



CZECH REPUBLIC
DEVELOPMENT COOPERATION

Czechs as Partners in International Development

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Structure of Today's Presentation

1. The (hi)story of development:

- Why are some nations rich and others poor?

2. Development assistance in theory and practice:

- Why do nations provide foreign aid?

3. Czechs as partners in development:

- How does the Czech Republic help poor countries?

1. The (hi)story of development:

- **Why are some nations rich and others poor?**

Why are some nations rich and others poor?

Production = Technology * F (Land, Labour, Capital)

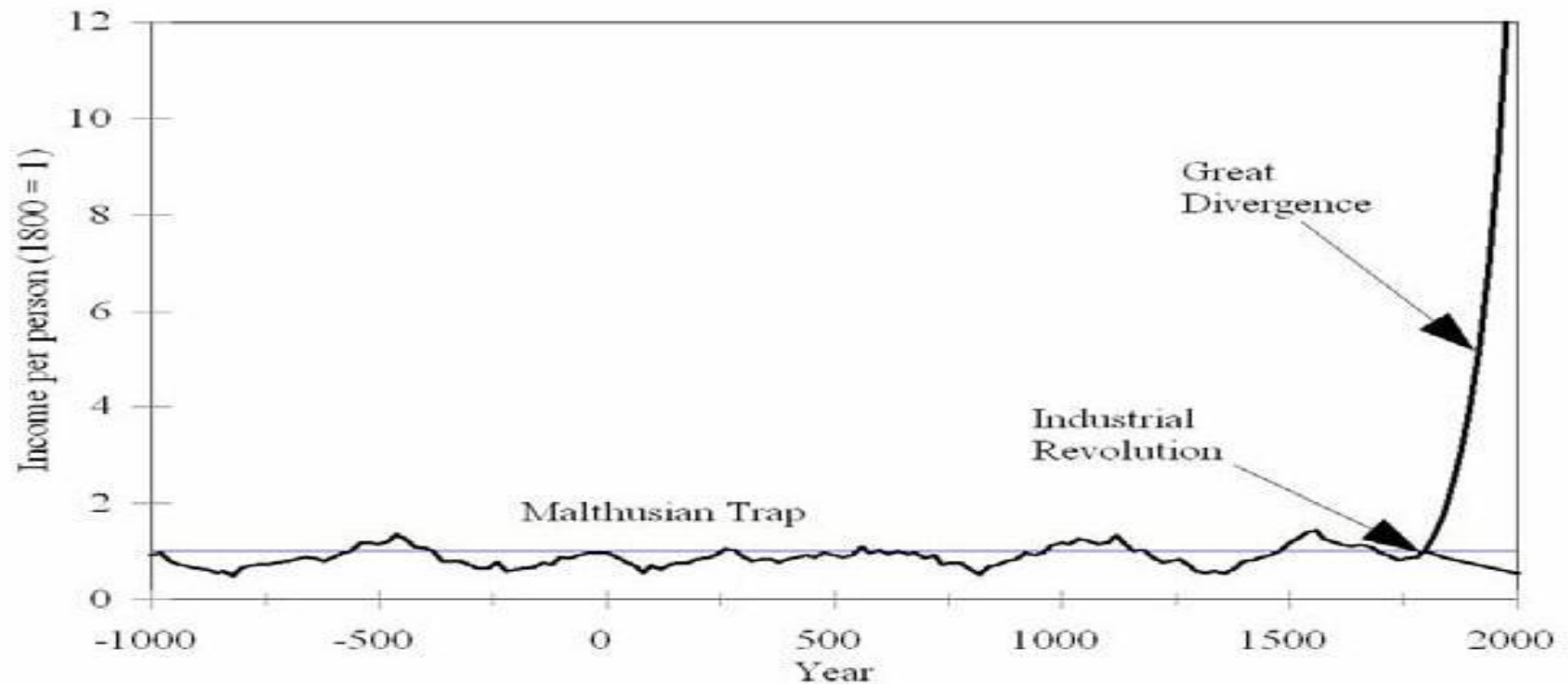
Key factor in development = time (not money)

Periods of history:

1. Pre-modern (until 1820)
2. Modern 1820-2020
3. Post-modern?

Why are some nations rich and others poor?

Development as a result of the West's evasion from the Malthus' trap:



5.12.2013

History of (no) development:

Malthusian trap

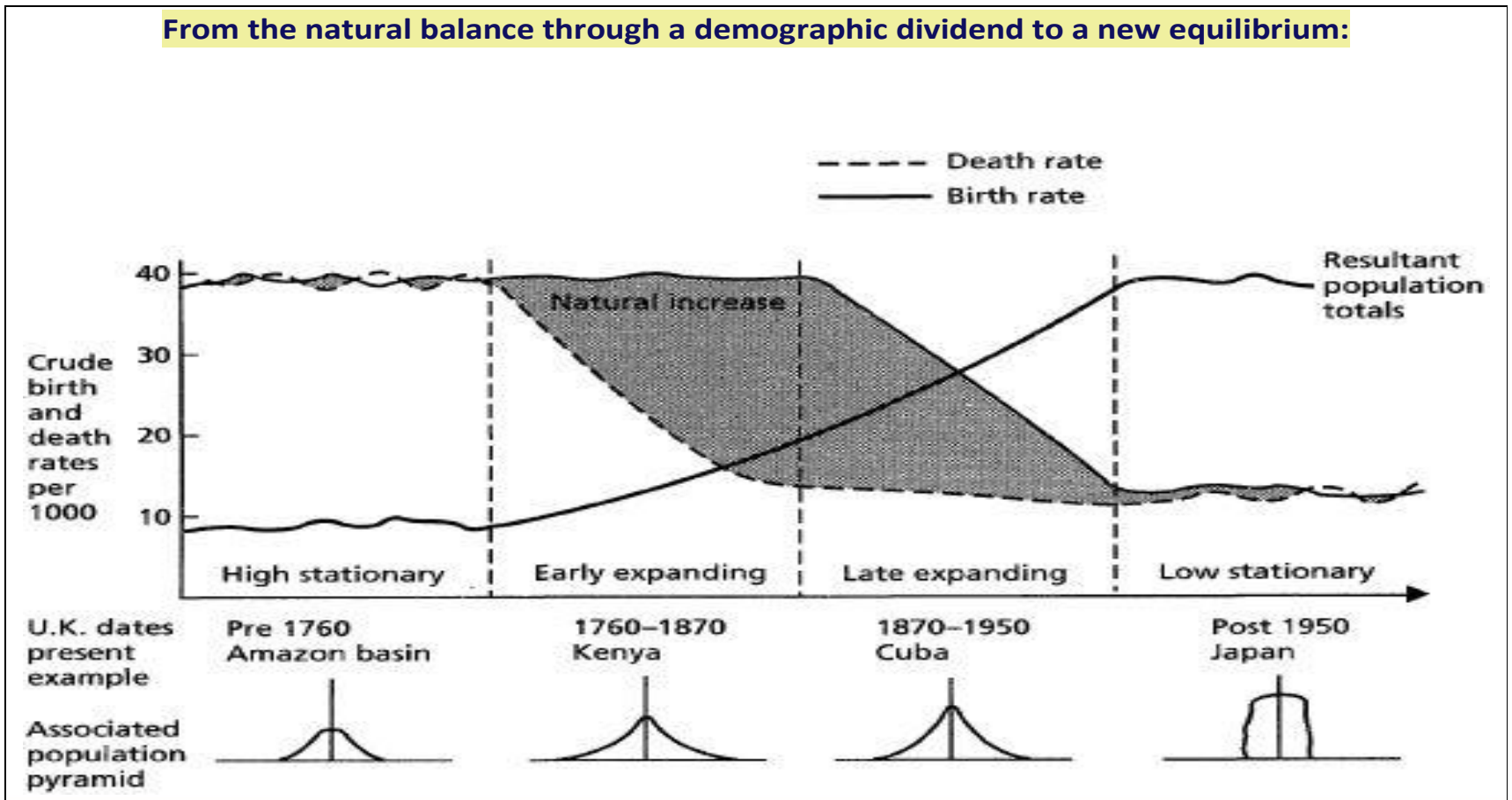
- Natural laws (natality & mortality, savings = children)
- technological progress -> increase of population
(but not any sustained increase in income per head)

1800 „Big bang“

- Technology, Geography, Institutions etc.
- Morals – „delayed gratification“
- Capital (savings = investments)

History of (no) development:

From the natural balance through a demographic dividend to a new equilibrium:



Economic theory of development

“The Black box”

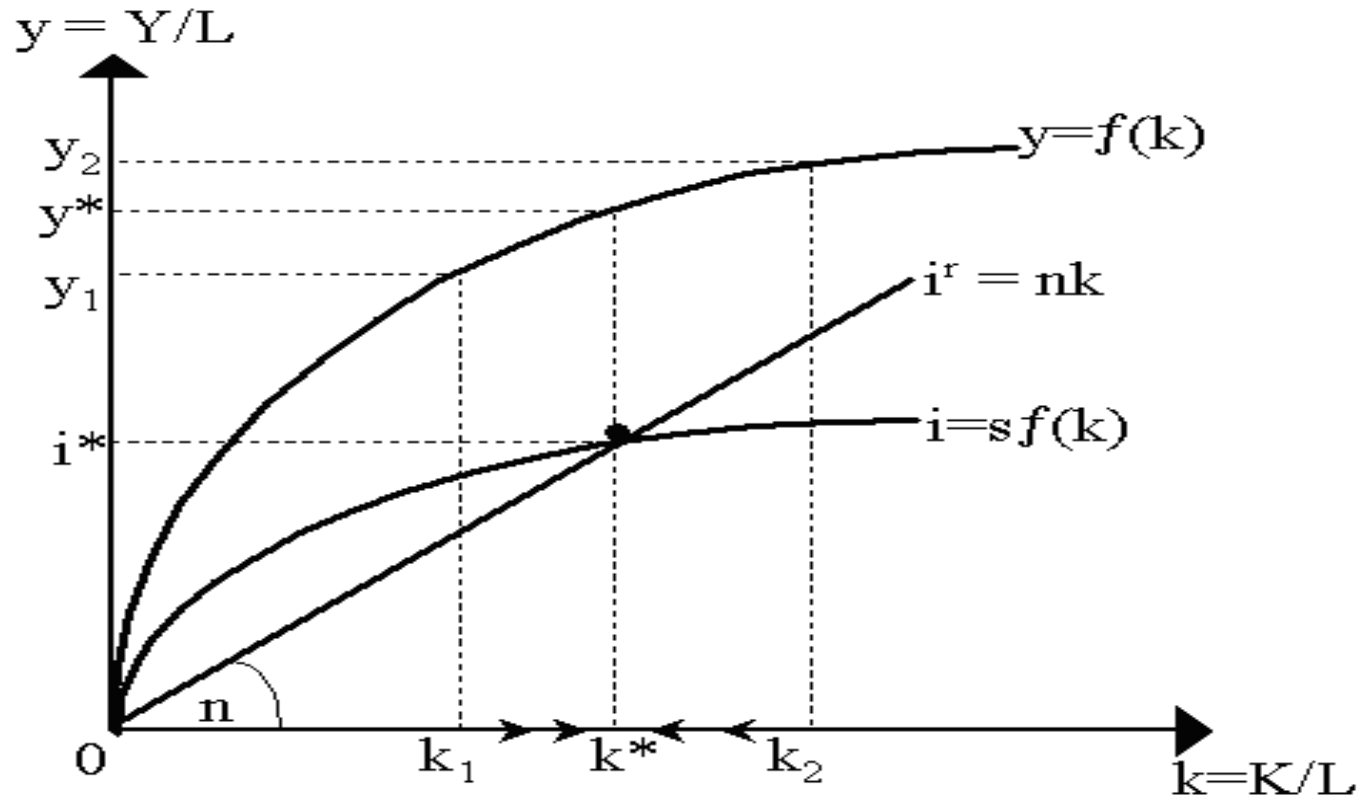
- Pre-modern theory of Malthusian trap
- Modern theories of Harrod-Domar and Solow (but no "theory of all,")

The Great divergence

- Introduction of historical time (time is relative)
- Catch-up processes: UK 150 years, USA 100 years, Japan 50 years, China 15 years

Economic theory of development

Absolute convergence in the neoclassical growth model (Solow):



2. Development assistance in theory and practice:

- **Why do nations provide foreign aid?**

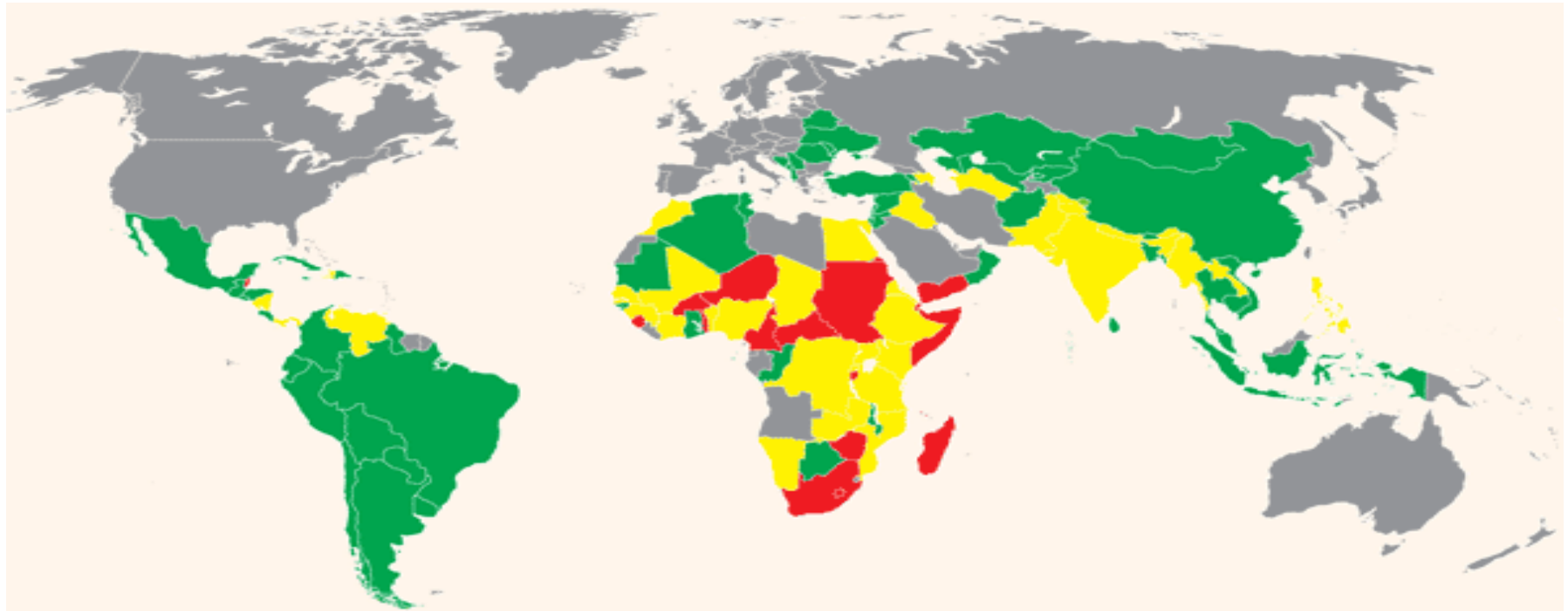
Development as a practical policy

Since 1960 („the Year of Africa“)

Several development paradigms:

1. Big Push (infrastructure, Rostow's application of H-D)
2. Washington consensus (neoliberal macroeconomic policies, criticism: Stieglitz)
3. Millennium development goals (social services)
4. Post-2015 agenda for a Post-modern period
(possible mantras: green growth, people empowerment, development as transformation)

The Millennium Development Goals



Progress towards the MDG target, with countries classified according to the following thresholds:

■ On track: Average annual rate of reduction (AARR) in underweight prevalence (1990–2006) is greater than or equal to 2.6 per cent, or latest available estimate of underweight prevalence is less than or equal to 5 per cent, regardless of AARR

■ Insufficient progress: AARR is between 0.6 per cent and 2.5 per cent

■ No progress: AARR is less than or equal to 0.5 per cent

■ Data not available

Indicator: Underweight prevalence among children under five

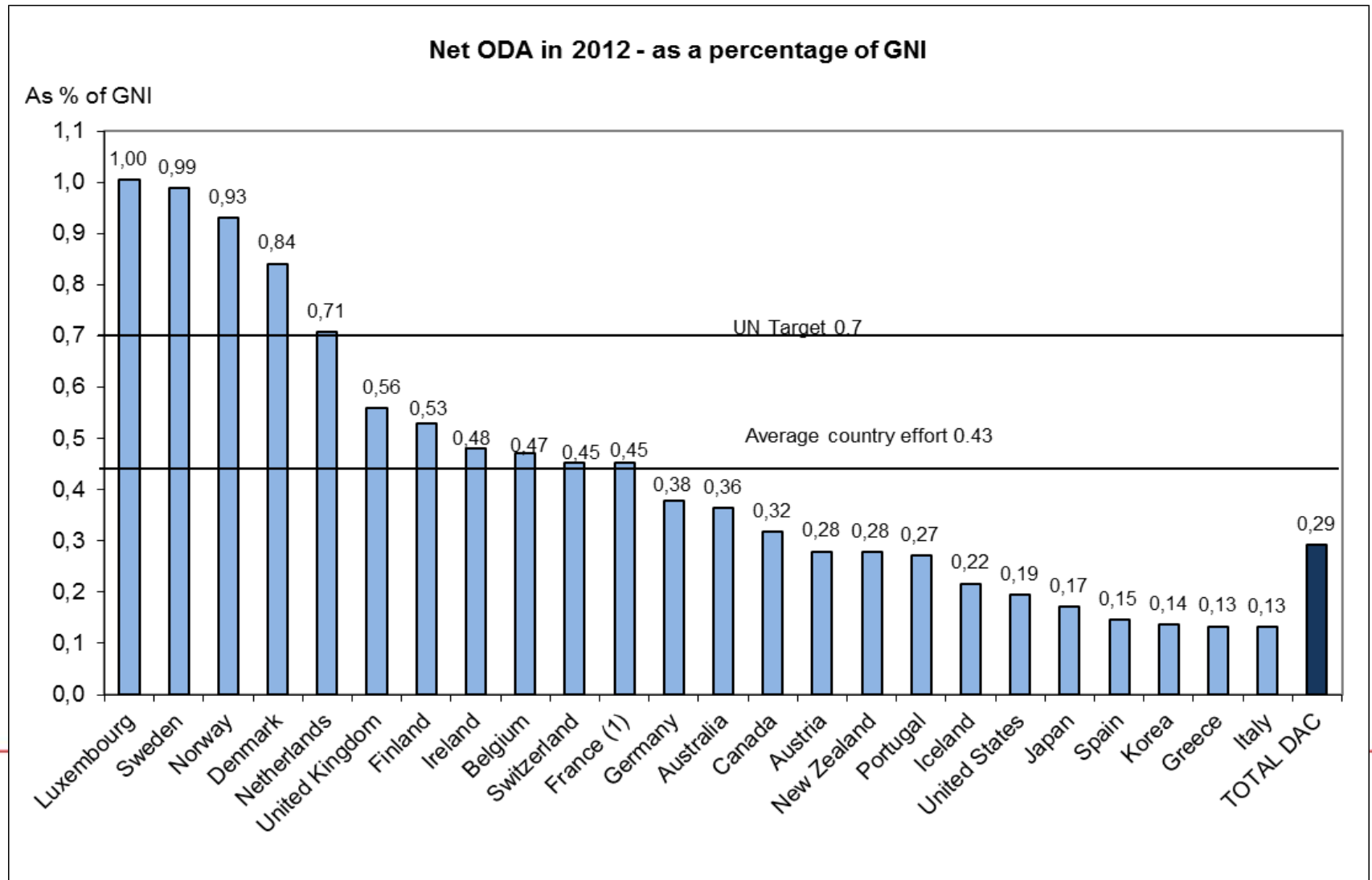
Why do nations provide foreign aid?

Proclaimed goal = to reduce (eliminate) poverty

Real motivations:

1. Solidarity (human obligation)
2. Political relations (neo-colonialism, cold war)
3. Self-Interest (security, organized crime, diseases, immigration etc.)
4. Might be actually a good investment of public funds?

Why do nations provide foreign aid?



Africa – drivers of development and foreign aid

1. Policies and institutions

- transition assistance (experts, culturally-sensitive)

2. Human capital

- not only health and education but also jobs (young population)

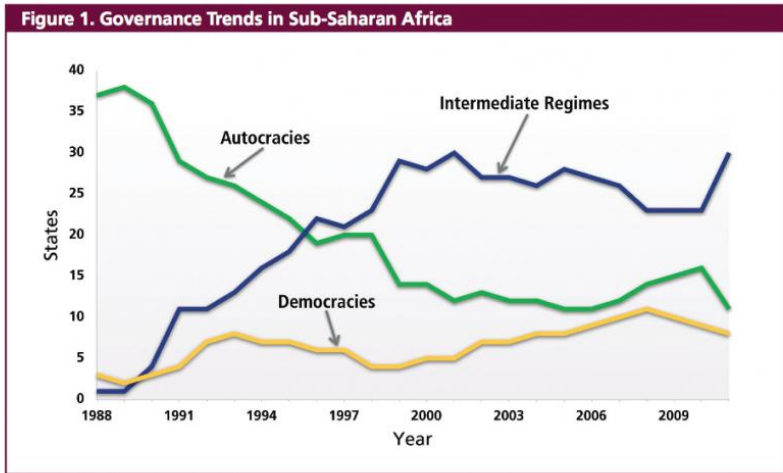
3. Physical capital

- catalyst for infrastructure and private finance (not crowding-out)

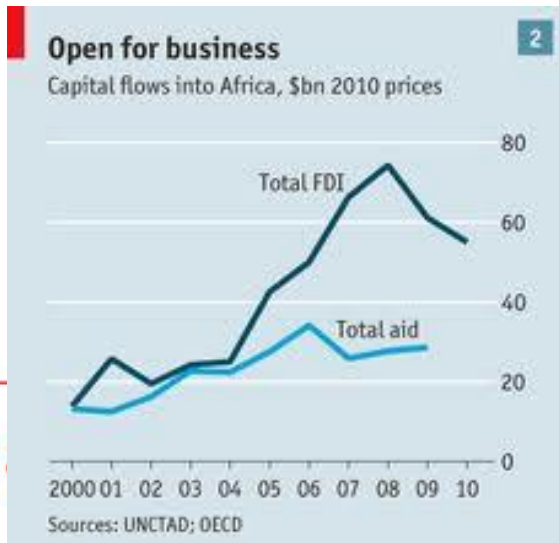
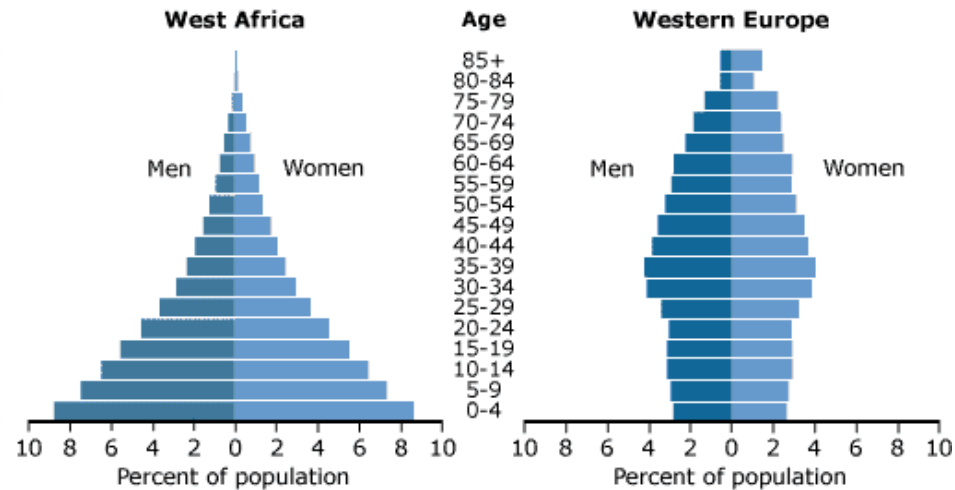
4. Technology

- transfer of technologies (mobile phones etc.)

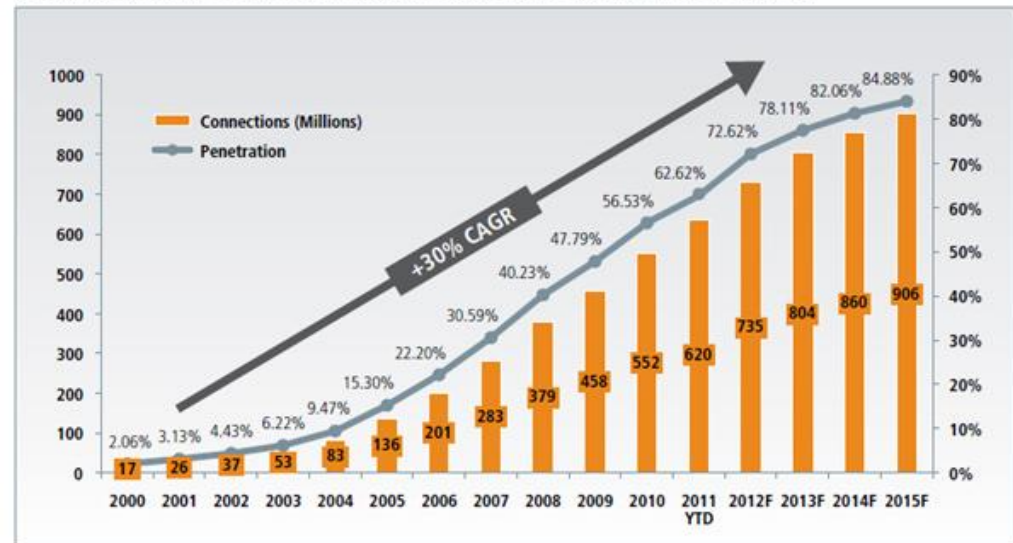
Africa – drivers of development and foreign aid



Source: Based on data from Polity IV.³



Total African Mobile Connections and Penetration Rate (million, % penetration)¹



Current topics in development discourse:

Policy coherence for development

- capital flight, cheap generics, remittances, climate change, trade in arms, food and fuel subsidies)

Architecture of aid:

- great fragmentation, high transaction costs, new emerging donors (China etc.)

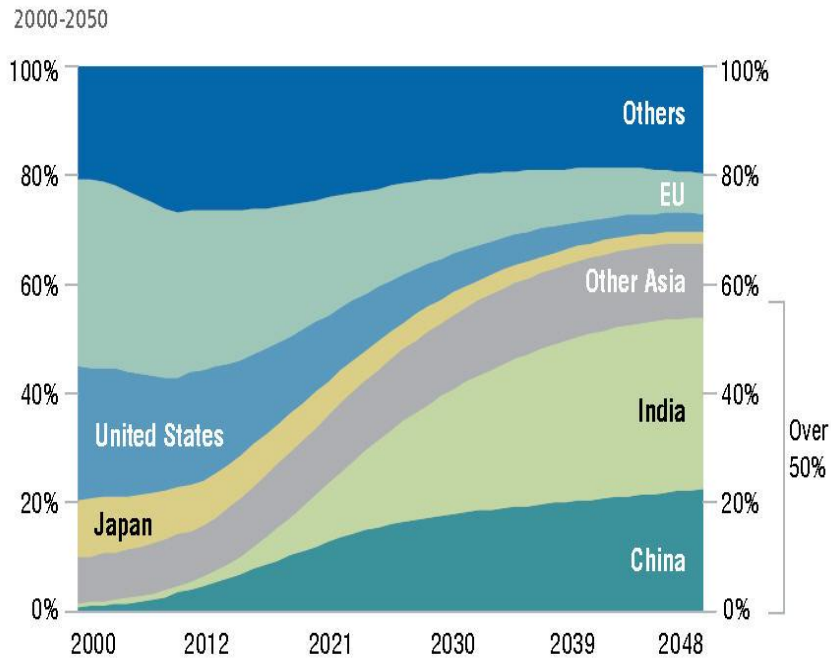
Response:

- ownership, budget support, division of labour

Current topics in development discourse:

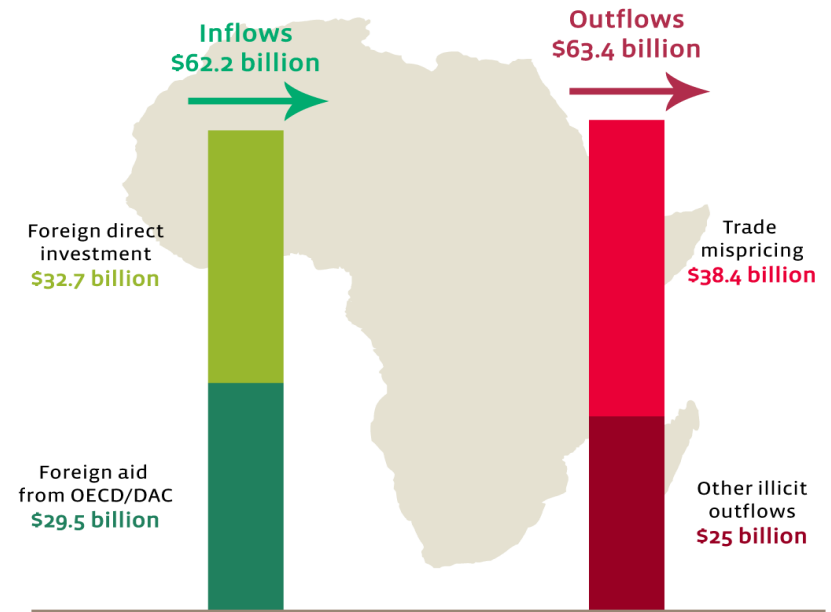
Where should poor countries look for inspiration: to the West or the East?

FIGURE 1. GLOBAL MIDDLE CLASS CONSUMPTION



Source: OECD Development Centre, Working Paper No. 285, "The Emerging Middle Class in Developing Countries," Homi Kharas.

Africa loses more in illicit outflows than it gets in foreign aid and investment



Figures are average annual 2008-2010 for Sub-Saharan Africa. Adapted from the Africa Progress Report 2013. Sources: OECD (n.d.), OECD Stats Extracts; Global Financial Integrity (2012), Illicit Financial Flows from Developing Countries 2001-2010; World Bank (2013), Global Economic Prospects - January 2013.

3. Czechs as partners in development:

- **How does the Czech Republic help poor countries?**

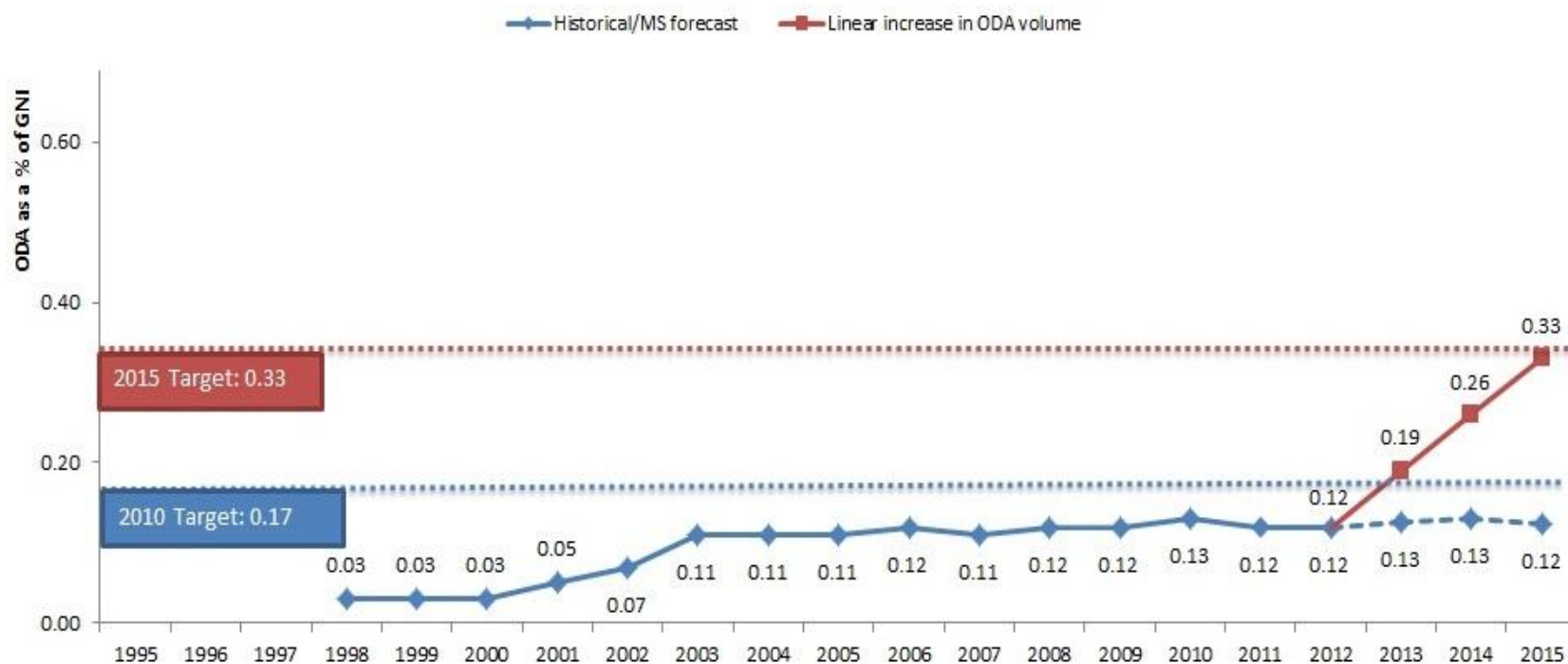
CzechAid - Milestones:

- 1989 Legacy of former Czechoslovakia
- 1995 Foreign aid re-established
- 2002 First concept paper
- 2007 Big foreign aid reform
- 2008 Establishment of CzAID
- 2009 Czech presidency in the EU
- 2010 Law on foreign aid
- 2013 Membership in OECD/DAC

CzechAid - Milestones:

Czech Republic - ODA as a % of GNI

Historical data and scenario for reaching 2015 targets



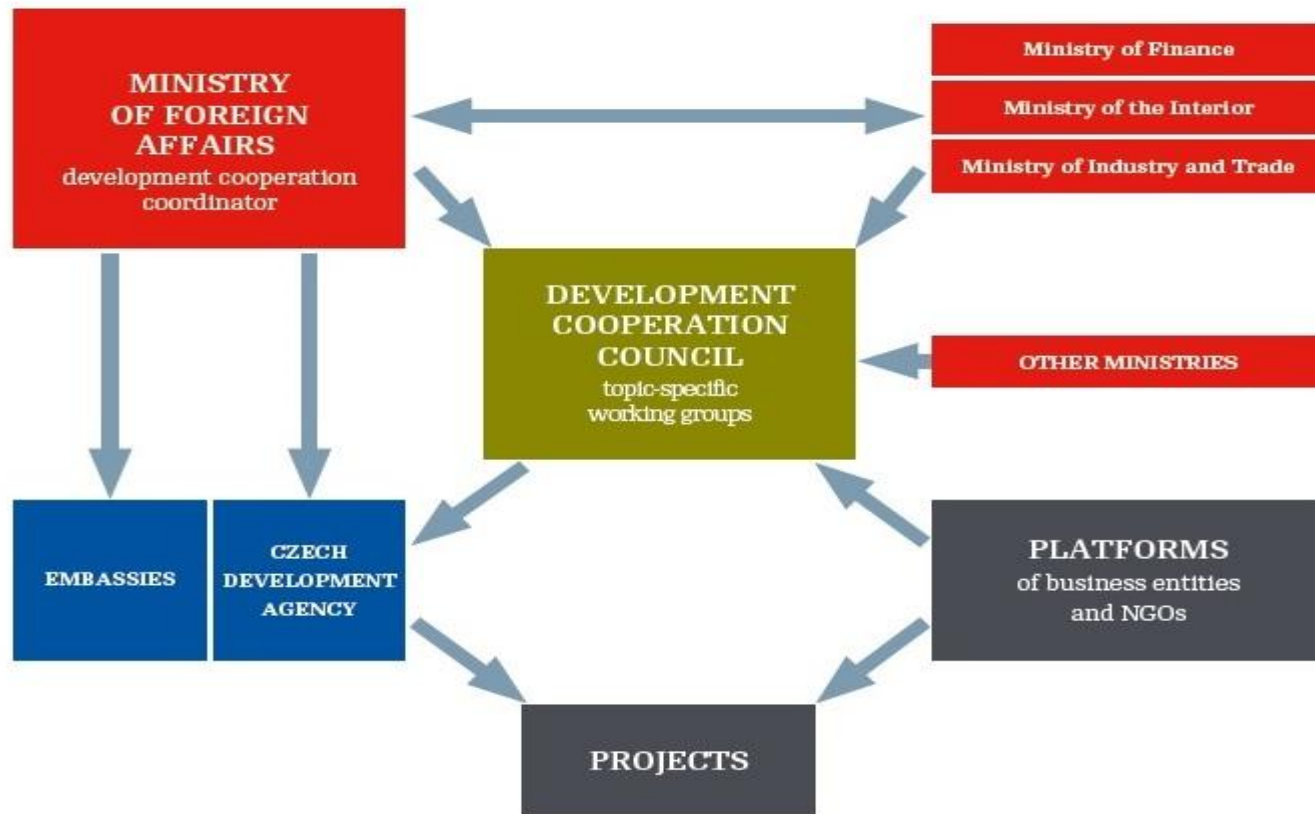
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CzechAid - Key players

- Government
- Ministry of Foreign Affairs / embassies
- Czech Development Agency (CzAID)
- Council for Development Cooperation
- Platforms (NGOs, private sector, municipalities)

CzechAid - Key players

Institutional structure of Czech Development Cooperation



CzechAid - Partner countries:

Western Balkans

- Bosnia and Hercegovina, Serbia, Kosovo

Eastern Europe

- Moldova, Georgia

Sub-Saharan Africa

- Ethiopia, Zambia, Angola

Middle East

- Afghanistan, Palestine, Yemen

Asia and Pacific

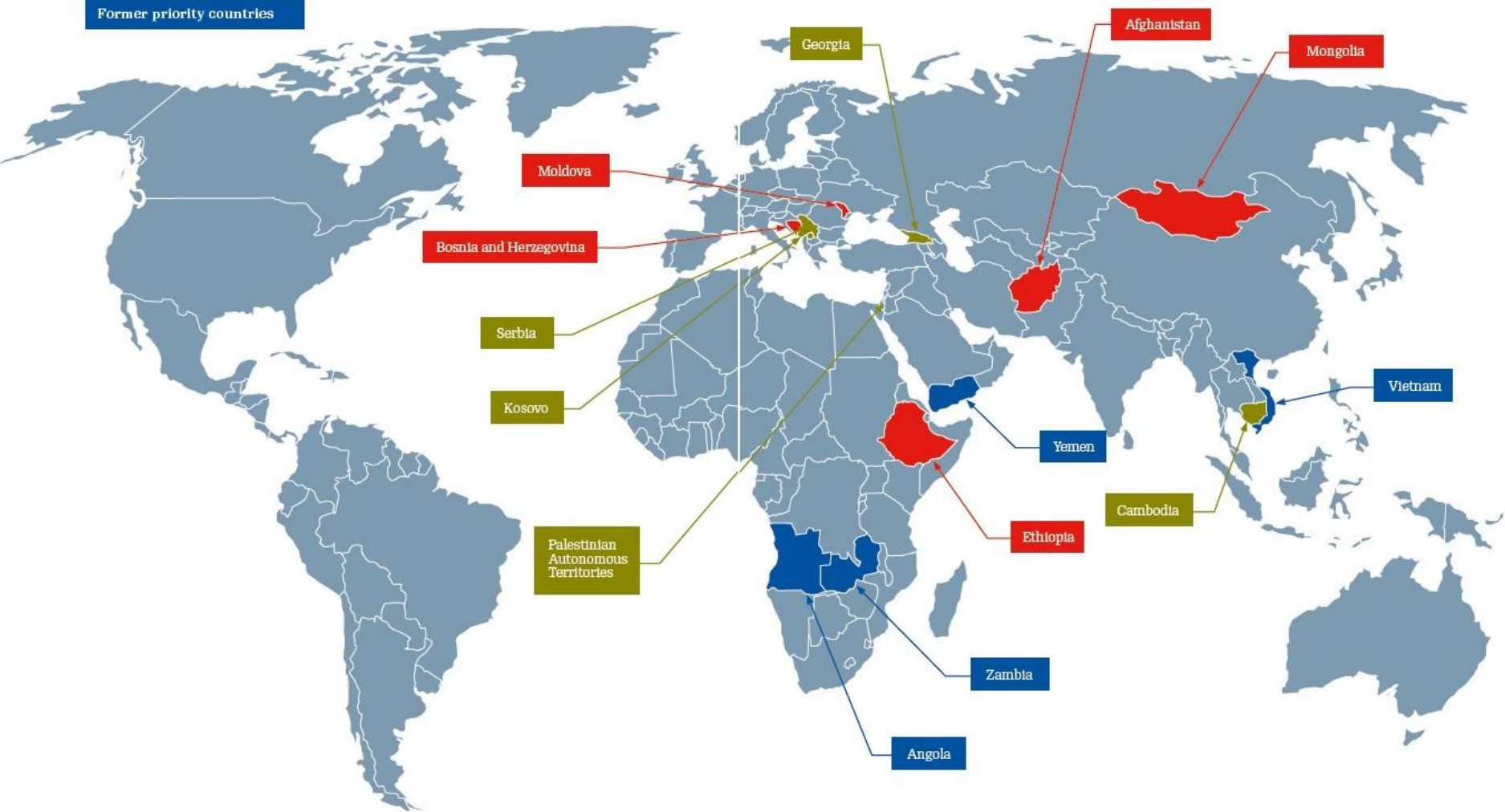
- Mongolia, Cambodia, Vietnam

CzechAid - Partner countries:

Programme countries

Project countries

Former priority countries



Other facts about Czech ODA:

Sectors:

- Water and sanitation, agriculture, environment/energy
- Social development (health, education, scholarships)
- Democracy support & good governance (special program)

Budget:

- overall ODA 200 million EUR (incl. scholarships, humanitarian relief, refugees, multilateral aid)
- of which 35 million EUR for core bilateral projects

Other facts about Czech ODA:

CZECH REPUBLIC

Net ODA	2010	2011	2012 p	Change 2011/12
Current (USD m)	228	250	219	-12.4%
Constant (2011 USD m)	244	250	240	-4.2%
In Koruny (million)	4 342	4 426	4 285	-3.2%
ODA/GNI	0.13%	0.12%	0.12%	
Bilateral share	35%	31%	29%	

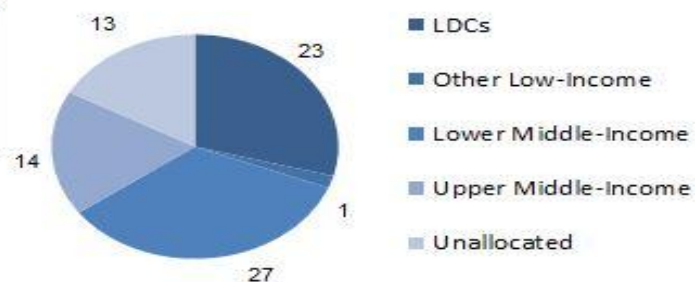
P. Preliminary data.

Top Ten Recipients of Gross ODA (USD million)	
1 Afghanistan	12
2 Mongolia	6
3 Moldova	4
4 Serbia	3
5 Bosnia and Herzegovina	3
6 Ukraine	3
7 Georgia	3
8 Kosovo	2
9 Ethiopia	2
10 Vietnam	2
Memo: Share of gross bilateral ODA	
Top 5 recipients	37%
Top 10 recipients	53%
Top 20 recipients	68%

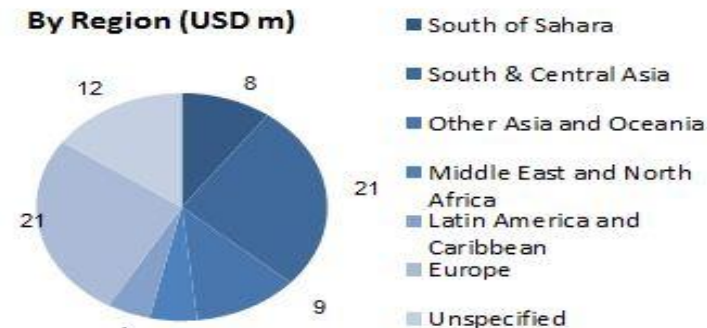
Gross Bilateral ODA, 2010-11 average, unless otherwise shown

By Income Group (USD m)

Clockwise from top



By Region (USD m)



By Sector



Source: OECD - DAC ; www.oecd.org/dac/stats

CzechAid - Achievements:

- Cross-party political support (but different reasons)
- Robust institutional and legal framework (2010 law)
- International recognition (EU Presidency, OECD/DAC)
- Trilateral projects (ADA, SIDA, USAID, EC, UNDP, V4)
- Transition experience = our comparative advantage

CzechAid – Challenges I:

- still too widely spread (goal: 2-3 partner countries, 1-2 sectors in each of them)
- limited presence on the ground (through MFA/embassies)
- limited budget (0.11% GNI versus 0.33% GNI by 2015)
- sustainability of projects (reliable partners, involvement of private sector)

CzechAid – Challenges II:

- small overall impact (aid is not enough - policy dialogue, coherence)
- compliance with the global agenda (division of labour, budget support, untying of aid)
- public awareness and support (outward-looking, confusion between humanitarian and development aid)

4. Questions and Answers

- **Everything You Ever Wanted To Know About Development
But Never Dared Ask ?**

Thank you for your attention!

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