

Czech Development Cooperation at a Crossroads

Report of Czech NDGOs on Official Development Cooperation in 2008-2009 Executive Summary

The study “Czech Development Cooperation at a Crossroads” is a follow-up to the publication *Czech Republic for Development—Study on the Czech Official Development Cooperation 2007* published by the Czech Forum for Development Cooperation (FoRS) in 2008. The aim of both studies is to provide an outlook concerning the content and form of Czech Official Development Assistance (ODA) from the NGOs' perspective. The publication represents the effort of FoRS to illustrate what development cooperation should be about: the eradication of extreme poverty and improvement of the living conditions of poor people in developing countries.

The system of Czech ODA is going through essential institutional changes, after which the Czech Republic will take its part among the community of responsible donors. In 2008 the world was struck by the financial crisis, which had a serious impact upon developing countries – the very countries that had not played a role in causing it. Nowadays, ODA flows are very important for addressing the impact of the global financial and economic crisis on developing countries and for reaching the Millennium Development Goals (MDGs). However, some developed countries are unwilling to fulfil their financial commitments for development. In 2010, the Czech Republic will reduce the budget for bilateral ODA by 16%, which contrasts with the original plan, and it will allocate 0.13% of GNP toward development instead of 0.17%. The decrease of the level of ODA in 2010 should be a stimulus for emphasizing the quality of aid and its effectiveness in fighting poverty.

The Czech Republic is at crossroads—will it choose the right path to responsible and effective donorship, or will it choose the mistaken path of limited commitment, inferior aid, and insufficient results?

Transformation of the Czech ODA system - Only half way there

The crucial transformation of the Czech ODA system commenced in 2008. In 2010, most of the bilateral ODA will be implemented solely by the Ministry of Foreign Affairs instead of by tens of ministries. Permanent exceptions will be governmental scholarships for students from developing countries (under the mutual management of the Ministry of Foreign Affairs and the Ministry of Education, Youth and Sports, but financed through the budget of the latter), and the health care of foreign students (Ministry of Health).

The key part of the transformation is the establishment of the Czech Development Agency (CDA) and the Czech Council for Development Cooperation. The CDA was established by the Ministry of Foreign Affairs (1.1.2008) as an organizational unit of the state. Its primary responsibility is the implementation of programmes and projects, which should be evaluated on the basis of external subjects arranged by the Ministry of Foreign Affairs. One of the most important functions of the CDA is the identification of potential themes for cooperation and project formulation as well as the organization of tendering procedures. However, this role has been limited to tendering procedures under the law of public contract. Due to the fact that the CDA is not established by law it cannot announce grant allocation tendering procedures.

The Czech Council for Development Cooperation is an inter-ministerial advisory body, and its role is particularly to ensure the better coordination of the ODA and achieving its coherence. The Council engages in the preparation of the midterm strategy, the Act on Czech development cooperation and humanitarian aid, strategic documents (e.g., programmes with priority countries) and the Plan of bilateral ODA for the next year. There are several working groups that have begun to function within the Council, which are, for example, engaged in the preparation of the Act for Czech Development Cooperation and Humanitarian aid and evaluations. The transformation strengthened the role of the Ministry of Foreign Affairs as the main coordinator of the ODA. The MFA coordinates the preparation and follow-up presentation of the mid-term strategy of the ODA for government authorization, prepares programmes with partner countries, and annually presents the Plan of bilateral ODA to the government for the following year including a medium-term outlook for the next two years. Apart from the programming phase of the project cycle, the Ministry of Foreign Affairs is responsible for the evaluation as well.

The transformation system of the Czech ODA system is followed by the ratification of an Act on development cooperation and humanitarian aid. The ODA implementation and humanitarian aid have run so far only on the basis of authorized government resolutions, which do not correspond to the needs of the governmental policy of the ODA.

Another important document for guiding the Czech ODA in the medium term outlook is the new mid-term strategy ODA for the next 5 to 8 years. The mid-term strategy should specify the objective and principles of the Czech ODA and determine territorial, sectoral and multilateral priorities.¹

An important factor affecting the effectiveness of the Czech ODA is the interconnection to - or coherence with - other policies, which has been insufficient. In particular, the level of interdepartmental coordination is inadequate even after the completion of the ODA system transformation. Therefore, the approach of the Czech Republic to Policy Coherence for Development (PCD) is expected to be elaborated in the new mid-term strategy of Czech ODA. The new Czech Council for Development Cooperation has an obligation to become the main platform for discussions and decisions that promote the coherence of Czech policies for development. The truth is that its potential has not been utilized fully, and individual governmental bodies do not use their regular meetings for discussing the measures for their mutual interconnection.

ODA in 2008- content and structure of help

In 2008 the budget of the Czech ODA² attained 4.2 billion CZK which represents 0.12% ODA of GNP.³ In comparison with 2007, this figure increased by 600 million crowns, or one hundredth of a percentage of GNP. The Czech Republic, together with other new member

¹ Governmental resolution n. 1070 from 19 September 2007 regarding System Transformation of the ODA.

² Official Development Assistance (ODA) is development cooperation that is reported annually by the Ministry of Foreign Affairs to the DAC within the OECD. International Commitment within ODA is defined as the ratio of ODA to GNP. The rules for ODA calculations are included in OECD document „DAC Statistical Reporting Directives, DCD/DAC (2007)34“

³ Ministry of Foreign Affairs report for OECD/DAC, July 2009.

states, should reach 0.17% of the GNP to ODA by 2010 and 0.33% by 2015.⁴ However, this commitment will not be fulfilled. The proportion of both multilateral and bilateral aid remains almost balanced with the slight dominance of multilateral aid (53%). An important factor in Czech ODA growth in 2008 is the approximate tripling of military expenditures, which were accounted for as ODA in the amount of 664 million CZK which is even higher than the amount spent on bilateral projects. The majority (659 million crowns) of expenses **derived** from two Afghan military missions.

This is one of the examples of “inflated” aid, which has no direct impact on people living in poverty in developing countries. European NGOs, including FoRS, count in “inflated aid” such items as debt relief, military and civil missions’ expenditures, expenses related to refugee care in donor countries, and scholarships for students in developing countries.

The biggest portion of bilateral ODA was implemented, as usual, by the private sector (44%), of which companies implemented less than a third of 302 projects. NGOs, which carried out almost half of all bilateral projects, utilized one fifth of the resources.

Considering the priority countries of the Czech ODA, most of the bilateral ODA was provided to Mongolia (22%) and Serbia (21%), while the smallest percentage to Zambia (4%), Yemen (6%) and Angola (8%), countries which belong to the Least Developed Countries (LDCs). Overall only 17% of funding was provided to the LDCs within bilateral and multilateral ODA.

Financial and economic crisis

The crisis that struck the world involves financial, economic and food crises and effects connected with gradual climate changes. These crises reinforce one another and worsen the negative effects upon inhabitants. It is obvious that billions of the poorest people, who do not have the means for establishing reserves and who cannot count on effective programmes of local governments, have been affected the most.⁵ It is estimated that, due to the economic recession, there will be another 55-90 million people living in extreme poverty in 2009. The UN Food and Agriculture Organization (FAO) expects that, due to the crisis, the number of hungry and malnourished people will exceed one billion, meaning it will have reached its historically highest number. The crisis is apparent in decreasing remittances, which in Moldavia, the priority country of the Czech Republic, comprise of 38% GNP.⁶ It is surprising

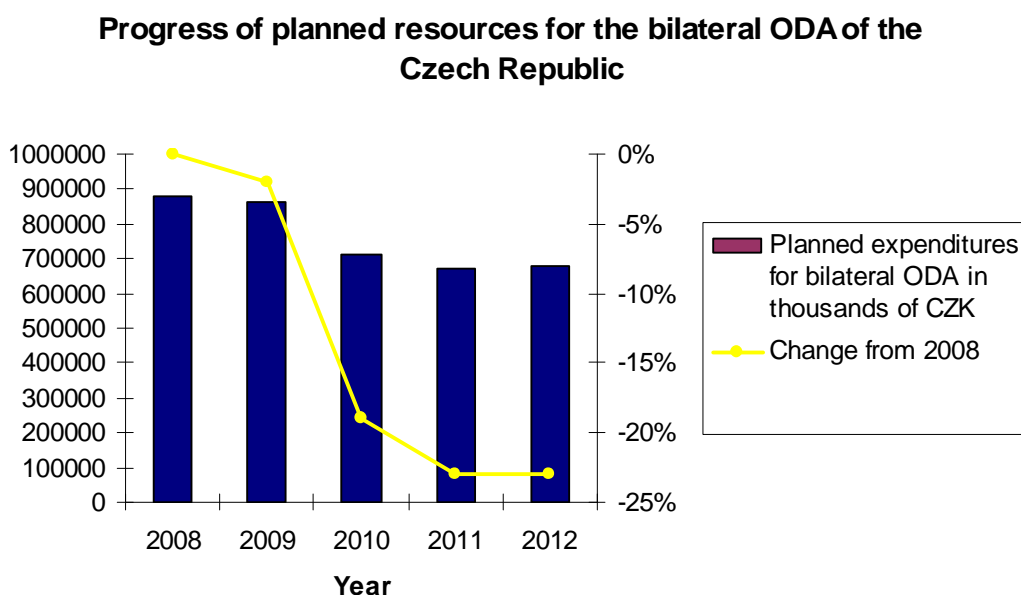
⁴ See EU Council conclusion from the meeting on 24.5.2005 and European Council on 16. and 17.6.2005: “...member states, which joined the EU after 2002 and which still have not attained the ratio of ODA to GNP in the amount of 0.17% will try to increase their ODA to reach this value by 2010 within authorized measures in the distribution of budgetary sources, while the other member states, which have already attained this goal, commit themselves to continue in their efforts; member states commit themselves that by the end of 2015 they will have reached the ratio of ODA to GNP in the amount of 0.7%, while the other member states that have attained this goal commit themselves to remain above this value; member states that joined the EU after 2002 will have tried to attain the ratio of ODA to GNP in the amount of 0.33% by 2015.

⁵ United Nations Conference on the World Financial and Economic Crisis and Its Impact on Development, Outcome document of the Conference, New York, 24.–26. June 2009.

⁶ Overseas Development Institute: *The Global Financial Crisis and Developing Countries – What Can the EU Do?*, January cited data are from 2007.

especially in Moldova because in the first quarter of 2009 remittances fell by a third,⁷ and thousands of out-of-work people have been returning to their country.

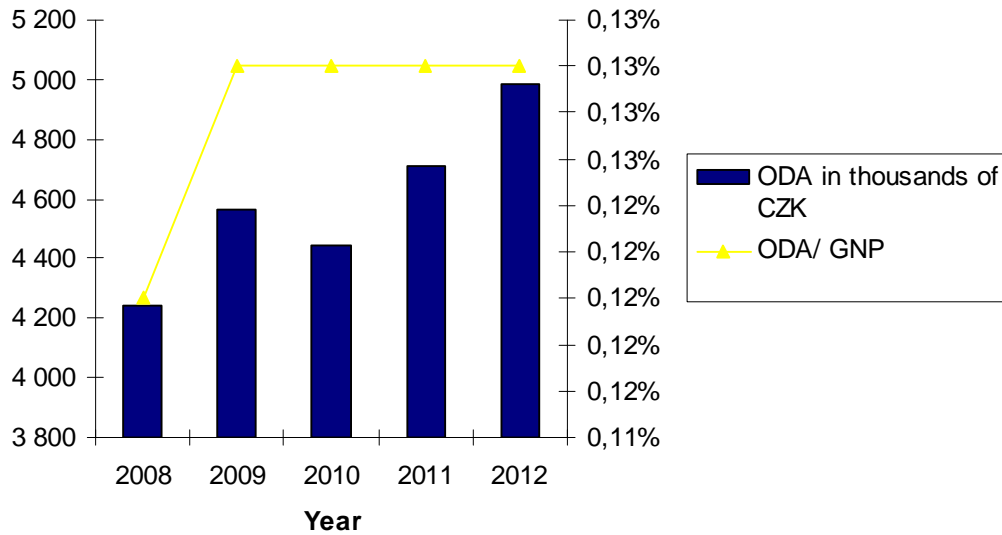
Even though the Czech Republic committed itself to reaching 0.17% of GNP in 2010, a freeze in public spending in the amount of 5% was announced in spring 2009, which has caused a decrease in the ODA budget for this year. This decrease mostly affected voluntary contributions to multilateral organizations and to some bilateral projects. A few unannounced projects were cancelled, and the budget of some other projects was cut. Additional cuts in the ODA budget are planned - 16% in 2010. For the period 2010-2012 the ODA share of GNP is planned annually to be 0.13%.



Resources: ODA plans for 2007, 2008, 2009 a 2010 including the outlook for 2012, 1EUR = 25, 8 CZK

⁷ Remittances to Moldavia decreased by a third in the 1st quarter of 2009, <http://economie.moldova.org/news>, 9. June 2009.

Progress of the overall ODA of the Czech Republic



Resource: Mid-term outlook of ODA financing and humanitarian aid until 2012, 1EUR = 25, 8 CZK

The transformation of the system of Czech ODA will be more or less finished in 2010, and its individual components should be functioning fully. By 2011 the new mid-term strategy of the ODA will come into force, and it should be planned better. The Czech Republic should therefore move towards increasing the quality of aid. It is necessary that we meet our promises on the EU level as soon as possible and therefore aspire to become a responsible donor—a donor who not only makes promises, but whose aid is effective, real and aimed towards actually reducing poverty.

Recommendations

NGOs represented in the Czech Forum for Development Cooperation (FORS) recommend improvements in the following areas. These recommendations are especially focussed on the Ministry of Foreign Affairs, members of the Czech Council for Development Cooperation, MPs (particularly the Foreign Committee and Subcommittee for development cooperation), and senators of the Parliament of the Czech Republic.

Content of aid

1. To revise the medium term outlook of the ODA for 2011-2012 in such a way that the growth of funding resumes as soon as possible for bilateral cooperation.
2. To elaborate and publish the binding timetable for attained the goal of 0.33%, alternatively 0.17% ODA/GNP.
3. To increase systematically public support for the ODA, including communication strategy and allocation of required funds.
4. To increase the proportion of bilateral aid to multilateral aid.

5. To implement and strengthen the system of multi-year financing of bilateral cooperation projects.

Structure of aid

6. To count as ODA only military expenditures if their development character is actually demonstrated in the amount of funds expended.

7. To clarify the statistical reporting concerning refugees and debt relief.

8. To revise the scholarship programme for foreign students and focus on the strengthening of their contribution to their country's development.

Quality of aid

9. To arrange the actual implementation of commitment to the effectiveness of aid as discussed in Accra.

10. To arrange an evaluation and incorporate its results into the programmes and projects.

11. To increase the transparency of decision making during the selection procedures.

12. To increase the predictability of the ODA and thereby decrease the sudden and unsystematic distribution of aid to the countries outside the scope of the candidate countries. If it is necessary to end cooperation with one of the candidate countries, it is essential to develop a corresponding "business strategy."

Mid-term strategy

13. To specify clearly the rules for priority country selection according to the main criteria of the necessity of aid from the receiving country.

14. To increase the share of the LDCs in terms of the total number of candidate countries and the capacity of aid that they receive.

15. To complete the authorizing project of the Law of ODA and humanitarian aid provided abroad so it may come into force on 1.1. 2010.

Policy Coherence for Development

16. To ensure that the new concept of ODA for 2010-2015 contains not only a clear commitment to the policy coherence for development but also the commitment of the Ministry of Foreign Affairs (MFA) to take specific and proactive steps towards greater coherence with other governmental policies.

17. To incorporate the policy coherence for development into the ways of the functioning of the MFA, particularly to strengthen the coordination between the Department for development cooperation and other departments, and to improve the discussion with other actors of the Czech ODA, including other ministries and NDGOs.

18. To begin systematic discussion over the main questions of policy coherence for development in the Czech Council for Development Cooperation.

19. To increase significantly the efforts of MFA to express development concerns in Departmental Coordination Groups (DCG), particularly regarding policies of those ministries which have the greatest impact on poor countries (trade, agriculture and migration policies).