

[ POLICY BRIEF ]

# The Challenge from Within: New EU Donors and European Development Cooperation

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Although the discussion of new donors in the changing global development landscape usually focuses on the development cooperation forays of emerging economies, the budding aid programmes of the dozen member states that have joined the EU since 2004 are also illustrative of challenges from the larger non-DAC donor community. They provide an instance of the diversification of sources of development finance and an example of shifting roles within the global economy, making a transition from being aid recipients to aid providers in a relatively short period of time. While challenges of donor coordination and learning how to cope with alternative perspectives on the guiding logic and preferred manner of implementing development cooperation are not unique to the arrival of new EU member states on the donor scene, the new EU member states pose a distinct and direct challenge for the future of European development cooperation, as these donors can shape the direction that EU development policy takes from within the EU system itself.

## Development Cooperation Profile of the New EU Donors

As with other so-called ›new‹ donors, some of the EU's newest member states have had experience with development cooperation stretching back several decades, even if the scale and the quality of development engagement has changed in connection with their accession to the EU. The influence of these states on EU development cooperation also predates EU accession, as European support for economic and political transition processes in Central and Eastern Europe in the 1990s drew attention away from other focal regions for European development policy. The formalisation of new bilateral development cooperation programmes nevertheless represents an extension of commitments associated with OECD and EU accession, and development policy frameworks and implementing

Table 1. ODA as a Share of GNI (2009)

Bulgaria	.04
Cyprus	.17
Czech Republic	.12
Estonia	.11
Hungary	.09
Latvia	.08
Lithuania	.14
Malta	.20
Poland	.08
Romania	.08
Slovakia	.08
Slovenia	.15
EU 27	.42

Source: <http://epp.eurostat.ec.europa.eu>

This paper profiles donors that have joined the EU since 2004 as part of a work programme on the role of so-called ›new‹ actors in international development. The new EU donors present a special challenge for the future of European development cooperation in that they add pressure on the EU system to formulate a global development agenda that mobilises support from a broad constituency within Europe and defines how national competences can be combined with strengthened multi-lateral action. This challenge also provides an opportunity for the EU to build a more solid foundation for development cooperation in the future.

Table 2. Geographical and Sectoral Priorities of Leading Central and Eastern European Donors<sup>1</sup>

	Czech Republic	Hungary	Poland	Romania	Slovenia
Main Partner Countries	Afghanistan Angola Bosnia and Herzegovina Moldova Mongolia Serbia Vietnam Yemen Zambia	Afghanistan Bosnia and Herzegovina Kosovo Moldova Palestinian Territory Serbia Ukraine Vietnam	Afghanistan Angola Belarus Georgia Moldova Palestinian Territory Ukraine	Afghanistan Georgia Iraq Moldova Serbia	Albania Bosnia and Herzegovina Kosovo Macedonia Moldova Montenegro Serbia Ukraine
Priority Sectors	Education Water supply Health care Peace building and conflict prevention Refugee assistance	Good governance Higher education Health Agriculture Water management Environment	Education Health Water Infrastructure Agriculture Post-conflict rehabilitation Economic reform Democratisation	Democracy promotion Economic development Education and employment Health Infrastructure Environment	Higher education Government and civil society Migration Education Conflict prevention and resolution

1 Compiled from annual reports and informational brochures produced by the donors, with reported priority areas in 2009 providing the reference point. As of 2010, the Czech Republic has modified its list of priority countries and sectors.

structures are no more than a decade old.

In 2005, the ten member states that joined the EU in the previous year undersigned the European Consensus on Development. In the same year, the EU set development financing targets, committing states that had joined the EU since 2002 to provide aid amounting to .17% of GNI by 2010 and .33% of GNI by 2015. Only Cyprus, Malta, and Slovenia appear on track toward meeting these pledges, and stagnancy in aid growth in Central and Eastern European countries in recent years provides one reason to doubt the EU's overall ability to uphold its development financing commitments toward 2015. The size of these aid programmes remains modest in comparison to more established EU donors: in 2009 Poland and the Czech Republic were by far the largest donors in the group, providing US\$ 375 million and US\$215 million in aid respectively.<sup>1</sup> Multilateral giving often represents a large share of the aid portfolios of the new donors, with Hungary and Poland disbursing 75% and Slovenia 65% of their aid through multilateral channels in 2009 and EU development programmes serving as privileged multilateral partners. In 2009, Poland was the 8th largest contributor to the EU's general budget for development as-

sistance, playing a special role in funding the European Neighbourhood and Partnership Instrument and Pre-Accession Assistance.<sup>2</sup>

Within the bilateral aid programmes of Central and Eastern European states, one general trend in geographical aid allocation is the preference for giving in the regional neighbourhood (see table 2): the Balkans and former Soviet republics are privileged recipients. Main partner countries outside of these regions tend to either be countries where the donors have contributed to multilateral security operations (Afghanistan and Iraq) or countries where there have been historical affinities due to shared experiences with socialist regimes. Stated focal areas have included social sectors, higher education, good governance and democracy promotion, and environmental protection. Many new EU donors emphasise their commitment to sharing lessons learned from the process of political and economic transition with other states as part of their development cooperation contributions.

While the multilateral orientation of much of the giving from new EU donors indicates a consistency in the

1 Figures are from the *Report on the Development Assistance of the Czech Republic in 2009* and Poland's 2009 *Development Cooperation Report*.

2 The sources for these figures are *Hungary's International Development Cooperation* (information booklet), Poland's 2009 *Development Cooperation Report*, and *Slovenia's International Development Cooperation 2009*.

nature of instruments that new and old donors support, in their bilateral aid programmes there are signs that the new donors differ in practice from more established EU donors. A preference for disbursing aid in a manner that ensures a direct return to the donor country, whether through tied aid or funding student costs, as well as a preference for project assistance stand in contrast to norms advocated by DAC donors within the EU, signalling the limitations of the EU as a standard setter.<sup>3</sup> Indeed, in some cases there may be clear resistance to development policy norms promoted at the EU level, including prioritising poverty reduction and demanding greater country-level coordination.<sup>4</sup> The general institutional subordination of the new donors' development cooperation programmes within foreign affairs bureaucracies is not uncommon among other smaller European donors, though the strong focus of new EU donors on aid within the regional neighbourhood provides one indication of a close coupling of foreign policy and development cooperation interests.

## Challenges for the EU Development Policy System

### ■ Bolstering Domestic Support for Aid

Key challenges confronting the new donors include the need to raise domestic public awareness about development policy and obtain support for increased resource mobilisation, and the necessity of improving the capacity of national administrations to formulate and implement development policies.<sup>5</sup> The hurdle that new EU donors face in mobilising domestic constituencies in support of development cooperation points to a broader difficulty within Europe in sustaining support for global development. Although the MDG agenda has provided a stimulus for resource mobilisation, giving trends in Europe in the aftermath of the financial crisis highlight

the limits of societal commitments to aid. A development agenda that moves beyond the MDG social development focus could encourage a stronger buy-in of new donors in European policies for global development, recognising that these states still have domestic development goals to achieve in order to converge toward Western European standards.

The emphasis on inclusive growth that is currently gaining steam at the EU level represents an avenue for balancing social development goals with other elements of development, such as economic production and infrastructure construction that could attract broader interest in global engagement. Shifting toward a development agenda emphasising the promotion of economic and political opportunities broadly construed does not necessarily imply abandoning poverty reduction as an orienting goal, but it does suggest a need to make the material interests linked to sustained financial cooperation with developing countries more transparent within policy frameworks.

### ■ Geographical Priorities

With the arrival of the new EU donors within the European development policy system, there is added tension resulting from competing geographical priorities. Though the EU is already globally active in development, the African continent has been a clear focal region for European engagement, with many Western and Northern European EU members prioritising Africa in their bilateral aid programmes, whether due to colonial ties or to a strong poverty reduction orientation, and assistance to Africa maintains an important position within the EU's aid portfolio. For most of the new EU donors, in contrast, Africa has not been a foreign relations priority.

The special relationship between the EU and the Africa, Caribbean, and Pacific (ACP) group has been under pressure to move to a new phase for reasons other than the changing internal political dynamics within the EU such as the necessity of adapting preferential trade arrangements to the mandates of the WTO regime and the heterogeneity of states and interests represented within the ACP itself. In addition, EU development planning already places a stronger emphasis on regional, sub-regional, and national strategies rather than devising programmes for the ACP group as a whole.<sup>6</sup> Calls to adapt instruments

3 Kragelund, P. (2008): The Return of Non-DAC Donors to Africa: New Prospects for African Development? *Development Policy Review* 26(5): 555–84.

4 Please see Horký, O. (2010) The Europeanisation of Development Policy: Acceptance, Accommodation and Resistance of the Czech Republic. DIE Discussion Paper 18/2010. Bonn/Prague: Deutsches Institut für Entwicklungspolitik/Institute of International Relations.

5 Bučar, M./M.J.Marques/A.Mesic/E.Plibersek (2007): Towards a Division of Labour in European Development Cooperation: Case Studies. DIE Discussion Paper 11/2007. Bonn: Deutsches Institut für Entwicklungspolitik.

6 Gavás, M. (2010) Financing European Development Cooperation: the Financial Perspectives 2014–2020. ODI Background Note. London: Overseas Development Institute.

associated with the EU-ACP relationship likewise predate the accession of the newest EU members, and notably include the proposal to budgetise the European Development Fund (EDF), an instrument financed by member state contributions that the European Commission and European Parliament have been keen to integrate into the EU budget in order to achieve greater coherence and transparency in the EU development system. New EU donors, like some more established member states, have been reluctant to support budgetisation of the EDF because of the additional financial commitment this could impose on member states through contributions to the general budget.<sup>7</sup>

### Conclusions: Building a Common Vision in a Fragmented Setting

The upcoming negotiation of the EU budget for 2014 to 2020 presents an impetus for old and new donors to build a stronger consensus on the priorities guiding EU development cooperation and to determine whether the geographical division of instruments that currently exists should be maintained. These priorities need to be framed in a way that encourages all EU member states to support a globally active Europe even if their bilateral ties with particular regions are limited. As an example, continuing to focus attention on development challenges on the African continent is justified by many humanitarian and material reasons that go beyond the political history of involvement of traditional European donors in Africa. The need to refine or redefine the European Consensus on Development will in any event require deliberation among European governments in the coming years, as this guiding vision for European development cooperation is firmly embedded in the Millennium Development

<sup>7</sup> Grimm, S./A. Harmer (2005) Diversity in Donorship: the Changing Landscape of Official Humanitarian Aid. Aid Donorship in Central Europe. HPG Background Paper. London: Overseas Development Institute.

Goals, which as a development reference system will also be put under review and potentially refashioned toward 2015 and beyond.

One essential part of the process of building a common European vision for development cooperation in the coming years is to articulate the desired division of roles between the EU level and member states in external action. Even for larger EU member states, the changing global context means that their individual leverage is limited, presenting a case for strengthened cooperation at the EU level within the context of a common European foreign policy. Yet even as the new foreign affairs apparatus presents a focal point for formulating a common foreign policy agenda, the EU must also define its comparative advantage in responding to global challenges in relation to NATO, which the newest EU member states may see as better capable of defending key foreign policy interests.

The question of the division of development roles between the EU level and member states also requires further progress in achieving an efficient division of labour among bilateral actors within Europe and in determining how national competences can be mobilised in multilateral action without creating additional and uncoordinated bilateral implementing structures. Especially within the regional neighbourhood, the new EU donors have the potential to play a valuable role in transmitting knowledge gained from the experience of regime transition; in other contexts they may provide lessons on phasing out development assistance. In integrating this expertise into the European development cooperation system, EU actors should be cautious about encouraging a reproduction of bureaucratic roles mirroring the organisation of aid systems among more established donors. After all, the world has changed considerably since traditional EU donors started their aid programmes, and old and new donors should work together to build an EU development cooperation system that not only reflects the changing dynamics within the EU but also enables EU actors to meet future challenges.

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