agents of decentralised aid (including local public authorities) and established a level of funding (18 million ECUs) for the period 1999-2001. EC Regulation 955/2002 continued the financing (by the same amount) until 2003.

After an evaluation of the budgetary support, EC Regulation 625/2004 introduced a number of modifications to EC Regulation 1659/98, insisting that this instrument of decentralised aid meant a specific bonus to support actions in specific situations and in difficult circumstance where traditional instruments could not be used.[9] In addition, new institutions were added to the list of participants in decentralised aid, in particular, European Community institutions.[10] The budget for this program for the period 2004-2006 remained at €18 million.

As a result of the debates on the reform of the EC's policy on aid, the Commission for External Relations and Decentralised Cooperation of the Committee of the Regions was consulted in order to assess the role of the local and regional authorities in the design of this new policy. In this Opinion, CoR (2005) RELEX-034,[11] the Committee of the Regions positively valued having been consulted by the communitarian institutions on this question. But, at the same time, it regrets the fact that European local authorities' contribution to the European Development Policy, and to other external assistance policies, continues to go largely unrecognised, even by the EC.

However, the Committee of the Regions lauded the tendency to include the local and regional authorities in the same dispositions and programs as non-state actors and the intention to highlight the cooperation of the NCGs, and suggested

extending initiatives like the Observatory on Decentralised Cooperation between the European Union and Latin America,[12] created in 2004, to other regions of the world. It also suggested there was a need to carry out investigations of decentralised cooperation, and the creation and strengthening of networks of local and regional governments which develop initiatives on decentralised cooperation.

After 1 January 2007, this regulation on decentralised aid was replaced by EC Council Regulation 1905/2006, which establishes a financing instrument for development cooperation.[13] The instrument includes a thematic program (2007-2010) for non-state actors and local development authorities (COM (2006) 19). However, it does not seem that these new changes imply substantial alterations in the decentralised aid that already promoted by the European Community.

This new program is seen as part of the new 'European Consensus' development policy and is a substitute for both NGO cofinancing programs and decentralised aid budgets. It is designed to complement other thematic programs (in particular those on democracy and human rights) and gives special priority to the recipient countries of the European Neighbourhood and Partnership Instrument.[14] In addition, the non-state actors and local authorities (especially the latter) will receive financial support from some of the EC's geographically based development aid programs, which allocate funds to decentralisation processes.

The launching of this program is helping to promote initiatives aimed at advancing local initiatives in the processes of development and participation in European and developing societies. Independence from the state, closeness to the civil society and a pragmatic approach provide advantages over other programs. But the aims of the new approach are not so very different from previous ones, since decentralised aid is still primarily directed towards those non-state actors and local governments that are marginalised by other geographical-based or country programs, or are in fragile, post-conflict or unstable situations.

Besides initiatives on the ground, this thematic program also includes an increase in initiatives in the field of development education and the coordination and communication between civil society networks and local authorities both in the EU and in candidate countries.

Different evaluations of the EC's various decentralised aid programs during the last decade suggest that the participation of local authorities in aid projects needs to be promoted and improved, and it seems as if this new thematic program accepts that suggestion. The COM (2008) 626 and the Opinion of the CoR (2009/C 200/05) on "Local Authorities: actors for development" confirm this tendecy.

However, Community institutions and the Member States still do not consider the NCGs to be important actors in aid. As a result, several needs have still not been incorporated into the EU's aid agenda: the participation of these sub-state

bodies in the decision-making process of Community aid policy, the recognition of the complementarity between Community, state and sub-state institutions in development policies for third countries, and policy coordination between governments at different levels.

Local and Regional Bodies in community Aid Policy and Inter-Administrative Coordination

The second section of this article analyses the formulae for the participation of non-central governments (NCGs) in Community aid policy and the mechanisms, which exist for collaboration between the different public administrations (at Community, state and sub-state levels).

In order to address that question it is necessary to make a number of legal-constitutional points about the capacity for international action by Community institutions and sub-state bodies and to clarify the distribution of areas of responsibility or competence on questions of international development aid.

External action by the European Community and aid as a 'complementary competence' of the Union

In recent years, as noted earlier, both sub-state and supra-state entities have become increasingly active in the international sphere and that, as a result, the complexity of the subjects that are covered by the term 'international relations' and the distribution of competence in matters of development aid between different levels of government have become increasingly more complicated. The EU is obviously very much part of this tendency.

The problem of Member States in reaching consensus positions on any particular crisis has been stressed on numerous occasions. In the long term, however, despite the long list of the EU's foreign policy failures (Albania, Bosnia, Kosovo, Rwanda, Iraq and others), it would be fair to recognise that the EU has also become one of the most significant international players in other areas such as human rights, democracy and good governance, the prevention of violent conflicts, the struggle against international crime and regional cooperation and integration (Smith 2003).

The 1992 Treaty on the European Union made a distinction between, on the one hand, foreign relations which are a Community responsibility, based on the legal personality of the European Communities and which are given functions that are usually exercised by states, and, on the other hand, the Common Foreign and Security Policy (CFSP) which is concerned with the rest of foreign policy,

and which is subject to an inter-governmental logic and has no international legal personality. Development aid is a significant element of the external activity of the European Communities and therefore falls into the Community category.

Article 177 of the Treaty of the European Community has declared that the Community's policy in the field of development aid will be complementary to the policies undertaken by the Member States. In practice, this means that Community institutions can produce legal provisions that affect the content of development aid. However, according to the principle of subsidiarity, these provisions can only be directed towards support and coordination of the different aid policies of the various administrations which make up the European Union. The rest of the articles of Titles XX and XXI, which relate to Community policy, specify that this complementarity has to be translated into mutual support between the Community and the Member States.

The deficiencies of coordination between the development aid policies of the Member States are, however, a matter of concern in that the states often do not accept the need to make their policies consistent with Community policy to such an extent that they seem to be denying the principle of Community loyalty (Mangas and Liñan 2006).

As mentioned above, the EU has to be seen as a conglomerate of 28 entities: 27 Member States (of which it should be remembered that only 15 are members of the DAC/OECD) and the European Community. As we have already pointed out, these entities do not necessarily act in either a joint or coordinated way in matters of foreign policy and development aid.

This conglomerate of entities has a variety of ways of operating abroad (Torrent, 2004), which are all in force simultaneously and which, depending on the particular case, can be effective to varying degrees. The EU can act alone (though only in matters there are the exclusive fields of operation of the Union). Member States can act in their own name outside of the EU framework since they have competence in questions of international relations. In those areas, they can act jointly within the framework of the EU. The Community and the Member States can each exercise their own powers, but can try to organise their actions in a joint way.

This variety of EU options is carried over into the field of development aid. Being an area of 'complementary competence', the EU cannot simply act alone on questions of development aid. Furthermore, the Member States continue to initiate policies and activities on aid, which fall outside the EU's ambit. For example, it is common for Member States to agree on development programs with their former colonies completely outside the policy or financial framework of the EU.[15] This, however, is not an obstacle to the Member States and the Community institutions that prevents them from reaching greater coherence and coordination in their aid policies; they have also increased collaboration and joint action in this field.

Indeed, there have been some outstanding steps forward in efforts towards planning a Community development policy, in which the aid organisations of each Member State participate more and more, and in the adoption of joint aid policies relating to various international goals.[16]

The successive reforms of the constitutive treaties (Amsterdam 1999, Nice 2001, and Lisbon 2009) have succeeded in alleviating some of the defects of the CFSP system and of the EU's foreign policy, and have also facilitated the creation of a legal-constitutional foundation for Community development aid policy. The adoption of the procedure of co-decisions, the framework of community rules on development aid questions and the adoption of Council documents which establish an overall EU strategy in this field (particularly the Development Policy Declaration of 2000 and the policy declaration 'Consensus Europe' of 2005) are strengthening the trend towards the communitisation of development aid.

Although Community aid broadly continues to be complementary to the bilateral policies of the Member States, the various reforms of the constitutive treaties and later changes in the institutional framework have, in fact, meant that some improvement in joint action by the Community institutions and the Member States has occurred. Nevertheless, there is still a long way to go.

It can certainly be said that the main debate about development aid in the EU today is less about defining the role and competence of the European Community in the field and more about how the Member States can advance from an attitude to aid based on their respective national interests towards a higher level of coherence in their initiatives and a Community policy for development aid.

External activity of the sub-state bodies and the development aid of the Member States

The small steps forward in the complementarity between Community aid policy and that of the Member States are also affected by the heterogeneity of formulae which different Member States use to distribute the responsibility for development aid policy within their own countries. This question is particularly relevant in territorially complex states where there is an especially complicated division of responsibility for external policies between state and sub-state institutions (Pérez González 1998).

Although, formally speaking, development aid is usually regarded as being integrated into the area of international relations, and is therefore a responsibility of the central government, there is, in fact, a certain amount of decentralisation of aid policy to regional and municipal authorities in almost all of the EU states (see appendix 1 for details).

The external activity of sub-state bodies and their international legal position, especially in states with a significant degree of political decentralisation, and the interpretation of international relations as a central government prerogative of the central government, have given rise to important doctrinal debates in the field of constitutional and international law.

The main issues in these debates have been the capacity of non-central governments to be responsible for implementing international treaties in their own territory, the possibility of including regional representatives in central state delegations, which negotiate such treaties, and the representation of regions in international organisations.

In relation to this question of external action by sub-state bodies, two main theoretical positions have been put forward (the 'core' theory of competencies and the autonomy theory). Despite their apparent contradiction, they, in fact, reach rather similar conclusions.

The first theory argues that sub-state bodies do not have the capacity to participate in activities of international relevance (mainly that they cannot sign international treaties or establish embassies), but they allow for international activities by NCGs, which do not have a legal-international status and which, therefore, do not generate central government obligations or, if they do, then only ones which are clearly defined by both sides. The second position openly defends the idea that whoever has responsibility for an issue has that responsibility both internally and externally. It therefore advocates the possibility that sub-state bodies should be able to make external agreements that are fully valid under international law and the need to develop means of collaboration between NCGs and central states (Beltrán 2001).[17]

In both cases, regional and local bodies can act at the international level, as long as their external activities do not compromise the area for foreign relations reserved for the state. According to Beltrán (2001), there may be an emerging international custom at the European level of protecting the right of regions and local governments to enter into agreements with foreign entities.

In practice, the factors that determine the field of international action that is open to regional and local bodies include the intensity with which the state reserves its prerogatives in international relations, the formula used to divide responsibilities into matters of development aid and the spending power of the bodies themselves. In some cases, state laws allow regions to have direct treaty-making powers; in others, the power is indirect or is totally nonexistent. But, in general, the central authorities in Member States certainly do not stop sub-state and non-state entities from making agreements with their counterparts in developing countries.

It is fairly common for municipalities and regions of the EU that have sufficient financial resources of their own to finance foreign initiatives and devel-

opment aid to encounter no opposition from the central governments of their respective Member States. Hence, budgetary autonomy is one of the most determining factors in how the responsibility for aid is shared in practice.

To translate these debates into the language of this paper, some decentralised aid initiatives require state authorisation (as can be seen in appendix 1) but in most cases there is a tendency to recognise the right to external activity by sub-state bodies on matters in which they have competence. Countries such as Austria, Belgium, Germany, Italy, Portugal, Spain,[18] the UK and the Netherlands (the last two at the municipal level) give a large degree of freedom to NCGs to carry out activities in other countries and pursue development aid initiatives,[19] while local authorities in Denmark, Finland, Greece, Ireland, Luxembourg and Sweden, for instance have little freedom to engage in external activities, although it has already been argued that this does not necessarily mean that they are not involved in some instances of decentralised development aid.

It seems clear that an area of competence like international relations, which, by definition belongs to central governments, is, in practice, becoming increasingly shared. This means, at least in states with considerable decentralisation, that governments extend part of the responsibility for foreign relations to regional and local bodies, giving them considerable leeway to act in this sphere. Of course, the ability of these bodies to look beyond their borders remains subject to the principles of inter-institutional cooperation, self-responsibility and constitutional loyalty (Pérez González 1998).

Participation in decision-making or the existence of means of coordination in questions of aid between NCGs and their respective states is similar to relations between the European Community and its Member States in that it does not guarantee coherence between policies or that conflict between administrations at different levels can be avoided.

In cases where decentralised aid is simply an extension of a central government's ODA (Denmark, Finland, Ireland, the Netherlands, Portugal, the UK and, possibly, France) few problems of this kind are encountered. In states with a greater level of political decentralisation, however, especially regional governments (for instance, *Länder*, autonomous communities, etc.) the model of the NCGs is more autonomous with independent policies, which display a greater variety of levels of coherence and coordination with the central government.

The absence of institutional coherence between different administrations and the isolation of sub-national authorities that have their own aid policies occasionally provokes a situation in which the most decentralised aid policies show little desire to cooperate with their respective central governments (Desmet and Develtere 2002; Ruíz Seisdedos 2005). In fact, the positions of the most autonomous and decentralised aid policies have increasingly come into

conflict with the foreign policies of their respective states or even of the Community.

Recently there has been an increase in the bilateral and multilateral initiatives of NCGs as regional and local development funds have grown. Sub-national authorities are using new forms of direct and delegated aid such as country-wide coordination of aid projects undertaken by the non-state actors which finance them; budget support to sub-state bodies; provision of resources to global or multilateral funds fighting poverty and providing development aid. These fit alongside the more traditional methods of financing non-state actor projects or collaborations between local governments from the North and South. This increase in direct aid from sub-state bodies may reopen constitutional debates about the external activities of sub-state entities and the extent of their competence in matters of development aid.

However, sometimes both state and European Community authorities have been conscious that this apparent 'invasion' of their area of competence in international relations could work to their own benefit. When the EU and the Member States enters into difficult negotiations with some governments in developing countries, they encourage the active participation of their sub-state bodies to keep of the channels intervention open in politically fragile contexts.

Possible formulae for the participation of regions in Community aid institutions

On the basis of the principles of loyalty, inter-institutional cooperation and self-responsibility mentioned above, effective and efficient, sub-state bodies should participate in the drafting of Community aid policy and respect the framework established by the authorities of the European Community in order to make the actions taken by different governments more coherent and complementary.

However, as was emphasised above, the governments of the Member States, and their respective NCGs, have not shown much interest in making their respective development aid policies coherent and coordinated. There are other dimensions besides the direct participation of NCGs in development aid in third countries, which need to be taken into account in the search for more coherence and coordination. Sub-state bodies should participate directly and indirectly in the creation and implementation of provisions and state and Community policies relating to development aid.

Although the NCGs of the individual Member States participate in international and development-aid related activities of many kinds, there are few formal means of coordination between administrations at the intra-state level. Even the states where decentralised aid is more institutionalised (i.e., Germany, Belgium,

Spain and Italy[20]) have not established formulae for the participation of sub-state bodies in the formation of national aid policies and have not developed any effective structures of coordination between different levels of government.

This question has not been adequately dealt with in the European Community either. Notwithstanding some improvements in the articulation between Community aid policy and the Member States' bilateral policies, the programs of decentralised aid and the formation of a Commission within the Committee of the Regions specialised in decentralised cooperation have yet to find a place to develop and implement Community aid policy and there has been little effort to involve them.

The Community institutions should use some of the EC's international efforts (such as the EU's contribution to achieving the MDGs or implementing the Paris Declaration on Aid Effectiveness) as a basis for providing objectives and instruments that are in tune with their respective states and the European Community to those who provide decentralised aid (Gómez Gil 2007). But this is not enough since it is necessary to develop a more elaborate view of the rationale for harmonising decentralised aid with EU development policies.

The current situation could be improved by instituting measures to make up for past neglect such as:

- strengthening the role of the Commission for External Relations and Decentralised Cooperation of the Committee of the Regions in designing the EC's cooperation policy;
- creating multilevel institutions for dialogue and cooperation between the organisations and European, Central and Non Central governments, which legislate and implement international aid policies;
- regional and local bodies that fulfil the Community's aid provisions;
- central and non-central governments participating in the development of a national position on aid-related questions and early participation in relevant discussions in the GAERC;
- developing indirect means for influencing other institutions that implement aid policies, which fosters the formation and implementation of Community aid actions and policies (influencing issues debated in the European Parliament, the Committee of the Regions and the EU-ACP joint Parliamentary Assembly; having a presence in the DG RELEX, DG DEV and EuropeAid; increasing exchanges between decentralised aid participants and the delegations of the EU in third countries on aid matters).

These proposals can serve to stimulate confidence and strengthen cooperation between different administrations, creating greater coherence and coordination of development aid between various EU agencies.

Final Thoughts on Decentralised Aid in the EU

The fact that not enough attention has thus far been paid to official decentralised aid is a growing phenomenon in the EU.[21] In spite of the recent formal recognition of the role of local authorities as actors in the field of aid, the European Community needs to undergo a profound change in its approach to decentralised aid and gain a better understanding of how the aid provided by sub-state actors is something more than just some thematic program within a financial instrument.

Although the adoption of the new thematic program 'Non-state actors and local authorities in development' is a step forward, it is clearly not enough, because the NCGs of Member States need to be more fully incorporated into the important roles of Community aid.

In other words, beyond envisaging decentralised cooperation from a more independent perspective that is closer to citizenship and more participative, EC institutions should understand that decentralised official aid has to be treated as equal to the aid provided by the bilateral agencies of the Member States. The fact that decentralised aid has developed differently in each country should not be used as an excuse to marginalise the sub-state bodies in the area of Community aid policy.

Aid activities undertaken by sub-state administrations in the EU are also part of EU foreign policy and, as such, should be included when drafting Community provisions, implementing EC aid policies and fulfilling international development-related undertakings by European institutions. Therefore, the Community institutions should initiate a series of institutional reforms and measures designed to guarantee the full participation of NCGs in the EC's development policy.

Continual changes in the EU's foreign policies have certainly made the incorporation of heterogeneous models of decentralised aid in the Member States more difficult. The diversity of the 'modus operandi' envisaged in the EU's aid plans is made even more complicated by the differences between sub-state models of development aid, which, depending on their constitutional position and degree of institutionalisation, vary from highly integrated to highly autonomous.

This diversity means that the formulae for the participation of regional and local authorities in Community aid policy have to be very flexible and adapted to the variety of decentralised aid contexts, which are found within the EU.

In order to avoid incoherence and disloyalty, NCGs with more developed and independent aid policies should be given assistance in finding new channels of participation, which should be part of a reformed Community aid policy. Providing a feeling of participation in aid activities undertaken by Community institutions and a commitment to particular objectives (such as the MDGs) could help increase coherence between decentralised aid policies and those of the EC.

The incorporation of this local approach could become a distinctive element in the EU's model of development and international aid. It is well known that the Community institutions have attempted to maintain their own model of development, emphasising the eradication of poverty, the importance of multilateral relations and the need to strengthen people's capacities. This is in stark contrast to the conservative, unilateralist and developmentalist neoliberalism of other hegemonic actors in the aid field. Greater attention to the local processes of human development and the construction of new global links based on the active participation of various local participants could produce an alternative vision to the hegemonic models of aid and development (Dubois 2007).

Policies of decentralised aid that originate in regions and local corporations are based on their solidarity with less fortunate communities and peoples, while bilateral aid policies and Community aid are much more part of foreign policies and are influenced by other geostrategic, political and economic interests.

Decentralised aid is, however, not exclusively motivated by disinterested values of solidarity. As bilateral and multilateral forms of aid from NCGs increase, it is possible that the aid policies of these sub-state bodies will become increasingly linked to economic and commercial interests or to the NCGs' own international objectives.

It is possible that the incorporation of NCGs in the EC's aid policy may lead to contradictory results. Bearing in mind that the EU's aid is still very closely related to the national interests of the Member States, decentralised aid could, on the one hand, contribute to an alternative vision of development aid, while, on the other hand, the development of mutual support between Community institutions, the Member States and the NCGs would be no guarantee that Community aid policy would give priority to the development of people.

Future changes in the EC'S aid policies will be closely linked to the defence of the interests of the Union and it is therefore likely that the general policy lines will depend on other Community policies (trade, security, migration, etc.). The present incoherence between different Community policies and aid policy is no more than a foretaste of what is yet to come.

Considering the dominant paradigm in cooperation that focuses on achieving the MDGs and the effectiveness of aid, and without forgetting the limited reach of the local human development proposals and of disinterested decentralised cooperation, the actors in this modality of cooperation, including NCGs, face three scenarios. The first scenario will be the maintenance of the current inertia, accepting dispersion and a lack of coordination on aid, and the negative consequences that will affect development. The second scenario is the 'centralisation' of decentralised aid, meaning its integration into bigger development cooperation frameworks, and attempts to influence international, communitarian and

national development policies. The third scenario entails NCGs following their own ways, keeping their distance from the crisis of the present official aid model, and trying to create an alternative vision to these hegemonic models of cooperation.

The last scenario looks like the preferred one, but it is necessary to harmonise and coordinate local aid with bilateral and EU development policies, fund the good practices of sub-state governments while also increasing collaboration between local and European institutions in initiatives that really contribute to the local human development of their counterparts.

Notes

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2 In the decision-making process on Community development aid, as in other fields, the European Commission is a participant, proposing the general lines to be adopted, while the European Parliament and the Council of the European Union later approve or reject the proposals. In relation to the European Commission, two directorates general (of External Relations and European Neighbourhood Policy, DG RELEX, and of Development and Humanitarian Aid, DG DEV) have policy-making and administrative functions and are charged with preparing the decisions of the Council and the Parliament. Regarding the EU Council, the decision-making role is assumed by the General Affairs and External Relations Council (GAERC). In the case of the European Parliament, the Committee on Development (DEVE) deals with these types of questions. Meanwhile, other Community bodies and entities linked to the European Commission are responsible for managing Community development aid (particularly EuropeAid) and humanitarian aid (ECHO) and for representing the Community institutions in third countries (the EU Delegations in developing countries). There is also the EU-ACP joint Parliamentary Assembly, which oversees the agreements between the EU and the African, Caribbean and Pacific countries (ACP) and which makes proposals to improve these agreements.

3 This lack of statistics makes determining the quantitative expansion of decentralised aid a complex matter. Nevertheless, some of the existing data suggests an increasing interest in this phenomenon. Appendix 1 verifies that decentralised aid already makes up 20% of Spanish official aid, and more than 10% of German official aid. Other data shows the same tendency, including: the increase in cofinanced 'City to City' (C2C) programs (for example, Asia Urbs and URB AL) which are financed by the European Commission, or the program ART-GOLD, which is dependent on the UNDP, that helps regional and local authorities in the South and the North to set up alliances and partnerships in support of local development and governance processes; greater activity by and the creation of new associations of local governments at national and international level, like for example the United Cities and Local Governments that estimates that approximately 70% of the cities of the world participate in initiatives of international cooperation (UCLG, 2006).

4 In drafting these tables, we have used, information taken from the websites of the various bilateral agencies of the Member States of the EU, the Council of European Municipalities and Regions (CEMR) and other national groupings of municipalities and regions of various countries, in addition to the DAC report on 'extended aid' (DAC/OECD, 2005).

5 Although the Czech Republic, Hungary, Poland and Slovakia are members of the OECD, only 15 of the 27 EU members are members of the Development Assistance Committee (DAC) (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the UK).

6 Some outstanding exceptions are the groupings of bodies (mainly municipal) of various states which have a long history of international aid: Local Government Denmark (LGDK), the Association of Finnish Local and Regional Authorities (Local Finland) , the International Cooperation Agency of the Association of Netherlands Municipalities (VNG), the National Association of Portuguese Municipalities (ANMP), the Local Authorities Development Agency (SALA IDA) from the Swedish Association of Local Authorities and Regions (SALAR) and the UK Local Government Alliance for International Development (UK LGA).

7 In this respect, it could be said there is increasing promotion of local North-South cooperation, which is being developed by different international associations of municipalities and regions like the council of European Municipalities and Regions (CEMR): http://www.ccre.org and the United Cities and Local Governments (UCLG): http://www.cities-localgovernments.org.

8 These interesting reports and documents on Community development policy can be found at: http://www.eu.int/comm/europeaid/reports/index_en.htm.

9 On this see http://europa.eu/legislation_summaries/other/r12004_en.htm.

10 The EC Regulation 625/2004 identifies, in addition to traditional NGOs, the following potential partners in decentralised aid programs: local public authorities (including municipalities), organisations of native populations, professional groups, local initiative groups, cooperatives, trade unions, organisations representing economic and social interest groups, local organisations which work in the area of decentralised aid and regional integration, consumers' organisations, women's and youth organisations, teaching organisations, cultural organisations, research organisations, scientific organisations, universities, churches, religious associations and communities, communication media, all kinds of not governmental organisations and independent foundations capable of making a contribution to development.

11 On this see: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:115:0042:0046:EN:PDF

12 On this see: http://www.observ-ocd.org/

13 In COM (2004) 226 it was decided to replace the complex system of geographical financial instruments (PHARE and ACCESS, MEDA, TACIS, ASIA, AMLAT) as well as the theme-based ones with a new simplified system involving four instruments, including 'a development cooperation and economic cooperation instrument'. The other three are: an Instrument for Pre-accession Assistance, a European Neighbourhood and Partnership Instrument and an Instrument for Stability. These in turn are composed of various theme-based and geographic programs.

14 These countries are Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority, Syria, Tunisia and Ukraine.

15 By way of example, outside the EU-Latin America and Caribbean meetings, Spain and Portugal continue to participate in the 'Iberamerican Summits' making different aid proposals, which do not necessarily have to concur with the EU-ACP agreements or other Community programs.

16 The pillars of the present development policy of the Community institutions can be summarised as follows: a) eradication of world poverty by including in their agenda the achievement of the Millennium Development Goals and the undertakings on Aid Efficiency of the Paris Declaration (2005); b) integration of these countries in the world economy through the new Economic Association Agreements (EAAs) which aim to be compatible with WTO rules; and c) contributing to the consolidation of democracy, human rights and the rule of law in developing countries through political dialogue, the democratic clause and various specific instruments of this kind which the Community institutions have developed.

17 This author argues that this idea of the `core´ exclusive competence of the state in matters of international relations originates in the Italian doctrine which stresses that activities with international relevance, that is, those which have international legal implications, belong to the central state, while the autonomy theory has its origin in the idea of parallel competence found in the Belgian doctrine. (Beltrán, 2001).

18 As an example, article 20.2 of the Spanish development aid Law 23/1998 specifies the form of participation in such matters by autonomous communities and municipalities and, in that way, recognises the capacity of these sub-state entities to act in the field of development aid, as long as it is consistent with the main aims and priorities of Spanish development aid policy and respects the basic directions established by the Congress of Deputies, mainly through the multi-annual Directive Plans of the Government, and as long as it accepts the principle of collaboration between public administrations in matters of access to and the provision of information and maximum possible use of public resources.

19 In the case of Belgium and Germany, the communities, regions and Länder are capable of signing international treaties in areas which fall under their jurisdiction. In the case of Austria, Italy and Spain it appears to be the case that, although the scope for external action is very wide on questions which are their own responsibility, there are some limits when it comes to international treaties.

20 In Spain an Interterritorial Commission was created in which the state administration and the autonomous and local governments meet periodically to exchange information, collaborate and coordinate and participate in drawing up the Directive and annual plans for development aid. In spite of recent encouragement, the Commission has not been very active until now. In Germany an annual meeting is held between the federal government and the Länder. In Italy the Ministry of Foreign Affairs, through the Directorate General for Aid and Development, establishes the means of cooperation with decentralised aid. In Belgium there are no provisions for participation and coordination.

21 This paper has analysed decentralised aid in the Member States of the EU from a legal-institutional perspective. Other variables, such as the financing formulae of development projects could, however, be more relevant to understanding the reality of this phenomenon. Another pending task is a deeper study of the local counterparts of European decentralised aid in the South.

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Appendix 1 ODA from local governments reported in DAC statistics

Member	*Amount Reported 2002 USD million*	*Amount Reported 2003 USD million**	*As % of bilateral ODA Average 2002-03*	*Systematic data collection from:*
Spain	246.4	321.0	18.0	* Autonomous governments
Germany**	465.4	687.3	11.0	* Federal states
Belgium	46.6	59.8	5.0	* Regions, communities, provinces, municipalities
Italy	15.8	27.3	2.0	* Regions, provinces, municipalities
Switzerland	16.1	22.4	2.0	* Cantons * Active municipalities (about 300); complete survey (2912 municipalities) every 5 years
Austria	2.7	3.9	0.9	* Federal states * Most active municipalities
Canada	14.0	17.5	0.9	* Provinces
Portugal	n.a.	1.0	0.5	* National Association of Municipalities
France	6.6	39.5	0.4	* In 2002: regions * in 2003: regions, departments, 500 largest towns
Japan	5.2	9.9	0.1	* Prefectures, biggest cities
Australia	0.7	0.8	0.08	* State and territory governments
Greece	0.2	0.1	0.07	* Regions, active prefectures (29) and municipalities (65)

Source: DAC (OECD) 2005

* As a share if bilateral ODA committments (similar results are obtained if calculated as share of gross disbursements).

Over 90% of the amounts reported by Germany relate to imputed student costs.

Data on local governments was unavailable from: Finland, Luxembourg, the Netherlands, New Zealand, Norway, United Kingdom, Denmark, European Commission, Ireland, Sweden, United States.

Appendix 2 Institutional Framework for Decentralised Aid in the EU Member States who are also member of DAC/OECD

	State Territorial Organisation	*Decentralised Aid From Regions Or Federal States*	*Decentralised Aid From Local Authorities*
Austria	– Federal Republic: 9 Federal States (*Bundesländer*) with their own Constitutions, Parliaments and Governments + 99 District administrative authorities + 2359 municipalities (*Gemeinden*). – The Constitution authorises *Länder* and municipalities to engage in international cooperation in their fields of responsibility.	– *Länder* have specific budgets for development cooperation (Länder and municipalities approx. 2% Austrian ODA). – *Länder* coordinate with the central aid authority. – *Länder* aid consists of projects cofinanced with federal agencies, NGOs and third country organisations.	– The municipalities finance NGO-initiated development projects. – Long tradition in twinning Austrian towns and towns in developing countries. – The Austrian Association of Municipalities and Austrian Association of Towns internationally active.
Belgium	– Federal State: 3 Communities + 3 Regions (equal status, but in different areas) + 10 provinces + 589 municipalities. – Belgian communities and regions are empowered to conclude international treaties in areas over which they have jurisdiction.	– International aid budget is de-federalised and regions can have their ODA budgets. This decision has not been implemented yet. – There are no institutionalised mechanisms for coordinating decentralised and federal authorities' aid.	– Provinces and municipalities are traditionally very active in decentralised aid (approx. 10% Belgium ODA). – Union of Belgian Cities and Municipalities.
Denmark	– Unitary State: 5 regions (*regioner*) + 98 municipalities (*Kommuner*). Greenland and the Faroe Islands have autonomous status (with their own legislative assembly and government). – Regions have no external action competence and are very dependent on state and municipalities.	– No data from regional governments.	– Local Government Denmark (LGDK) has long-term experience with town-twinning (also with creating cooperation between private companies and the transfer of expertise on political and administrative solutions). – Some of the *Kommuner* participate in projects financed by EU.

Finland	– Unitary State: 5 provinces (*lääni*) part of the central government's executive branch + 20 regions (*maakunnan liitto*) elected by the municipalities + 416 municipalities (*kunta*); Aaland is an autonomous province with its own legislative, executive and administration powers. – Regions have no external action competence and they are very dependent on State and municipalities.	– No data from regional governments	– The Association of Finnish local and regional authorities coordinates North-South Local Authorities Programme that try to build capacity and strengthen the role of local governments worldwide. Municipalities cover 20% of cofinancing scheme and the rest is from central government.(regions can apply)
France	– Unitary State: 26 regions (with regional councils elected by universal suffrage) + 100 departments (administrative chief – *prefét* –is the representative of the central government) + 36,778 municipal councils. – Local authorities can make agreements with counterparts but not with foreign states (*prefét* must authorise agreements).	– Regions, departments and towns participate in decentralised aid. National Commission for Decentralised Aid (CNCD) and Guide of decentralised aid (2000) provide local governments with practical guidance on development aid activities. – French Dev. Agency (AFD) supports decentralised aid operations.	– Cités Unies federates at the national level, French territorial communities involved in international aid. – Association Française du Conseil des Communes et Regions d'Europe (AFCCR).

	State Territorial Organisation	*Decentralised Aid From Regions Or Federal States*	*Decentralised Aid From Local Authorities*
Germany	– Federal Republic: 16 federate states (*Länder*) with legislative, executive powers with exclusive and share competencies + 323 districts (*Kreisen*), an intermediary level with legislative and executive bodies and important competencies[??] + 14865 municipalities (*Gemeinden und Städte*). – International relations fall under authority of Federation, but nothing hinders local governments from having relations with their foreign counterparts. – *Länder* (no counties and communes) can conclude treaties with foreign states on areas which belong their jurisdiction	– *Länder* have specific budgets and structures for development aid. No laws on development aid at either federal or *Länder* level. – *Länder* represent approx. 10% of German ODA. – *Länder* coordinate with central aid authority (annual meetings with minister, Federation-Länder Committee on dev. aid – BLA EZ-and BMZ – Federal Ministry for Economic Aid and Development). – Focused on tuition in Germany of students from developing countries.	– Twin town arrangements have become increasingly important in recent years (Agenda 21 processes). – No statistical records are kept at the municipal level.
Greece	– Unitary State: 13 regions (*peripheria*) uniform decentralised units of state administration that implement different state policies + 50 departments (*nomoi* with elected council, commission and president focused on development of their territory) + 900 urban municipalities (*dimoi*) + 133 rural munic. (*kinotites*). – Local authority bodies can twin with counterpart organisations under the control of Ministry of Foreign Affairs.	– Regions have no external action competence.	– Central Union of Greek Municipalities and Communes is the main institution on international scene (mainly twinning programs).

Ireland	– Unitary State: 8 regional authorities + 2 regional assemblies composed of nominated member of 29 counties and 5 city councils (intermediary level) elected by universal suffrage; + 80 municipalities (town authorities). – Regional, counties, city councils and municipalities have not external action competence.	– Regional authorities and assemblies have not competences in international aid.	– The Institute of Public Administration is the Irish national centre for development of best practice in public administration and public management in third countries.
Italy	– Unitary States evolving towards a system of territorial autonomy: 20 regions (5 have special status with organisational autonomy, Regional Government and Council) with legislative powers in all areas not expressly attributed to the State + 103 provinces (elected buy universal suffrage) exercising de-concentrated power of the State; + 8103 Municipalities. – Constitution assigns responsibility of foreign policy exclusively to the State, but Regions have parallel powers with the State with regard to international and European relations. – Development cooperation is not explicitly mentioned in the Constitution.	– Regions may convey their opinions on the Government's foreign and development cooperation policy. – 12 of the 15 regions have equipped themselves with institutions, plans and Regional Laws on international cooperation and humanitarian aid. – The Association of Italian Regions (OICS) is involved in cooperation. – The 'Guidelines for Decentralised Cooperation' elaborated by de Directorate-General for Development Cooperation (DGDC) of the Min. of Foreign Affairs formalised the collaboration between DGDC and local governments (agreements with provinces (UPI) and municipalities (ANCY).	– Provinces and Municipalities can engage in international relations with their counterparts under State control. – Provinces have become active in development, cofinancing other actor's initiatives. – More than 65% of municipalities are involved in development aid but their financial contributions were low. – Italian local authorities (including regional) are involved in Programs of Human Development at the Local level (PDHL/UNDP).

	State Territorial Organisation	*Decentralised Aid From Regions Or Federal States*	*Decentralised Aid From Local Authorities*
Luxembourg	– Unitary State: 116 municipalities (communes)	This administrative level does not exist.	– Association of Luxembourg towns and municipalities has some international activity. – Total amount dedicated to decentralised aid is very small.
Netherlands	– Unitary State: 12 provinces with legislative body *provinciale staten* elected by universal suffrage, provincial executive with members designated by this legislative body and the Queen's Commissioner elected by the government on proposal by the *provinciale staten* + 467 municipalities (*gemeenten*). – Local governments can take external action initiatives.	– Provinces are not especially active in development aid. The Association of Provinces of Netherlands has no relevant activity in this field. – Aid agency supports local government aid activities (not very relevant).	– Aid extended by municipalities is not significant. – VNG International is the International Cooperation Agency of the Association of Netherlands Municipalities (co-financing 50% with funding of the Min. of Foreign Affairs) and focused on local government in third countries.
Portugal	– Unitary State: 5 administrative regions (Regional Assembly with representatives of Municipal Assemblies and Regional Commission) + 2 autonomous regions (Açores and Madeira with legislative and executive powers)+ 18 Districts (Civil Governor, District Assembly composed of presidents of municipalities and Advisory Council) + 308 municipalities + 4252 parishes (subdivision of municipalities). – Sub-state administrations are involved in development aid.	– Administrative regions are not especially active in development cooperation. – Aid from local governments is included in ODA statistics. – The Portuguese Institute for Development Assistance (IPAD) – under Min. Foreign Affairs – coordinates decentralised aid program.	– Municipalities perform a regulated role as promoters or executors of Portuguese aid. – According to the National Association of Portuguese Municipalities (ANMP), more than 150 aid agreements have been recorded by Portuguese municipalities.

Spain	– Unitary State (with autonomous regions and nationalities): 19 Autonomous Communities – AC – (with asymmetric legislative and executive powers, that hold all the powers that do not belong to the State) + 50 provinces (responsible for coordinating local and central administration) + 8092 municipalities. – Foreign policy lies exclusively with Spanish State. Autonomous Communities can conduct foreign activities within their sphere of authority but they cannot conclude international treaties.	– ACs have specific budgets and structures for development aid (included some AC development agencies). Specific laws on development aid at central and regional level. – AC (2/3) + other local govt.'s aid (1/3) is approx. 25% of ODA– ACs and other local govt.s coordinate with central aid authority (Inter-territorial Commission, Consultative Council and agreements with Min. of Foreign Affairs).	– Provincial authorities (*Diputaciones*) and the principal municipal administrations are very active in development assistance. – Special funds created to facilitate the participation of municipalities in development aid (9 regional municipality funds coordinated in the Funds Confederation).
Sweden	– Unitary State: 18 counties (*landsting*) and 2 regions (with elected universal suffrage Council, Executive and specialised Committees) and variable competences + 290 municipalities (*kommuner*) with important competences. The relationship between them is not hierarchical.	– This administration level does not exist.	– Swedish Association of Local Authorities and Regions (SALAR) has created its local authorities Development Agency (SALA IDA) to support planning and administration at the local and regional level in developing countries.
United Kingdom	– Unitary State (certain federal elements): 3 regional governments (Scotland, Wales, Northern Ireland) with asymmetric legislative and executive powers + complex system of local authorities (councils, districts, unitary authorities with different competences). – UK local auths. have statutory powers to engage in international activities.	– No information available about Scottish, Welsh, Northern Irish regional governments' development aid. – Local authorities' amounts dedicated to extended aid are very small.	– 2 in 5 local authorities are involved in development aid programs. – UK Local Government Alliance for International Development tries to coordinate these efforts. – This Alliance collaborates with DFID.

List of Acronyms and Abbreviations

ABC Islands	Aruba, Bonaire, Curaçao (Lesser Antilles, part of the Kingdom of the Netherlands)
ACP	75 countries in Africa, the Caribbean and the Pacific that are signatories of the Lomé Conventions and the Cotonou Agreement
ADC	Austrian Development Cooperation
ANMP	National Association of Portuguese Municipalities
ART-GOLD	Initiative for support to territorial and thematic networks of human development cooperation (UNDP)
ASIA-Urbs	ASIA-URBS Programme (European Commission)
C2C	City to City
CAS	Country Assistance Strategy
CEE	Central and Eastern European (states)
CEMR	Council of European Municipalities and Regions
CFSP	Common Foreign and Security Policy (EU)
CIS	Commonwealth of Independent States
CLS	Core Labour Standards
COM	Communication of the Commission (EU)
COPRET	Conflict Prevention and Transformation Division within SDC
CoR	Committee of Regions (EU)
CRS	Creditor Reporting System
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DAC	Development Assistance Committee (of the OECD)
DDR	Demobilisation, Disarmament, and Reintegration
DEVE	Committee on Development (European Parliament)
DG DEV	Directorate General of Development and Humanitarian Aid

DG RELEX	Directorate General of External Relations and European Neighbourhood Policy
DT	Direct Transfer
EAAS	Economic Association Agreements
EBA	Everything But Arms (European trade initiative for LDCs)
EC	European Commission (or: European Community)
ECDPM	European Centre for Development Policy Management
ECHO	European Humanitarian Aid Office
ECOSOC	Economic and Social Council (of the UN)
EDF	European Development Fund
EESC	European Economic and Social Committee
EEZ	Exclusive Economic Zone
EIDHR	European Initiative for Democracy and Human Rights
ELN	Ejército de Liberación Nacional (National Liberation Army, Colombia)
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation
FARC	Fuerzas Armadas Revolucionarias de Colombia (Armed Revolutionary Forces of Colombia)
FAST	Conflict Early Warning System of Swisspeace
FONSA	Fiji Forum of Non-State Actors
FSM	Federated States of Micronesia
FTA	Free Trade Agreement
GAERC	General Affairs and External Relations Council
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GNI	Gross National Income
GSP	General System of Preferences
HSN	Human Security Network
IC	International Cooperation
InWent	Internationale Weiterbildung und Entwicklung (Capacity Building International)
INTERFAIS	International Food Aid Information System of the World Food Programme
IOM	International Organisation for Migration
KANGO	Kiribati Association of NGOs
KOFF	Kompetenzzentrum Friedensförderung (Center of

	Competence for Peace Building, Swisspeace)
KPA	Kleine Plaatselijke Activiteiten (Small-Scale Local Activities)
LA21	Local Agenda 21
LDC	Least Developed Country
LGDK	Local Government Denmark
LocalFinland	Association of Finnish Local and Regional Authorities
LP	Local Purchase
LSE	León Sur Este (León South-East)
LTTE	Liberation Tigers of Tamil Eelam (Sri Lanka)
MDG	Millennium Development Goals
MEP	Member of the European Parliament
MFA	Ministry of Foreign Affairs
MFN	Most Favoured Nation
MFO	Medefinancieringsorganisatie (Co-Financing Organisation)
MTR	Mid-Term Review
NCG	Non-central governments
NGDO	Non-Governmental Development Organisation
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NMS	New Member State (of the EU)
NSAs	Non-State Actors
OAS	Organization of American States
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PA IV	Political Division IV, Federal Department of Foreign Affairs (Switzerland)
PACER	Pacific Area Closer Economic Relations Agreement
PACP	Pacific group of the ACP
PBA	Program-based Approach
PCD	Policy Coherence for Development
PICs	Pacific Islands Countries
PICTA	Pacific Island Countries Trade Agreement
PIFS	Pacific Islands Forum Secretariat
PNG	Papua New Guinea
PRSP	Poverty Reduction Strategy Paper
PWC	PriceWaterhouseCoopers
RNT	Regional Negotiating Team
RoO	Rules of Origin
RPTF	Regional Preparatory Task Force
SALAR	Swedish Association of Local Authorities and Regions

SDC	Swiss Development Cooperation
SECO	Secretariat for Economic Affairs (Switzerland)
SIA	Sustainability Impact Assessment
SKEW	Service Agency Communities in One World
SPS	Special Preferential Sugar
SUIPPCOL	Suiza para la Promocíon de la Paz en Colombia (Swiss Engagement for Peace Building in Colombia)
SUNGO	Samoa Union of NGOs
SWAP	Sector-wide approach
TP	Triangular Purchase
TRA	Trade-related Assistance
UCLG	United Cities and Local Governments
UK-LGA	UK Local Government Alliance for International Development
UMP	Urban Management Programme
UN	United Nations
UNDP	United Nations Development Programme
UN-Habitat	United Nations Centre for Human Settlements
URB-AL	URB-AL Regional Aid Programme (EU-Latin America)
US	United States
USDA	United States Department for Agriculture
US GAO	US Government Accountability Office
VES	Villa El Salvador
VNG	Association of Netherlands Municipalities
VNG-I	International Cooperation Office of VNG
WFP	World Food Programme
WFS	World Food Summit
WTO	World Trade Organisation

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