

Medium-Term Strategy for Official Development Assistance: 2003 – 2008

Ministry of Foreign Affairs of the Slovak Republic

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MEDIUM-TERM STRATEGY FOR OFFICIAL DEVELOPMENT ASSISTANCE: 2003 –2008

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...No need for greed or hunger

A brotherhood of man

Imagine all the people

Sharing all the world...

You may say I'm a dreamer

But I'm not the only one

I hope some day you'll join us

And the world will live as one

IMAGINE

(by John Lennon)

Introduction

The Slovak Republic is a member of the donor community. From the moral point of view this is a result of the country's three-year membership in the OECD – the club of the 30 wealthiest countries of the world and its clear heading towards the Euro-Atlantic structures. In fact, Slovakia is a donor also due to the reason that it provides assistance to developing countries totalling SKK 300 – 400 million annually. However, the country has differed from the typical donors not only in terms of amounts of assistance provided (e.g. 0.042 per cent of GDP in 2001), but also because it did not have a comprehensive mechanism in place for development co-operation. Until last year assistance was mainly provided in the form of voluntary contributions to international organisations, using specialised programmes (e.g. scholarships) and in the form of humanitarian aid. In the past, the national budget did not have a special line referring to specific development assistance earmarked for selected priority countries. However, a key change has occurred in the budget of the Ministry of Foreign Affairs of the Slovak Republic (MFA) for the year 2003. A total of SKK 160,661,000₁ has been allocated for the programmes and projects of the official development assistance of the MFA. These are funds allocated beyond the framework of the existing development assistance. (The development instruments so far, such as e.g. the contributions to international organisations, scholarships, humanitarian aid, etc. will thus continue to be used in future as an important component of the Slovak foreign policy.) Hence, one of the preconditions for the development assistance to become an efficient component of the Slovak foreign policy was met. Other conditions are as follows: creation of mechanisms, structures, human resources, legal framework and establishing a strategy. The first four of the above mentioned tasks have been or will be covered by other documents. This document has the ambition to define strategic goals and approaches of the Slovak development policy. *“The Medium-Term Strategy of the Official Development Assistance for the years 2003 – 2008”* is thus a basis for further documents in the five-year period, including annual national programmes, bilateral

agreements with developing countries, financial guidelines, budgets, etc.

The critical determinant of Slovak development assistance as of next year should be the country's *membership in the European Union*. Upon accession to the EU, Slovakia will automatically join the common European system of providing development assistance. This will have financial, political, legal, institutional and organisational consequences for the Slovak Republic. Along with obligations (mainly financial contributions) Slovakia will find a broad range of opportunities. First, it will have the right to join and share in the decisionmaking processes of the Union in the area of development assistance. The second important aspect will be the possibility for Slovak entities, to participate in development and humanitarian projects funded by the EU. This will create room to use Slovak comparative advantages in supplying goods, services but also consulting works and know-how. These possibilities however are subject to the preparedness of governmental, non-governmental and private entities to stand the competitive environment in the EU. That is another reason why a functional and efficient system of Slovak development assistance has to be established in the course of 2003.

The document consists of three parts:

The first part defines the reasons (incentives), goals and priorities of the Slovak development assistance. Three topics were outlined – why Slovakia provides development assistance (i.e. reasons), what specific results it wishes to achieve by providing development assistance (i.e. goals) and how and whom Slovakia wishes to help (i.e. territorial and sectoral priorities).

The second part formulates seven strategic principles which Slovakia has to abide by, in order to make assistance efficient and useful for the beneficiary of the assistance as well as for Slovakia.

The third part outlines areas and forms of international co-operation of the Slovak Republic in providing development assistance.

¹ Based on Government resolution No. 89 of 5 February 2003 the MFA decided on tying up SKK 18,848,000 from the ODA programme. The amount of funds was thus reduced to SKK 141,813,000

I. Reasons, goals and priorities of the Slovak development assistance

In order to have a clear focus, composition and continuity of the Slovak development assistance, its goals and tasks have to be clearly defined. In the following part of the document we have therefore defined the goals which Slovakia intends to achieve in the long run by providing development assistance. These goals should be quantifiable to a degree and thus become an important component of the Slovak foreign policy. Nevertheless, it is necessary to differentiate between the goals themselves and the reasons (motives) for providing assistance.

1. Reasons (incentives)

Slovakia's heading towards the most developed countries of the world is an ongoing process with its formal milestones. They are: joining the thirty most developed countries in the OECD, as well as the prepared accession to the Euro-Atlantic structures. The process itself however, is a long-term issues and one of its features is the progressive harmonisation of development mechanisms and activities with those of the donor community. The international status of Slovakia is changing significantly and it is important that this change is accompanied not only with formal changes but also material changes. The second important incentive for providing development assistance is the fulfilment of obligations (mostly of moral nature) and promises resulting from Slovakia's membership in international organisations and from the accession to international documents. Even though these are mostly recommendations and moral obligations, the international community carefully observes how they are respected.²

An important document, which the Slovak Republic clearly signed, is the *UN Millennium Goals*. The third and most important motive for providing development assistance is Slovakia's interest in settling global issues. Slovakia wants to help the developing world according to its means. It is a moral obligation and it is based on the knowledge that the development in the developing world has an impact on the situation in the developed world, thus on Slovakia, too.

² At the EU summit in Barcelona in March 2002 the Member States agreed to increase the volume of development assistance provided until the year 2006. The individual effort should be to achieve a share of the ODA in the GDP of at least 0.33%. The long-term goal of the UN for the same parameter is 0.7%.

2. Goals

While the incentives for providing development assistance apply universally to a certain degree to all donor countries, the goals of individual countries are quite specific. The ambition of this document is to answer the question – what Slovakia wants to achieve by providing development assistance. The basic goals reflect the fact that Slovakia is not and won't be a strong donor in terms of amounts of assistance provided. The more important and more challenging issue is to find a firm place among the donors. The following five goals were selected and formulated in a way, allowing the Slovak participation in donor activities to be focused, efficient and useful for the beneficiary of assistance and Slovakia itself.

Transfer of Slovak experience and know-how

The SR has a particular experience not shared with the traditional donors. This experience is rooted in the transformation process after 1989. Within this transformation Slovakia underwent changes in all sectors of society (politics, economy, social sphere, etc.) The transfer of this experience to countries currently undergoing process will consolidate the political and economic ties of Slovakia with these countries.

Participation of Slovak experts in international development activities and mechanisms

Slovakia has a potential of highly skilled experts in various areas of interest for the development world. However, this fact is not reflected by the current state. Yet, the presence of Slovak specialists and experts in international organisations and initiatives is enhancing the credibility of Slovakia, the influence on the activities of these organisations and the possibility of participation of other Slovak entities in specific projects and programmes of development assistance. One of Slovakia's tasks in this area is therefore to create conditions and support the involvement of Slovak experts in international development organisations.

Participation of Slovak entities in international development projects

The range of possible involvement of Slovak entities in international projects and programmes of development assistance is quite broad. Opportunities emerge for NGOs and institutions of education as well as for suppliers of goods and services. These entities usually do not have the experience or funds to directly offer their capacities to international organisations. The role of the state (which moreover pays voluntary contributions to these organisations) is to foster the participation of Slovak entities in international tenders.

Expansion of economic co-operation with developing countries

Support of economic ties between the donor and the beneficiary of development assistance is not a motive but a positive consequence of their mutual relationship. The needs of the

receiving country are of key and critical importance for Slovakia. However, in the follow-up it is the goal to use development assistance for the enhancement of economic co-operation where possible.

Assistance to ethnic Slovaks

The ethnic Slovak community lives also in countries that are in the category of development assistance recipients. Assistance to ethnic Slovaks would therefore have a double effect.

3. Territorial priorities

The selection of countries, to which Slovak assistance is directed, is determined by the overall nature of assistance provided. An important element of Slovak development assistance is the strict specialisation and concentration on a limited number of countries. This ensues from the fact that Slovakia has limited financial and human resources in this area. The dispersion of resources would be at the cost of efficiency. Therefore, Slovak assistance will focus in the long run on 2-3 programme countries and some other project countries. A *programme country* is a beneficiary of assistance with whom Slovakia will develop a broader co-operation. Since its very beginning, this co-operation will be of more comprehensive nature and content. A memorandum of understanding will be signed with the beneficiary, and in the follow-up a detailed strategy will be worked out (*CSP – Country Strategy Paper*). On the other hand the co-operation between the Slovak Republic and the *project countries* will be simpler and based on the implementation of isolated and relatively small projects. In order to achieve the desired effect also with smaller projects, we have the ambition to incorporate the projects into programmes of larger donors and thus use the modality of trilateral co-operation.

Three groups of criteria [PH1]³ were established, and they served as a basis to evaluate whether the developing country should be included among the Slovak territorial priorities. Based on these criteria an indicative list of priority countries was created and approved by the board of the MFA in September 2002.

³ Political – economic criteria

– coherence with the foreign policy of the Slovak Republic, possibility to use the comparative advantages and the Slovak potential in the given country, economic co-operation and mutual trade;

Logistical and practical criteria

– presence of a representation of the Slovak Republic, existing infrastructure needed for operation and monitoring, activities of NGOs, experts and private businesses so far, their presence (or presence of their partners in the country), historic links with the Slovak Republic and traditions in co-operation, presence of Slovak community;

General criteria set out by the donor community

– level of social and economic development and urgency of needed aid, legal state and level of democracy.

⁴ Notes on the selection of countries:

- In the case of Serbia and Montenegro it is an ideal combination of political, economic and logistical criteria of selection. Even though Serbia and Montenegro is not a standard developing country, the aid provided is classified as official development aid (ODA). It is however necessary to take into account that it might be excluded from this category by the

donor community within 2 – 3 years. Therefore other 2 – 3 countries will be prepared in the course of next year. Even though it is not a precondition, they will probably be selected from among the current project countries, based on the experience in implementing initial projects in these countries in 2003.

- The fact that a country is on the indicative list of project countries does not automatically mean that implementation of projects will start immediately. The goal of the indicative list is mainly to preserve the principle of narrow specialisation of the Slovak development aid. The list will be processed further in the medium run (2003 – 2008) based on the experience with initial projects. In the course of this period it will thus be possible upon submitting convincing arguments to replace countries on the indicative list with new territorial priorities.

4. Sectoral priorities of the Slovak Republic (comparative advantages)

As in the case of territorial priorities, the basic principle is specialisation on a selected number of areas and activities. The potential of the Slovak Republic in the development area has to be harmonised with the needs of the assistance beneficiaries. It is our ambition to prevent a fragmentation of means and to focus on a selected number of areas, where the Slovak Republic has a good potential and advantages in comparison with other donors.

The comparative advantages of the Slovak Republic, and thus the priority sectors of the Slovak ODA are divided into three areas:

- **Developing democratic institutions and market environment**

The comparative advantages of the SR in this area result mainly from the unique experience which the SR has acquired since 1989. This know-how could be passed on countries that undergo a similar development at present. More specifically it is about development of market economy, changing ownership structures, creating a business environment and reforms in the public sector (managing public finance, reform of public administration and public service).

- **Infrastructure** (including the social infrastructure)

The potential of the Slovak Republic in this area concerns technical and social infrastructure (health care, education). Among the Slovak priorities, which could be of interest to the developing countries, is development of transport infrastructure, demining works, construction of sewage systems, water purification and treatment plants, development of waste management, projects and engineering services in the area of drinking water supply and development of energy infrastructure.

- **Landscaping, protection of the environment, agriculture, food safety and use of raw materials.** The third area of Slovak comparative advantages includes the know-how and capacities of Slovak entities in forestation, irrigation system construction, selected agricultural activities and geological research.

II. Long-term principles of the Slovak development assistance

Multilateral and bilateral donors abide by general principles which the developed countries agreed on or which are the result of their long-term experience. The Slovak ODA adopted these principles and incorporated them into the documents already adopted by the Slovak government. Therefore this document focuses on the implementation of generally applicable principles to the specific conditions of the emerging system of Slovak development assistance. The success of the Slovak development mechanism will depend on the long-term respect of these principles.

1. Specialisation

One of the basic features of the Slovak ODA in the upcoming years will be a relatively limited amount of available funds. Insufficient specialisation on selected commodities, spheres and territories would lead into a fragmentation of resources and a risk of funds spent inefficiently. Moreover, the fragmentation of development activities is hard to cope with also in respect of the limited human resources Slovakia has in this area at the moment. Even donors with amounts of funds several times higher try to specialise more. However, mainly for political reasons, it is very difficult to terminate assistance to a developing country, where the donor has been active for a longer time. It is a big advantage of Slovakia that bilateral assistance begins almost from scratch. Thus, if the principle of specialisation is strictly observed from the very beginning, it will be possible to avoid problems which most of the traditional donors are faced with.

2. Centralisation

Just as specialisation is necessary for the efficiency of the assistance provided, a thorough centralisation of the development assistance management is required. It is known from the experience of traditional donors but also countries entering the donor community along with Slovakia, that decentralisation has a negative impact on the efficiency of assistance provided. Decentralisation means that the foreign ministries are not able to efficiently use development assistance as a tool of foreign policy. At the same time it is very difficult to respect the previous principle, i.e. the specialisation on selected territories and sectors. Thus funds and the decision-making have to be centralised. This is related to the need to apply a single mechanism in the decision-making and spending of funds for bilateral and multilateral assistance, including the voluntary contributions to international organisations.

On the other hand it is necessary to involve all competent organisations and institutions into the decision-making process on specific development programmes and projects. This concerns not only ministries and state institutions, but also NGOs, universities and representatives of the private sector. Here, the *Co-ordination Committee for Development Assistance* as the consultative body of the Foreign Minister plays a key role.

3. Programme orientation

Segmentation of development assistance to individual projects means that the presence of the donor in the developing country does not have the desired impact, comprehensiveness and sustainability. Thus it is a clear trend in the donor community to progressively eliminate individual projects and replace them with a programme approach. Slovakia should act on this trend already in 2003 and keep it for the long run, for which certain preconditions were already created. Serbia and Montenegro were selected as the first programme country, on the grounds indicated in part I.3. A *Memorandum of Understanding* will be signed with Serbia and Montenegro in 2003 and a strategy will be established (hereinafter *CSP*, based on EU terminology – *Country Strategic Paper*). The CSP will set out priorities and goals of the assistance, and will become the Slovak programme for Serbia and Montenegro for a period of

several years. Equally other programme countries will be selected in the follow-up and a CSP will be drafted for these countries in the course of next year.

4. Using the comparative advantages of the SR

Among the general principles applied by the traditional donors to development assistance is the respect of the needs of the beneficiaries of assistance, i.e. the principle of partnership. The Slovak development activities have to be based on the same principle. If the Slovak development assistance is to be of interest to the recipients, it has to be based not on the amounts but on the proper selection of focus. It is necessary to be creative with the comparative advantages of Slovakia and use them specifically in those sectors where Slovakia has a particular experience and thus some potential.

5. Co-operation with NGOs

The involvement of non-governmental organisations (NGO) in the development activities is a standard modality applied by bilateral donors. Such co-operation is inevitable for Slovakia having very limited human resources in state administration in the area of development assistance. For traditional donors one of the main motives of co-operation with NGOs is their political independence, and thus access to territories, where a state institution would not be politically desirable. There are also other reasons in Slovakia for intensive involving of NGOs into development activities. Several Slovak NGOs have contacts to developing countries and international partners. They have specific experience from activities in Slovakia, which they can apply in developing countries, mainly in the social sphere, education, work with volunteers, etc. Also important is the capability of several NGOs to combine governmental and non-governmental funds by organising charity events, fundraisings, using foreign funds, etc.

6. Co-ordination with donors

A specific principle of the Slovak development assistance is the intensive co-operation with bilateral and multilateral donors. It concerns two areas. The first one is the use of foreign assistance in the establishment of Slovak development institutions, mechanisms and human resources. The principal partners of Slovakia in this area are the *Canadian International Development Agency CIDA* and the *UN Development Programme* (more details in parts III.2. and III.3.). The goal of this co-operation is to use the extensive experience of donors, avoid mistakes they made and create an operational and self-sufficient system of development assistance provision as soon as possible.

The second area will soon be the co-operation with donors on specific projects and programmes in the developing countries, i.e. trilateral co-operation. Along with the already mentioned two partners (CIDA, UNDP) we count on co-operation with other donors, mainly

from the EU Member States and Candidate Countries. Trilateral projects will enable Slovakia to accede to comprehensive programmes of traditional donors in the developing countries and use their infrastructure, contacts and experience.

7. Flexibility, transparency, public awareness

The previous six principles were formulated on the basis of a specific situation in which the provision of development assistance by Slovakia is. Flexibility, transparency and public awareness apply universally and not only to development assistance. Flexibility of the mechanism of assistance provision is important with regard to the need to react swiftly to the requirements of the developing countries. The need of transparency is due to the fact that it involves the management of public funds, moreover outside of the Slovak territory. Public awareness is needed also in respect of the sensitivity of the issue at a time when restrictive measures are applied in the social sector in Slovakia.

III. Co-operation with multilateral and bilateral donors

The co-ordination of donor activities is an important precondition of successful operations in the developing country. This condition applies to the SR the more as it begins with limited funds, lack of human resources and weak infrastructure framework in most of the developing countries. Co-operation in the creation of the system for the provision of Slovak development assistance and its integration into the international development community has been initiated by the *Canadian Agency CIDA* and the *UN Development Programme (UNDP)*. It is necessary for this co-operation to include mainly EU Member States and Candidate Countries, with regard to the circumstances resulting from the EU accession.

1. Development assistance of the SR in relation to the EU accession

The accession to the EU will be determining for the Slovak development assistance. Upon accession Slovakia will automatically join the common European system of providing development assistance which will bring about financial, political, legal institutional and organisational commitments. At the same time, a broad range of opportunities to participate in this system will emerge for the Slovak entities.

Financial aspects of Slovakia's accession to the EU will depend on the involvement in the funding mechanisms, used by the EU to implement development assistance. These are contributions to the *European Development Fund (EDF)*, as well as funding of development assistance through the current EU budget. The European Development Fund is designed to fund development countries of the *ACP (Africa-Caribbean-Pacific)*. The amount of the contribution is set after bilateral negotiations between the Member State and the EU. The basic criteria used are economic and demographic indicators. For the purpose of comparison – Denmark and Finland (countries with similar numbers of inhabitants to that of the SR) contributed EUR 295, and 204 million respectively towards the 9th EDF. Currently the EU is using its 9th EDF with a budget totalling EUR 13.5 billion for the period of 2000-2005. Along with the EDF the EU is funding development programmes in Latin America, Asia and CEEC as well as humanitarian programmes *from its current budget*. It is very difficult to assess the amount that will be used for the said purposes from the Slovak contribution to the EU budget. *Political and legislative aspects* of EU accession are set by the commitment to accept primary EU legislation in the area of development policy upon the date of accession to the Union. Hence, the obligation to harmonise the Slovak development policy with that of the EU and

co-ordinate the development aid provided. The development aid of the EU includes also other commitments and activities, such as – treaties and agreements with developing countries and a common trade policy, which includes a unified customs system and a system of customs preferences for developing countries.

Slovakia's accession to the EU will significantly influence also the *institutional and organisational* frameworks for the Slovak development aid. The EU does not prescribe to its members how the development aid should be organised or what its extent should be. Yet it is assumed that development aid will be stable, open for the participation of the governmental and non-governmental sector, co-ordinated with the development aid of the EU and respecting the “three C of Maastricht” (*Co-ordination, Complementarity, Coherence*). Along with financial obligations, a broad range of opportunities will emerge for Slovakia upon accession to the EU. First, the country will have the right to join and share in the decisionmaking processes of the Union in the area of development policy. The MFA and other ministries will have to prepare national administration, qualified representatives for EU structures as well as Slovak delegates for the consulting and steering committees. The second important aspect will be the possibility for Slovak entities, to participate in development and humanitarian projects funded by the EU. This will create room to use Slovak comparative advantages in supplying goods, services but also consulting works and know-how. These possibilities however are clearly subject to the preparedness of governmental, nongovernmental and private entities to stand the competitive environment in the EU.

2. Co-operation with CIDA and bilateral donors

The Canadian International Development Agency (CIDA) adopted its *ODACE* programme in November 2001 (*Official Development Assistance for Central Europe*). The goal of the Programme is to help the Slovak Republic (and other V4 countries) in the creation of human resources, institutions and mechanisms to provide development assistance to third countries. The entire programme is managed from Bratislava, where the programme manager for all V4 countries has had its seat since January 2003. The Canadian contribution to the programme for the 5 year period (2002 – 2006) totals CAD 15 million, while 5 million are earmarked for the first phase – creation of institutions, mechanisms and human resources and the remaining 10 million is the Canadian contribution to joint projects. Canada is thus the only bilateral donor ready to directly support with funding the creation of a functional system of official development assistance in the Slovak Republic.

3. Co-operation with the UNDP and multilateral donors

The UN Development Programme (UNDP) is the first donor co-operating with Slovakia in the area of official development assistance (since 1997). Examples of co-operation are projects of the UNDP with the MFA implemented continuously since 1999. The official development assistance is progressively becoming a UNDP priority in the V4 countries. As in the case of Canada, this programme for the V4 is managed from Bratislava. A precondition for a close co-operation with the UNDP is the presence of a *Regional Centre* of this organisation in Slovakia. Thus Slovakia has the unique opportunity to use the experience and services of the Bratislava centre in its first years of own development programmes. The

UNDP in Bratislava has almost 70 members in the team – experts, experienced administrative staff and support staff. Moreover, it manages offices in more than 30 countries, many of which are among the territorial priorities of the Slovak development assistance. One of the efficient modalities of co-operation is the creation of a joint fund, which is included in the *National Programme for the Year 2003*.

Also the *UN Industrial Development Organisation (UNIDO)* is an important partner of Slovakia in the area of official development assistance. The goal of the co-operation between Slovakia and the UNIDO is to strengthen industrial and economic development of the least developed countries of the world. Specific results of this co-operation should be the transfer of Slovak experience and know-how to selected industries, involvement of Slovak experts in international activities, through the UNIDO database and network, as well as participation of business entities in the integrated programmes of this organisation. The co-operation with the *Food and Agriculture Organisation (FAO)* should also build upon the results and experience of Slovak experts achieved so far.

Conclusion

It is one of the current challenges of the Slovak foreign policy to introduce a compact and efficient system for the provision of development assistance. The urgency of this topic is emphasised by the upcoming accession of the Slovak Republic to the EU, which will be quite demanding for the Slovak development policy. At the same time, it will however open up new opportunities for Slovak governmental and non-governmental entities and private businesses. An important step in this direction was the approval of the annual budget of the Slovak development assistance totalling SKK 160,661,000 in December 2002. These funds were allocated to the MFA as a co-ordinator of the development assistance beyond the framework of the traditional forms of Slovak development assistance.⁵ They will be used according to the goals, principles and priorities defined in this document.

⁵ The development instruments so far, such as e.g. the contributions to international organisations, scholarships, humanitarian aid, etc. will thus continue to be used in the future. Upon application of the amendment to the law on the national budget, they will however remain in the programme of official development aid.