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Development Assistance in the Light of Practise

Selected Linkages and Aspects

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Chapter One

Official Development Assistance and Poverty Alleviation – Introduction

Robert Stojanov

The contemporary world is characteristic by large economic disparities between particular countries and regions, linked to the high level of poverty in the least developed of them. The efforts to reduce the inequalities and poverty alleviation stand high on the political agenda, hand in hand with the term development as the most important way, how to fulfil the efforts (compare with STOJANOV, NOVOSÁK, 2007: 26). Over the last century, western conceptions of the world and history have been largely characterised by notions of progress, evolution, and development. Originally, the emphasis was laid on progress and evolution, however, since the Second World War development has become the term, most widely used (MARTINUSSEN, 2003: 34) as something unambiguously desired. Thus, it is not surprising that in the scholar literature, an enormous attention has been given to the concept of development and various tools used for development implementation, such as the official development assistance.

The Official Development Assistant (ODA), as one of the important development intervention tool, is the main domain of the publication. The ODA is phenomenon which many scholars cannot leave. The critical voices have become more intensive, in particular, during the last two decades. They point out small effectiveness of ODA and poverty-stricken results during the last fifty years.

However, the principal purpose of the book is to make reader acquainted with selected topics dealing with the broad issue of ODA, in particular for interested persons from Central and East Europe where the ODA questions are still under researched and full of myths in many cases (in Czech environment compare with KAPLAN, 2006; STOJANOV, NOVOSÁK, 2008). Although there are close and multifaceted relations between the official development assistance and poverty alleviation, it is rather obvious that this book cannot cover all relations between them. Only several issues were chosen and described in details by the authors. These topics include introduction to the official development assistance

and poverty alleviation linkages; the complicated relations between development assistance and security; the effectiveness of the ODA; the debt relief showed on the Czech Republic case study; and special case of development and humanitarian aid provided to victims of Chernobyl disaster.

The prime aim of the following chapters is to highlight selected issue dealing with the Official Development Assistance. In the context, the authors of the publication aspire to prompt a broader debate in development studies (issue) in Central-East Europe, which has been predominantly oriented on the discussion relates to the ODA budget increasing and another political consequences (issue of independent special development agency and its responsibilities, selection of countries for the ODA providing, etc.).

Specific questions were at the beginning of the writing the book such as "how significant is the role of the ODA in the effort of poverty alleviation on the global level?"; "is it possible to survey effectiveness of the ODA providing?"; "how can the ODA work in insecure environment?"; "how can the Czech Republic contribute to poverty alleviation in the developing countries, in particular as the creditor of these states?". However it is apparent, that this book cannot offer the comprehensive answers the questions mentioned above. The another goal of the publication is to point out to the mentioned issues and try to offer first hypothesis and selected basic sources for their additional study in more detail.

The authors of the book believe that processed topics will become very important in development studies and policy of Central-East European states. In the context we must express that the issues are only marginally surveyed in the Czech Republic as well as in other states of the region. Therefore, the publication wants to, at least partially, remove this gap by contributing to fundamental information and sources dealing with the issues and challenge towards improving the scholar-public discussion and research on the fields in the Czech Republic and other states of the region.

The book is firstly determined to development studies' scholars and students in the Czech Republic and whole Central-East Europe where is still entire lack of scholar literature in the subject field. Further expected interested persons are scholars and students from economy, politics and international relations, human geography, and others. Next one target group which could be interested in the publication are scholar-public from non-government development organizations, politicians and people from decision-making sphere which can influence creation or formation the national and international development policy and their higher effectiveness.

1.1 Book's Structure and Methodology

The present book is divided into seven thematic chapters, including open and conclusion chapters, and three case studies. Each of the chapter is predominantly focused on the selected issue dealing with the Official

Development Assistance. The analytical work in this publication centres around primary and secondary sources of data and information, concretely selected statistics from relevant organizations, author's own researched data, document-based research of key selected papers, studies, reports, selected books and other relevant publications, specialized websites, including selected electronic newspapers or databases in case of demand for 'fresh' information. Among the methods used are comparative and analytical methods, compilation, desktop analysis and field survey, personal or electronic consultation and discussion with the scholars on the particular issues. The analytical part of the research is focused on the searching relations and impacts (costs and benefits) of the ODA on development, especially, poverty alleviation in economic poor countries.

The book is structured to the chapters and the opening chapter of the publication deals with the poverty as one of the most important features of underdevelopment and the description of the official development assistance as the one of the most important development tool for intervention. The second chapter presents the documentation of some of the relationships between development and conflict/security from different perspectives and through different approaches: at the center of which are development cooperation in the light of changing nature of security architecture and perceptions of insecurity, implications of insecurity for the development, implication of underdevelopment for security and insecurity and the estimated possible role of the ODA in the insecure regions. The aim of the following chapter relates to the challenges of the effectiveness of the development assistance and its policy implications. The part of the book is structured to the theoretical introduction and empirical findings regarding aid's effectiveness, and section which describe the main factors determining aid effectiveness.

The fourth chapter of the book is focused on debt relief issue from the case study of the Czech Republic approach. The author of the part tries to describe the development of the issue from the Czech perspective, on the base of very limited data and information which are still partly non-public or confidential. The next chapter examines the progress in fulfilment of obligations within the frame of the Millennium Development Goals. The work concentrates on the issues of poverty alleviation and the increasing of the budget for the development assistance. The sixth chapter shortly observes the special linkages between the internal policy and development of humanitarian aid to local people in the Belarus Republic who are/were affected by Chernobyl nuclear disaster during the last twenty years. The final chapter of the publication concludes the mentioned issues and tries to find new challenges for a future development of the official development assistance in the Central and East European countries.

The information synthesized and analysed from various sources and other data sources are supplemented with the findings of the some field research are the main methodological tools used for the writing the book. The methodological approaches are described in particular chapters in more detail.

1.2 Poverty

This opening chapter of the book deals with the poverty as one of the most important features of underdevelopment and the description of the official development assistance as the one of the mentioned development tool for intervention. The prime goal of the desktop analysis and compilatory work is short introduction to the theoretical issues of official development assistance and poverty alleviation as the fundamental purpose of ODA establishing, including basic definition of ODA and poverty. However, these issues belong to the most relevant topics in the current debate on development for a last decade, this chapter, of course, cannot provide comprehensive analysis of the very complex issue.

All of us has already heard slogans 'Make poverty history', 'We have to fight against global poverty', 'We want to reduce poverty'. These sentences are not slogans from posters of May Day s communist celebrations in Czechoslovakia and other socialist countries in the Central and East Europe during the 1980s. After all, The World Bank s motto is 'Our mission is a world without poverty'. But is it possible to alleviate or eradicate global poverty? Who is our enemy is in this way? Do we really know the meaning of the word poverty? The simplest answer is that poverty is highly complex issue with many faces.

Poverty is, according to the study of WORLD BANK (1999: 26) in 23 countries, a multidimensional phenomenon, encompassing inability to satisfy basic needs, lack of control over resources, lack of education and skills, poor health, malnutrition, lack of shelter, poor access to water and sanitation, vulnerability to shocks, violence and crime, lack of political freedom and voice. Thus, we look at a number of *indicators* (levels of income and consumption, social indicators, and now increasingly indicators of vulnerability to risks and of socio/political access) and listen to the *voices of the poor*. This note contains new information on income poverty and social indicators by region and country, which show how living conditions have deteriorated substantially over the last decade for many people from developing regions (WORLD BANK, 2001: 3).

To know what helps to alleviate poverty, what works and what does not, what changes over time, poverty has to be defined, measured, and studied. So far, much more work has been done using consumption or income-based measures of poverty. But some work has been done on non-income dimensions of poverty, most notably in the Human Development Report prepared annually by the United Nations Development Programme (WORLD BANK, 2007 b). For the purpose of the chapter, we can simply define poverty as the state, when individuals or groups of people do not have fundamental sources for disposal to ensure their means of living. They find themselves in misery and subsistence insecurity.

How to measure poverty? COUDOUEL et al. (2002: 29) points out that the measurement and analysis of poverty, inequality, and vulnerability are crucial for cognitive purposes (to know what the situation is), for analytical purposes (to understand the factors determining this situation), for policy-making purposes (to design interventions best adapted to the issues), and for monitoring and

evaluation purposes (to assess the effectiveness of current policies and to determine whether the situation is changing). According to the report of WORLD BANK (2007 b) the most commonly way used to measure poverty is based on incomes or consumption levels, a person is considered poor if his/her consumption or income level falls below some minimum level necessary to meet basic needs. This minimum level is usually indicated as the '*poverty line*'. What is necessary to satisfy basic needs varies across time and societies (countries) and it depends on their level of development, societal norms and values. Information on consumption and income is obtained through sample surveys, asking households to answer detailed questions on spending habits and sources of income. The sample survey data collection methods are increasingly being complemented by participatory methods, where people are asked what their basic needs are and what poverty means for them. Interestingly, some research shows a high degree of concordance between poverty lines based on objective and subjective assessments of needs (WORLD BANK, 2007 b; for more details see COUDOUEL et al., 2002).

When estimating poverty at the global level, the same reference poverty line has to be used, and expressed in a common unit across countries. Therefore, for the purpose of global aggregation and comparison, the report of WORLD BANK (2007 b) uses reference lines set at 1 USD and 2 USD per day in 1993 Purchasing Power Parity (PPP) terms (where PPPs measure the relative purchasing power of currencies across countries). However, the international poverty line was redrawn on the base of the latest estimates on over 500 household surveys from 100 developing countries, representing 93 per cent of the population of the developing world. Since 2000, the international poverty line has been exactly set at 1.08 USD per day, measured in terms of 1993 purchasing power parity. In 2008, new estimates of PPP, based on 2005 prices, will be produced by the International Comparison Program. These new measures of the relative cost of living among countries will require a revision to the international poverty line and may change our understanding of the extent and distribution of global poverty (UNITED NATIONS, 2007: 7).

While much progress has been made in measuring and analysing income poverty, efforts are needed to measure and study the many other dimensions of poverty, especially on non-income proportions of poverty includes assembling comparable and high-quality social indicators for education, health, access to services and infrastructure. It also includes developing new indicators to track other dimensions – for example risk, vulnerability, social exclusion, access to social capital – as well as ways to compare a multi-dimensional conception of poverty, when it may not make sense to aggregate the various dimensions into one index (WORLD BANK, 2007 b).

In addition to expanding the range of indicators of poverty, according to report from WORLD BANK (2007 b), another work is needed to integrate data coming from sample surveys with information obtained through more participatory techniques, which usually offer rich insights into why programs work or do not. The report adds that participatory approaches illustrate the nature of risk and vulnerability, how cultural factors and ethnicity interact and affect

poverty, how social exclusion sets limits to people's participation in development, and how barriers to such participation can be removed (for details see WORLD BANK, 2000).

During the 1990s and beginning of new decade, living standards have risen interestedly on the global level. Proportion of the developing world's population living in extreme economic poverty, defined as living on less than 1 USD per day (see above), has fallen in developing countries from 31.6. per cent in 1990 to 15.8 per cent in 2004 (see Table 1.1).

Substantial improvements in social indicators have accompanied growth in average incomes. Infant mortality rates in low- and middle-income countries have fallen from 86 per 1,000 live births in 1980 to 60 in 2002, and life expectancy in these countries has risen from 60 to 65 between 1980 and 2002. Adult literacy has also improved, though serious gender disparities remain (WORLD BANK, 2007 b; for details see WORLD BANK, 2005; UNMP, 2005; UNSD, 2005).

Table 1.1: Proportion of population living on less than 1 USD per day in selected years (percentage)

Regions	1990	1999	2004
Developing regions	31.6	23.4	15.8
Transition countries of South-Eastern Europe	< 0.1	1.3	0.7
Commonwealth of Independent States	0.5	5.5	0.6
Northern Africa	2.6	2.0	1.4
Sub-Saharan Africa	46.8	45.9	41.1
Latin America and Caribbean	10.3	9.6	8.7
Eastern Asia	33.0	17.8	9.9
Southern Asia	41.1	33.4	29.5
South-Eastern Asia	20.8	8.9	6.8
Western Asia	1.6	2.5	3.8

Source: UNITED NATIONS (2007: 6)

However the above mentioned growth of living standards is unquestionable, the increase is definitely insufficient, in particular in some regions. The global picture of poverty alleviation masks large regional differences. The definitely worst situation is in sub-Saharan Africa (see Table 1.2), even if the Oceania is excluded from the statistics due to the limited data available. However, from the methodological point of view is necessary to add that high-income economies as defined by the World Bank are also excluded from regional statistics. Countries and other entities are classified by the World Bank as low-income if their gross national income per capita in 2001 was 745 USD or less, measured by the World Bank Atlas method; the cut-off for middle-income countries is 9,205 USD (UNSD, 2005).

Global trends in poverty reduction have been dominated by rapid growth in China. Poverty also fell in South Asia over the past 20 years, and while the decline was not as rapid, almost 45 million fewer people were living in extreme

poverty by 2001. But in Sub-Saharan Africa, poverty rose from 41 per cent in 1981 to almost 46 per cent in 2001, and an additional 150 million people were living in extreme poverty (WORLD BANK, 2007 a; UNSD 2005; for details see WORLD BANK, 2005). Other regions have seen little or no significant change. In the early 1990s the transition economies of the Commonwealth of Independent States experienced a sharp drop in income due to economic problems. Poverty rates rose to 5.5 per cent at the end of the decade before beginning to recede to the beginning level.

Table 1.2: Countries with more than 50 percentage share of the population living on less than 1 USD per day (2001)

Country	percentage of population below 1 USD PPP per day
Uganda	84.3
Nigeria	69.9
Sierra Leone	65.7
Niger	64.7
Central African Republic	64.4
Mali	64.3
Zambia	63.3
Madagascar	61.0
Zimbabwe	58.3
Burundi	57.0
Nicaragua	50.5
United Republic of Tanzania	50.5

Note: Based on data available for 72 countries in the developing regions.
Source: UNSD (2005)

It was already mentioned that poverty is much more than income alone. For the poor, the good life or well-being is multidimensional with both, material and psychological dimensions. Well-being is food, peace of mind, good health, belonging to a community, safety, freedom of choice and action, a dependable livelihood and a steady source of income. The poor describes ill-being as lack of material things, food especially, but also lack of work, money, shelter and clothing, and living and working in often unhealthy, polluted and risky environments. They also defined ill-being as bad experiences and bad feelings about themselves. Perception of powerlessness over one's life and of voicelessness was common, so was anxiety and fear for the future (WORLD BANK, 2008).

Finally, let us read and especially feel short excerpts from the special World Bank's studies dealing with '*Voices of Poor'* (WORLD BANK, 2008; NARAYAN et al., 1999 a; NARAYAN et al., 1999 b; WORLD BANK, 2001; NARAYAN, PETESCH, 2002). The poor people speak about their lives, what it means to be poor. The excerpts are organized around the major selected conclusions of the reports:

a) The poor view well-being holistically.
   - *"Poverty is lack of freedom, enslaved by crushing daily burden, by depression and fear of what the future will bring."* – respondent from Georgia 1997 (NARAYAN et al., 1999b: 31).
   - *"When one is poor, she has no say in public, she feels inferior. She has no food, so there is famine in her house; no clothing, and no progress in her family."* – a woman from Uganda 1998 (WORLD BANK, 2008).
   - *"For a poor person everything is terrible – illness, humiliation, shame. We are cripples; we are afraid of everything; we depend on everyone. No one needs us. We are like garbage that everyone wants to get rid of."* – a blind woman from Tiraspol, Moldova 1997 (NARAYAN etl., 1999b: 203).
   - *"If you want to do something and have no power to do it, it is talauchi (poverty)."* – an old men in Nigeria (NARAYAN et al., 1999b: 26).
   - *"Lack of work worries me. My children were hungry and I told them the rice is cooking, until they fell asleep from hunger."* – an older man from Bedsa, Egypt (WORLD BANK, 2008).

b) Insecurity has increased. Violence is on the rise, both domestically and in the society. And the poor feel they have been bypassed by new economic opportunities.
   - *"Everyday I am afraid of the next"* – a poor resident of El'mash, Russia (NARAYAN, PETESCH, 2002: 326).
   - *"Wasta (nepotism or connections) is the most important thing. If one has wasta then one can work."* – a people from Dashour Village, Egypt (WORLD BANK, 2008; WORLD BANK, 2001: 47).
   - *"Life in the area is so precarious that the youth and every able person has to migrate to the towns or join the army at the war front in order to escape the hazards of hunger escalating over here."* – a discussion group in rural Ethiopia (WORLD BANK, 2008).
   - *"After one poor crop, we need three good harvests to return to normal."* – Vietnam 1999 (NARAYAN et al., 1999b: 48).
   - *"If you don't have money today, your disease will take you to your grave,"* – an old woman from Ghana 1995 (NARAYAN et al., 1999b: 87).

c) Gender inequity is widespread, domestic violence pervasive and gender relations stressed.
   - *"Men rape within the marriage. Men believe that paying dowry means buying the wife, so they use her anyhow at all times. But no one talks about it."* – Uganda 1998 (NARAYAN et al., 1999b: 152).
   - *"The unemployed men are frustrated because they no longer can play the part of family providers and protectors. They live on the money made by their wives, and feel humiliated because of this."* – an elderly woman, Uchkun village, The Kyrgyz Republic (NARAYAN et al., 1999a: 20).
   - *"When a woman gives her opinion, they [men] make fun of her and don't pay attention." "If women go to a meeting, they don't give their opinion."* – a woman in Las Pascuas, Bolivia (WORLD BANK, 2008).

- *"When my husband died, my in-laws told me to get out. So I came to town and slept on the pavement."* – a middle-aged widow in Kenya 1996 (NARAYAN et al., 1999b: 205).
- *"Problems have affected our relationship. The day my husband brings in money we are all right together. The day he stays at home (out of work) we are fighting constantly."* – a woman from El Gawaber, Egypt (WORLD BANK, 2008).

d) The poor want governments and state institutions to be more accountable to them. Corruption emerges as a key poverty issue.
   - *"If you have no relatives among high government officials, people treat you as second rate. If you have any problems with your business, or get in trouble with the police, you will lose your case and won't have your problems resolved. Those who have power and money will always win."* – At Bashi, The Kyrgyz Republic (NARAYAN, PETESCH, 2002: 478; WORLD BANK, 2008).
   - *"We keep hearing about monies that the government allocates for projects, and nothing happens on the ground."* – South Africa 1998 (NARAYAN et al., 1999b: 67).
   - *"Nobody is able to communicate our problems. Who represents us? Nobody."* – discussion group in Foua, Egypt (WORLD BANK, 2008).
   - *"If you don't know anyone, you will be thrown to the corner of a hospital!"* – a Konada fisherwoman, India (NARAYAN, PETESCH, 2002: 154).
   - *"Where a road passes, development follows right on its heels."* – an old man in Cameroon 1995 (NARAYAN et al., 1999b: 217).
   - *"I repeat that we need water as badly as we need air."* – a woman from Tash-Bulak, The Kyrgyz Republic (WORLD BANK, 2008).
   - *"If parents do not meet these payments, which are as high as Rs. 40 to 50 per month, the teachers were reported to beat the student or submit a failing grade for her/him."* – a person from Pakistan 1996 (NARAYAN et al., 1999b: 98).

1.3 Official Development Assistance (ODA)

The Official Development Assistance[1] has been one of the fundamental tool for development intervention for an almost last six decades. What is the ODA exactly? For measure and classify of ODA and other resource flows originating in Development Assistance Committee (DAC) of Organisation for Economic Co-operation and Development (OECD) member countries is designed 'the DAC list of ODA recipients' (see Table 1.3) which is usually reviewed every three years. The Senior Level Meeting of the Development

[1] The term 'Official Development Assistance' is frequently used as 'Development Assistance', 'Development Aid' or 'Foreign Aid'. The Czech government and ministries use term 'Foreign Development Assistance' (Zahraniční rozvojová pomoc) in their official documents which has broader context by 2005, because it also includes the 'Official Aid'.

Assistance Committee, held in Paris on 6–7 December 2005, approved a new list of recipients of ODA (see Table 1.3). It will govern ODA reporting for three years, starting with 2006 reporting on 2005 flows. The new list is organized on more objective needs-based criteria than its predecessors. It includes all low and middle income countries, except those that are members of the G8 or the European Union (OECD, 2006 c).

The Official Development Assistance is defined as those flows to countries on the DAC List and to multilateral institutions for flows to ODA recipients which are (OECD, 2007 b: 1; for details see OECD, 2007 a):

1) provided by official agencies, including state and local governments, or by their executive agencies; and
2) each transaction of which:
   a) is administered with the promotion of the economic development and welfare of developing countries as its main objective, and
   b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent). This calculation is to determine if a loan is concessional or not. If the loan satisfies the ODA criteria, the whole amount is reported as ODA. The grant element is not used to discount the face value of a loan in DAC reporting. Reporting is on a cash (nominal) basis, with the one exception noted where NPV is used.

The List of ODA recipients is designed for statistical purposes, not as guidance for aid or other preferential treatment. In particular, geographical aid allocations are national policy decisions and responsibilities (OECD, 2007 a: 6). Other official non-military flows to ODA recipients are recorded as 'Other official flows' (OECD, 2007 b: 1).

It should be noted that in the past the term 'Official Aid' (OA) was used, that recorded the flows to countries on former Part II of the DAC List and to multilateral institutions for Part II recipients if they meet tests 1) and 2) above[2] (OECD, 2001: 2). However, the OA has not been mentioned in OECD's documents over the last year (see for example OECD, 2007 a; OECD, 2007 b) and it was repealed in principle. The countries that received the assistance within the framework of the aid, were incorporated to the DAC list of ODA recipients (see Table 1.3), or the receiving assistance to the countries, which could be contributing to the ODA, was discontinued.

Application of above mentioned principle entailed only minor adjustments to countries eligible for ODA, says report of OECD (2006 c). Bahrain, now a high income country, has been removed from the list, while Belarus, Libya and Ukraine, which are middle income countries, have joined it. The net effect of these changes is minor: they are likely to raise ODA by about 0.5 per cent in 2005 compared with the old method. This would normally not affect the DAC average ODA/GNI ratio. Aid is increasingly concentrated on the poorest

[2] In the Czech context the Official Aid led to selected former Soviet Union countries such as Ukraine or Belarus.

Table 1.3: DAC list of ODA recipients effective from 2006 for reporting 2005, 2006, and 2007

Least Developed Countries	Other Low Income Countries (per capita GNI < 825 USD in 2004)	Lower Middle Income Countries and Territories (per capita GNI 826–3,255 USD in 2004)	Upper Middle Income Countries and Territories (per capita GNI 3,256–10,065 USD in 2004)
Afghanistan	Cameroon	Albania	* Anguilla
Angola	Congo, Rep.	Algeria	Antigua and Barbuda
Bangladesh	Côte d'Ivoire	Armenia	Argentina
Benin	Ghana	Azerbaijan	Barbados
Bhutan	India	Belarus	Belize
Burkina Faso	Kenya	Bolivia	Botswana
Burundi	Korea, Dem.Rep.	Bosnia and Herzegovina	Chile
Cambodia	Kyrgyz Rep.	Brazil	Cook Islands
Cape Verde	Moldova	China	Costa Rica
Central African Rep.	Mongolia	Colombia	Croatia
Chad	Nicaragua	Cuba	Dominica
Comoros	Nigeria	Dominican Republic	Gabon
Congo, Dem. Rep.	Pakistan	Ecuador	Grenada
Djibouti	Papua New Guinea	Egypt	Lebanon
Equatorial Guinea	Tajikistan	El Salvador	Libya
Eritrea	Uzbekistan	Fiji	Malaysia
Ethiopia	Viet Nam	Georgia	Mauritius
Gambia	Zimbabwe	Guatemala	* Mayotte
Guinea		Guyana	Mexico
Guinea-Bissau		Honduras	* Montserrat
Haiti		Indonesia	Nauru
Kiribati		Iran	Oman
Laos		Iraq	Palau
Lesotho		Jamaica	Panama
Liberia		Jordan	Saudi Arabia (1)
Madagascar		Kazakhstan	Seychelles
Malawi		Macedonia, Former Yugoslav Republic of	South Africa
Maldives		Marshall Islands	* St. Helena
Mali		Micronesia,Fed. States	St. Kitts-Nevis
Mauritania		Morocco	St. Lucia
Mozambique		Namibia	St. Vincent & Grenadines
Myanmar		Niue	Trinidad & Tobago
Nepal		Palestinian Adm. Areas	Turkey
Niger		Paraguay	* Turks & Caicos Islands
Rwanda		Peru	Uruguay
Samoa		Philippines	Venezuela
Sao Tome & Principe			
Senegal			
Sierra Leone			

Solomon Islands	Serbia & Montenegro
Somalia	Sri Lanka
Sudan	Suriname
Tanzania	Swaziland
Timor-Leste	Syria
Togo	Thailand
Tuvalu	* Tokelau
Uganda	Tonga
Vanuatu	Tunisia
Yemen	Turkmenistan
Zambia	Ukraine
	* Wallis & Futuna

* Territory.

(1) Saudi Arabia passed the high income country threshold in 2004. In accordance with the DAC rules for revision of this List, it will graduate from the List in 2008 if it remains a high income country in 2005 and 2006. Its net ODA receipts from DAC Members were USD 9.9 million in 2003 and USD 9.0 million (preliminary) in 2004.

Source: OECD (2006 c)

countries now. In recent years, only 2–3 per cent of net ODA has gone to countries with per capita incomes above 3,000 USD. The List will be reviewed again in 2008 and all countries that have been in the high income group for the previous three consecutive years will be removed (OECD, 2006 c).

The Official Development Assistance consists of 'bilateral' and 'multilateral' assistance (transactions, contributions). OECD (2007 a: 6) defines the *bilateral assistance* are those transactions undertaken by a donor country directly with a developing country. They also include transactions with national and international non-government organisations active in development and other internal development-related transactions such as interest subsidies, spending on promotion of development awareness, debt reorganisation and administrative costs.

The *multilateral contributions* are those made to a recipient institution which (OECD, 2007 a: 6):

a) conducts all or part of its activities in favour of development;
b) is an international agency, institution or organisation whose members are governments, or a fund managed autonomously by such an agency; and
c) pools contributions so that they lose their identity and become an integral part of its financial assets.

The OECD's report (OECD, 2007 a: 6) adds if the donor effectively controls the disposal of the funds by specifying the recipient or other aspects of the disbursement (e.g. purpose, terms, total amount, reuse of any repayments), then the contribution should be classified as bilateral and allocated to the appropriate recipient country.

Further, ODA is generally ad hoc classified into two categories, in 'Humanitarian (Crisis) Aid' and 'Development Assistance'[3]. STOJANOV and NOVOSÁK (2007: 38) define the *Humanitarian (Crisis) Aid* as activities connected with immediate reaction to humanitarian crises, in other words to any situation disturbing dignified life through natural hazards or man-made crisis (conflicts). Prevention and reduction of human suffering, life protection, and respect to human dignity belong to the fundamental goals of humanitarian aid. It is usually characterized by short-term aid leading to satisfaction of fundamental human needs and restoration of their normal life (compare with PAZDERKA, et al., 2005: 101–102 in Czech environment). Fundamental principles of humanitarian aid providing are, above all, humanity, impartiality (objectivity), neutrality and independence. Humanitarian aid is usually provided in five basic sectors (STOJANOV, NOVOSÁK, 2007: 38–39):

a) water/sanitation (acronym 'watsan'),
b) food,
c) habitation,
d) health care,
e) psycho-social help.

According to STOJANOV and NOVOSÁK (2007: 39) the *Development Assistance* is generally oriented to the monitoring of long-term social and economic conditions of human life in poor countries, and searching of mechanisms how to improve the conditions. They point out that to the fundamental principles of development assistance realization belong:

- partnership (cooperation with local subjects),
- systematic activity (project has to satisfy concrete needs and priorities of the region/country),
- long-term sustainability (long-term effects of any project),
- accent on gender equality,
- environment friendly technologies,
- sensitivity to local cultures and traditions – it is necessary to cooperate with local people/community and their direct participation on the project (local ownership and empowerment).

The prime purpose to establish the ODA was poverty reduction in developing (economically poor) regions. However, the main motives to provide the ODA are moral on the one hand, and politic and pragmatic on the other hand. The moral motivations include (STOJANOV, NOVOSÁK, 2007: 39):

a) long tradition in European context of humanity (ancient philosophy, the Christianity, the Enlightenment, etc.),

[3] The *Development Cooperation* is relatively newer term for development assistance, which try to express equal roles of participating partners ("former' donors and recipients) on the development process or during the development intervention providing (STOJANOV, NOVOSÁK, 2007: 38). This is frequently used by Non-Government Development Organizations.

b) humanity rooted inside other religions and civilizations in the world, according the principles is correct (fair) help other humans in emergency,
c) compunction of former colonial powers inhabitants.

The various politic and pragmatic motives cover the items such as (compare with STOJANOV, NOVOSÁK, 2007: 39):

- support of national foreign policy at the international level, in the international organizations (this is typical for Japan and newly also for China) etc.,
- support of international trade from the internal perspective,
- internal economic production,
- conflict and terrorism prevention,
- environmental degradation prevention,
- international migration flows prevention,
- economic investments.

1.4 Poverty Alleviation and the ODA

As was mentioned above, the main purpose to establish the ODA was poverty reduction in developing countries. Nevertheless, the results of the ODA providing for a last five decades, particularly in least developed countries (LDCs), show unsatisfactory effects. For instance, the success of poverty alleviation on the global level, as the most important goal of development interventions, is based, above all, on huge economic growth in China in last two decades. Similarly, the implementation of the most of quantitative targets within the framework of the Millennium Development Goals depend on the economic development in China and India. In the context it is definitely apparent that providing of the Official Development Assistance does not play any significant role in the poverty alleviation on the global level.

Discussion on the official development assistance shows features related to the risks to trigger development in poor countries. One of the most mentioned critical issue is efficiency of the ODA providing. LANCASTER (1999: 48–49), claims that results of ODA-financed projects and programmes in Africa have been for the most part among the least effective in achieving their goals and sustaining their achievements of any in the world. She points out that there is some evidence that aid projects in Africa became less effective in the 1980s and 1990s even as the level of aid rose. At the approach, the chapter below of the publication covers the ODA effectiveness issue for more detail.

However, there are series of critics' arguments that present way of development programmes implementation goes along with many errors and the development interventions need urgent change (CHAMBERS, 2003; MACRAE, 2001), or that ODA is served as the tool for increasing aid dependency of developing countries (LENSINK, WHITE, 2001: 42–47; LANCASTER, 1999: 42, 66–69). Further, there are some negative aspects of the ODA providing and

MACRAE (2001: 170), in the context, calls attention to fact, that the ODA still remains an instrument of foreign policy.

Similarly THÉRIEN and LLOYD (2000: 33) argue that for many reasons, development assistance remains an instrument of control by the North over the South, as well as (neo-colonial) development concept, based on agro-mineral specialization, as the whole (AMIN, 2006). THÉRIEN and LLOYD (2000: 21) claim that ODA, with financial transfers of close to 1 trillion USD for a half century since the late 1940s (WORLD BANK, 1998: 2), was a mainstay of North-South economic relations for a long time. Nevertheless, the aid has never been lower on the foreign policy agendas of the developed countries, just as in 1990s. This is a direct result of the lack of both financing and leadership in that time and the ows features related to the risks to trigger development in poor countries. One of the most mentioned critical issue is efficiency of the ODA providing. LANCASTER (1999: 48–49), claims that results of ODA-financed projects and programmes in Africa have been for the most part among the least effective in achieving their goals and sustaining their achievements of any in the world. She points out that there is some evidence that aid projects in Africa became less effective in the 1980s and 1990s even as the level of aid rose. At the approach, the chapter below of the publication covers the ODA effectiveness issue for more detail.

However, there are series of critics' arguments that present way of development programmes implementation goes along with many errors and the development interventions need urgent change (CHAMBERS, 2003; MACRAE, 2001), or that ODAimpact of aid on development in the Third World appears more and more limited. Further, the importance ascribed to development assistance by the governments of the developed countries will remain contingent on the evolution of their domestic income redistribution mechanisms (THÉRIEN, LLOYD, 2000: 34–35). Authors of the study conclude that according to the present political culture of the North's countries, the ODA will most likely remain in a state of crisis (THÉRIEN, LLOYD, 2000: 35).

The ODA will always be connected with threats related to bureaucratic misuse and corruption due to strong position of public sector. LANCASTER (1999: 68) directly talks, according to her personal experience, about that "the accountability of the government to its people was gradually being replaced by accountability to its major aid donors". She points out example of African politics (cabinet ministries) who did not offer any broad development strategies on the meetings with some donors, just only set of please for money deals with particular projects.

Even more critical is OVASKA (2003: 186) in his study where he examined the effect of development aid on economic growth for the years 1975–1998 on the base of sample of 86 developing countries. He used two alternative data sets for aid, and compared with previous studies of aid effectiveness, used a more advanced measure of the quality of governance. The results indicate a negative relationship between development aid and economic growth, he found that a 1.0 per cent increase in aid as a percentage share of GDP decreased annual real GDP per capita growth by 3.65 per cent.

The report of WORLD BANK (1998) offers some ways how to improve the quality of the ODA, however its conclusions are not received unambiguously (see LENSINK, WHITE, 2001; HERMES, LENSINK, 2001). For instance DALGAARD and HANSEN (2001) criticize one of the prime outcome of the World Bank's study that financial assistance leads to faster growth, poverty reduction, and gains in social indicators in developing countries with sound economic management. According tot the report of WORLD BANK (1998: 2) with sound country management, 1 per cent of GDP in assistance translates into a 1 per cent decline in poverty and a similar decline in infant mortality. In a weak environment, however, money has much less impact. DALGAARD and HANSEN (2001: 38) claim that the mentioned large effect is caused by good policy regardless of the ODA. They argue that none of the recent aid effectiveness studies question the importance of good policy.

Based on the problems, related to ODA and selected issues mentioned above, it would seem that another development tools such as foreign development investment with a long-term productivity, any international trade benefits, or migrants' remittances as a significant private source of income (see for example analysis of STOJANOV and NOVOSÁK, 2008 in Czech environment) represent an interesting possibility for a better economic future of developing countries, with the combination of more effective ODA' outcomes. Any selected issues that have been mentioned above are contained in the publication in more detail.

Chapter Two

Development Assistance in the Light of Changing Nature of Security

Lenka Dušková

The end of cold war led to the change in international and security architecture. The loosening of the political tensions and the growing range of new serious problems striking with the unprecedented strength, both in the South region as well as on the global level, contributed to the creating of fear in public as well as considerations for the political garniture and allowed for the different perceptions and considerations of the new security challenges. The newly perceived dangers no longer encompassed solely the conventional wars and therefore provided for the necessity to seek new solutions and remedies.

Since the 1990s the relationship of the development and conflict become important part of the research and the polemics about whether the development cooperation could become a possible answer to at least some of the new and newly perceived problems is not rare on the policy level.

This paper looks at the documentation of some of the relationships between development and conflict/security from different perspectives and through different approaches: at the center of which are development cooperation in the light of changing nature of security architecture and perceptions of insecurity, implications of insecurity for the development, implication of underdevelopment for security and insecurity and the estimated possible role of development cooperation in the insecure regions, i.e. development in the context of conflict. The presupposed considerations about the interlinking of the two phenomena: development and security leads us to the reflections over the trends towards changing role and character of the development cooperation an its *'radicalization'* in the sense of merging with what used to be traditionally seen as the international security discourse and considering its role as not to taking account of the conflict and insecurity anymore but rather engaging itself in taking the conflict and security into consideration.

Since I was not able to work with the project documentations of the activities carried out in the conflict areas directly nor was I able to conduct the primary data collection in the conflict prone zones, I have chosen to collect the data for this paper based on broad range of the works; studies and published or

unpublished research results documentations of individual development thinkers or international organizations and think-tanks, who have in the course of their research, studied either the countries in the conflict prone zones or impacts of the development activities in the very same. The data collection was also conducted by means of reviewing and analyzing of the various policy papers, conference proceedings and relevant discussion and working papers and the source books on the development and security theories. The diachronic analysis of the global historico-political and policy changes characterizing both the period of cold war itself and what proceeded and what followed after the establishment of new international and security architecture after the fall of iron curtain was conducted to provide the conditions and context for the analysis. Based on the acquired data the qualitative content analysis method had been used allowing for the documentation and interpretation of the changes within understanding and depicting specifics of the relationship between development and security.

This paper shall not be considered a systematic study, it shall rather provide an introduction aiming at putting up preliminary findings concerning the relationship between the two phenomena: development and security; exploring the relevance of the proposed research idea; stimulating generation of concepts and hypotheses for further research and inducing questions for further discussion.

2.1 Development Assistance in the Light of Changing Nature of Security Architecture and Perceptions of Insecurity

The period of the Cold War has contributed to the setting of the relations of the South[4] to the Northern donors for long period of time. The development assistance had been harshly politicized and securitized in line with the bi-polar structural conflict, and thus preventing the effective incorporation of the security implications of poverty and underdevelopment as a central part of the aid policies. Although the poor people considered the safety and security as their major concern and they have seen them as important as hunger, unemployment or clean water, the impacts of the insecurity related to conflicts and waged wars in the South itself were believed by the donors to have a minimum importance. The exception was the very few cases when it could interfere into the international world order. The aid flows were mostly underlined and dominated by 'the power' security strategy dictating the establishment and maintenance of the pro-western, on one side; and socialistic, on the other, political alliances. In the given period the understanding of security kept virtually unchanged being understood mainly as military dominated and concerned about the nuclear as well as conventional threats between the two rivaling superpowers and their respective allies. It was strictly and only the national state that stayed at the center of 'protection'. However, already in 1970s there started to penetrate elements of economically defined security. This was especially due to the consequence of the 'oil shocks' and the dangers associated with them.

[4] At that time referred as Third World.

Generally the attention towards the problems of stability, enduring conflicts and waged wars in the South was still limited to extend where the area served as a 'playground' for the superpower rivalry and so to the cases when it had the potential to affect the bi-polar relations (ACHARYA, 1997: 300). The conventional notion of security was definitely not interested in issues like poverty, food, education and healthcare or shelter provision or global climate change although these directly affected the physical survival of the people (DALBY, 1997: 8).

At the beginning of 1990s, as less attention had to be devoted to the military security inherent to the times of the two adjacent blocks rivalry, it was only natural that more attention has started to be paid to the other issues with global impact as well as it allowed the development discourse to the return to the concerns of poverty and its implications. More and more issues[5] associated to certain extend with the South started to be perceived as to overlapping the outreach of governments and individual national states and even the whole regions.

The so called global issues had slowly become politicized[6]. In the context DALBY (1997: 3–4) points out that "the intelligence agencies have partly converted themselves into collectors of economic information […]. Environmental concerns as threats to regional if not global security percolate in the bureaucracies of many Western states. These policy themes are connected to recent attempts to reformulate foreign and security policies of many states […]". Conflicts and tensions in the South and their implications for both the underdevelopment as well as wider security challenges in the global sense become important items on the list.

The policy discussions have been also accompanied by the debates within the academic sphere. Yet in the aftermath of the Cold War there were many competing visions and new approaches to the understanding of security being articulated by various thinkers in the areas of peace research, international relations and also in the defense strategy studies (CHATURVEDI, 1998: 702). One of the most important, and moreover the one that interests us, had been the European critical discourse on the new concept of security agenda in the Denmark, namely the Copenhagen Peace Research Institute (COPRI), where the group of thinkers such as Berry Buzan, Ole Weaver, Jaap de Wilde etc. openly started to advocate for the opening of the range of dangers and security threats – the wider security concept. Although the critical thinkers were not denying the continuation of the military threats[7], these were considered to be still posing the significant dangers although in changed context of the world order, they admitted that alongside the previous there exist also different newly perceived areas of

[5] Issues such as: climatic change, global pollution, lessening reducing of the biodiversity, extra-terrestrial waste, uncontrolled arms trade, drugs and human trafficking, organized crime, consequences of dumping of nuclear and toxic waste, nuclear testing, enormous epidemics transferred over thousand hundreds of kilometers by the modern means of transport, global terrorist threats on the global as well as regional level.

[6] For instance the issues in that the national states are not concerned about to the area of issues that are part of the public policy and that require government activity and resource allocation.

[7] Stephen Walt (in ACHARYA, 1997: 303) argues that even if other hazards exist does not mean that the danger of war has been completely eliminated.

security threats such as environmental degradation, economic threats, drug trafficking related violence and criminality, and demographic threats such as mass migration and problem of refugees, worsening of the public order in response to the various forms of internal problems (i.e. the socioeconomic and environmental aspects) (HURREL, 1998: 541). Although the US scientists and experts predominantly kept concentrating on the traditional issues such as inter-state military and economic threats and the dominant understanding of security resisted the inclusion of new factors, there were also some that inclined to the above mentioned approach.

Obviously the previous traditional dangers were lot easier to tackle than the more amorphous range of newly defined threats, especially at the beginning in the times when they were formulated but not yet the visibly striking enemies. Therefore the security policies still kept on being less attentive towards them, being results of the rational assessments of the already occurring risks and threats (DALBY, 1997: 18–19). Today, after experiencing visibly the huge catastrophes as the Asian Tsunami, 11th September and other Al Qaeda committed or inspired terrorist attacks, rising intensity and deadly affects of Cyclones in the South of USA, Prestige catastrophe, threats of easily spreading and attacking pandemics of SARS and avian influenza, the atrocities within the migrant community in the Netherlands etc., the newly defined threats seem to have acquired much greater relevance and started to be considered on both international as well as national decision-making scenes. The 'Copenhagen school' also brought another new and important approach – concretely the widening the range of the objects whose security we shall be concerned about – the referent objects (KRAUSE, WILLIAMS, 1997). As it has been pointed out above, the Cold War security had been mostly concerned about the national states, however, now there are brought in also other entities to be secured. Because the "re-defined security has primary to do with human health, welfare, social problems, internal sources of instability" and also with the wellbeing of the overall climatic system, the referent objects are therefore also the individuals, families, communities, societies and on the other side whole systems such as environmental (LIPSCHUTZ, not dated). In the same period of time the development debate both in its theoretical discourse as well as in the practical policy field started to show the signs of the polemics about the role of development cooperation as a possible answer to the above mentioned problems.

Although definitely not at the center of attention, the resource scarcity, overpopulation, underdevelopment, environmental degradation, local tensions were at the center of insecurity in the Third World even during the Cold War period when these issues were yet not perceived as security threats by the North donors. The actual security or insecurity of the South did though not lie only in military dimensions of the existing 'Global Conflict'. The vulnerability of the South towards the wide variety of threats was complemented with 'lack of material, human and technical and institutional capacity' to deal with those problems (LIPSCHUTZ, not dated).

Although it is the 1990s that are linked to the debates over the changing character of wars both in their character and also geographical context – paying

more attention to the developing world, it is true that yet during the Cold War the vast majority of conflicts occurred in this region. From 1945 to 1990 there were recognized about 100 conflicts and tensions (both interstate and intrastate). From after the end of the World War II up till today about 20 million people lost their lives in wars, majority of whom died in the South (DAVID, 1992–93: 131). So we cannot say that South had ever been the region of stability. Most of the mentioned conflicts wore the characteristics of being intrastate (anti-regime including those following the transitions from one to another regime type, insurrections, civil wars, tribal or ethnical conflicts, and spill over from neighbors). However, the portion of the border wars had also been quite significant. The main inherent causes of the tensions in South during the Cold War and onwards, according to Amitav Acharya, were associated with weak state structures and ethnic and societal composition resulting from the ill decisions made during the decolonization periods when the outside powers created the states where there never had been in the same place before, when the territorial, ethnic, religious, geographical, cultural and historical traditions were marginalized and harshly underestimated. Such a fragmentation created the potential for the problems both among the states as well as within them (ACHARYA, 1997: 302; DAVID, 1992–93: 133). Moreover, the denial of the statehood to certain ethnic groups has also helped to create instability while these peoples were and are trying to find the way how to manage to rule themselves (KRAUSE, WILLIAMS, 1997: 43). Above all, most of the states in the South had to establish very quickly before there were able to create viable political structures able to allow for mass participation and mediate disputes and problems bothering the area. In addition the effective government needs to build up the effective social control. The problem, however, is that during the colonial period the indigenous bonds and traditional relations were deliberately destroyed. This contributed to the latter fragility of the society we are observing up till today. All this combined with poverty, underdevelopment, and resource scarcity limited the ability of the South to develop and reach the domestic stability.

The internal tensions moreover often contributed (as they continue throughout the period of the end of 20th as well as the beginning of the 21st centuries) to the wider regional instability, while the revolutions, insurrections and ethnic separatist movements spill over across the artificial national borders seeking the support or sanctuary of the neighboring groups of the same character (DAVID, 1992–93: 133–134). Moreover, as ACHARYA (1997: 303) says: "Most of the Third World societies exhibited lack of consensus on basic rules and political accommodation, power sharing and governance. Regime creation and regime maintenance were often product of violent social struggles […]". The instincts of making the regime itself to survive were in majority of cases much stronger than the security of the society they should be normally expected to take care of. As Barry Buzan (in ACHARYA, 1997: 305) admits: "The governments and institutions have security interests of their own which are separated from those of state, and which are often opposed to broader national interests […]". So even the states as such could be the source of insecurity for own people rather than being the one standing behind the solution.

The Cold War as a tension between the two adjacent blocks sometimes contributed to the escalation of some conflicts (although it would not be true to say that it was the direct cause of the problems) as a means of the internationalization of the superpower competition and means of avoiding the direct military confrontation in Europe and keeping the long peace in the North (ACHARYA, 1997: 305–306). On the other hand Cold War had many times intentionally suppressed a lot of potential Third World conflicts which became, however, from the 1990s onwards arising as the superpower control of the international order had been loosened. Easy example of these phenomena would be the case of former Yugoslavia or Caucasus region, which was not very different from some areas in Asia, Africa and Latin America (FAWCETT, SAYIGH, 1999: 79–80). On the other hand the collapse of authoritarian regimes in the South had not always led to the violence, the loss of the Soviet support for leftist regimes and termination of US backing to right-wing authoritarian regimes have in some case contributed to the slow processes of democratization (e.g. in Nicaragua or El Salvador, Benin, Burkina Faso, Congo, Mali, Kenya etc.). In East Asia the end of rivalry of the blocks have reduced the western tolerance to authoritarian regimes and rather led to the encouragement to the local groups in their 'fights' for the greater political openness (FAWCETT, SAYIGH, 1999: 81).

Even if the Cold War often influenced the issues in the South, it was hardly ever at the root of the causes for the conflicts and tensions. Therefore with its end there are still prevailing some sources of insecurity inherent in the conditions there, among which the underdevelopment, weak institutions, resource scarcity or incapability to utilize the resources effectively, overpopulation, environmental degradation etc.

Further down we are going to look at the different connections between the development and security and how they interact and influence each other in more detail.

2.2 Underdevelopment as a Factor Influencing the Security or Insecurity

As we have seen above the causes of conflicts, with the focus on the South region, vary a lot. The researches on conflicts show that economic poverty is neither a necessary and automatic nor sufficient condition for violent conflicts (DUFFIELD, 2001; DFID, 2005; GLEDITSCH et al., 2003; COLLIER et al., 2003). However, exclusion and feeling of being excluded, week institutions and weak civil society and poor governance, uncontrolled population growth, environmental decline could pertain among the underlying roots of the conflict. In addition, the economic decline and shocks in the economies could increase

the insecurity and likelihood of conflict and even more so in the countries that are highly dependent on the natural resources and exports. And the South region is often characterized by the above cited ill distribution of power, representation and resources. The violation of human rights and various ways of discrimination is also not unknown in this region. The conflicts are often triggered by the extreme or growing economic and social disparities, competition over limited resources and various popular grievances. It seems that development might thus significantly reduce conflict risks. The security if established cannot moreover be sustainable without development, capacity building and strengthening of the institutions aiming at securing it. Therefore, although the direct causality between the poverty and conflict cannot be proven, "the association of underdevelopment with high[er] risks of conflicts is now core assumption within the development discourse" (DUFFIELD, 2001: 115).

2.3 The Implications of Conflicts and Insecurity for Development or Underdevelopment

The present development discourse suggests that it is not only that the poverty and underdevelopment are associated with possible tensions and generation of insecurity but more concentration is centered on the implications of the conflicts themselves and their immediate and also long-term impacts on the development assets and social capital (having the humanitarian consequences and creating barriers for the poverty alleviation and deepening the underdevelopment or setting the affected countries back again even after the years of efforts and positive performance). Moreover, the entire spectrum of above mentioned problems is having the severe implications in the global sense including the donor countries and thus being decisive part of the development and intervention strategies and policies.

Civil wars and conflicts have been characterized as *'Development in Reverse'* by the World Bank in its "Breaking the Conflict Trap" study (COLLIER et al., 2003). At the end of Cold War the conflict patterns have undergone a major change, blurring the lines between combatants and the civilians increasingly (STRAND, 2003). Those that do suffer the most are no longer only the combatants but the civilians and especially the most poor and vulnerable parts of the society. At the beginning of the 20th century 90 per cent of the victims of the wars were soldiers, but by the 1990 the trend has reversed and today it is nearly 90 per cent of civilians that become casualties of the wars (COLLIER et al., 2003: 17).

Apart from the direct and immediate impact of the wars such as the destruction of lives[8] and public infrastructure[9] (schools, hospitals, roads, power-stations) and private livelihoods, spoiling of the agricultural land and assets, collapse of the institutions, break-down of rule of law and political participation processes, severe human rights abuses – the more complex effects do not usually end with the end of the violent conflict itself but rather continue to strike the community for a long period of time underpinning its long-run development.

During the civil wars the society diverts important part of the resources from public and production investments and services into the war-related activities prioritizing the military expenditures and therefore undermining the flows aimed at the support of social and economic development. This result into a 'double loss': from what the resources were previously targeted at (e.g. healthcare, education, employment, sanitation etc.) which is influencing incomes and social indicators and loss from the damage they now directly cause in the combat (COLLIER et al., 2003: 13). The World Bank in its study also attempted to quantify the decisions to increase the military expenditures during the civil war as a cause of the reduction of the economic growth. The same has been attempted by Francis Stewart exploring the behavior of 25 countries the worst effected by conflict between 1960 and 1995. The suggested results were that the economies in conflict on average grow about 2 per cent more slowly than peacetime economies of the similar kind. Incomes had been estimated to decrease 15 per cent making the overall poverty impact amount to 30 per cent (COLLIER et al., 2003: 14–17; STEWART, not dated: 5). Francis Stewart's research also described the negative effects on the exports affecting adversely both the internal markets as well as causing disruptions on the local and international markets. At the same time the import capacity was usually held sustained thanks to the aid flows and private credits increasing the foreign debt as a heavy burden for the future developments (STEWART, not dated: 5). Especially when accompanied by the risk-related[10] decrease in the foreign investments and capital flight. Another

[8] Destruction of live includes battle-related deaths and mental and physical wounds and generating the large-scale health problems both as a result of changed living conditions where it is less easy to keep healthy but also because the diminished investments into the health care and limited infrastructure whose effects are usually persisting long after the normalization of the situation in the ability of the overall population to contribute to the income generation and economy growth (either because of the limited numbers of capabilities). Among the most severe sources of indirect deaths, according to the World Bank's study belong the infectious diseases, HIV/AIDS, and malaria. The combatants have usually high rates of sexually transmitted diseases because when they are away from home the strict social controls of their communities lessen. Moreover sometimes the HIV is often spread through gender-based violence such as rapes and forced sexual favors in exchange for protection (COLLIER et al., 2003: 26-27).

[9] Both as a direct consequence of the fights and also destructions caused as a strategic decision of the rebel groups intending the harm the counterpart. They usually concentrate on the communication and support infrastructures such as telecommunications, roads, bridges, airports. (COLLIER et al., 2003: 14).

[10] Characterized by the absence of security and predictability.

component of the conflict economy is the decline in the formal sector of production being accompanied by or rather substituted in large by the normally illicit activities associated with the production and trafficking of narcotics, robbing, smuggling, developing of the black market, illicit trade with natural resources and organized crime undermining the security even further. Such activities may lead to sustaining of the unwelcome structures of 'warlordism', mafias and similar institutions and call for the extensive corruption (GLEDITSCH et al., 2003: 11).

Other costs arise from direct war threats as well as just a fear of violence leading to huge population displacements. According to the World Bank study the civilians might also be targeted not as a part of the fighting but also as a part of the strategic plan where the massive "displacement of the large fractions of the civilian population reduces the fighting efficiency of the enemy, as they cannot hide and obtain support as easily" (COLLIER et al., 2003: 18). People are fleeing from their homes finding refuge either within the very same country, but different regions, becoming the so called internally displaced persons or leaving the country and settling in refugee camps in the neighboring states or even cross the regional borders. Apart from the enormous suffering they go through they also lose the little of the possession and production means they have (COLLIER et al., 2003: 15): their houses and workshops destroyed, cattle stolen, land wrecked makes it again more difficult for them to generate any incomes. Moreover the migrating masses settling in different areas either temporarily (transit camps, urban squatter towns etc.) or semi-permanently (staying long time after the war has ended, in refugee camps) can pose huge stress in the new areas. In many cases the migrants or internally displaced persons can also become serious order problem (although sometimes involuntarily) either when the locals start to take actions of hostility being unhappy to share the local resources while accommodating the large number of newcomers (HOMER-DIXON, 1994: 32) or when the original tensions and conflicts just spill over to the new territories. The elites are moreover sometimes using the ethnic differences as an instrument for mobilization (SWAIN, 1996: 970).

The masses of internally displaced persons or refugees are also contributing to spread of diseases in the new territories, resulting often from inadequate health and sanitary conditions and access to the clean water. Among interesting findings of the World Bank's research belongs the analysis of incidence of the malaria infection either when the non-immune refugees, internationally displaced persons come into contact with infected individuals in new area or if the refugees on their way have to pass through unfamiliar rural and rainforest areas to avoid main roads and areas of military operations. The research, using data from 135 countries between 1960 and 1999, have concluded that "for each 1000 refugee the asylum countries see 1406 new cases of malaria" (COLLIER et al., 2003: 36–39).

Civil wars and security complexions they create not only adversely impact the conflict areas themselves but have important effects on the situation in the neighboring countries, wider regions as well as on the global level – preoccupying the Northern countries with its 'new security' implications.

Apart from the already mentioned in relation to migration flows and distortion of the local trade, another way the conflicts influence the economy and security in the neighbor countries is the perceived necessity to invest more in the military. There exists a great fear that the conflicts in the developing regions can thus spill to neighboring countries. According to the Roel von Meijenfeldt "[…] there is a 0.55 probability that a country neighboring a conflict will also slide into war"(MEIJENFELDT, 2001: 6). This can consecutively result in the reduction of growth in the entire region.

Apart from the already mentioned local or global impacts of the insecurity of the South it is important to mention other global implications which are at the high concern for those contributing to the development policy formulation. The industrial countries are for example very much dependent on foreign supplies of oil and other mineral resources abundant in the South (DAVID, 1992–93: 143). Moreover, thinking in its extreme ends, approximately dozen of South countries are having or attempting to develop nuclear weapons (such as Libya, Iraq, Iran, North Korea, Pakistan…). Not mentioning the chemical and biological weapons, that are relatively cheap and easy to produce even without sophisticated technologies and also delivered by less complicated artillery available in most of poor and instable countries, are spreading quickly. The biggest danger is not obviously in the fact that the South could land the weapons over each other or the North, but rather and more importantly that the above mentioned dangerous military aspects are being spoken of in relations to the quite instable regions where it would not be difficult to launch the weapons accidentally or in unauthorized way or that these weapons could easily become available to the sub national or international groups or rebels (DAVID, 1992–93: 145–147, 156).

The low capacity of the developing states together with the poverty and high unemployment in certain areas lead also to the high support and engagement in drug production and trafficking which usually flourishes best when the territory is outside of the official control. For example: according to the World Bank's research, "virtually all production [of the coca and opium between 1990 and 2001] throughout the period has been in conflict or post conflict countries" (COLLIER et al., 2003: 42). This brings along its inherent characteristic quality – further conflicts and criminal violence, which had been privatized. The different social groups engaged are able to mobilize the arms and create paramilitary groups undermining further the traditional state's capacities (HURREL, 1998: 542).

The link between the civil wars, week states and international terrorism has become evident only recently. Contrary to the general presumptions, there is no evidence that international terrorist recruits are predominantly from poor countries or that terrorist leaders use the poverty as a mobilizing factor. It is rather the structural conditions and factors that link the depicted region to the international terrorist threats (DFID, 2005: 11). The war torn territories, lacking the functioning institutional frameworks, provide the 'safe haven' for the international terrorist networks either as the base and or the 'training center'.

2.4 Security and Development – Moving Closer Together or Even Merging?

The changing circumstances in the international world order and the new local or global dangers and newly perceived threats and problems and concerns both in the South and also among the North donors have reflected into the trends towards changing role and character of the development cooperation and its radicalization in the sense of merging with what used to be traditionally seen as the international security discourse.

Development cooperation as it emerged after the end of World War II. and continued to establish itself throughout the 20th Century was mainly concerned with reducing poverty in the South through promoting the economic growth underpinned by the various economic, security and humanitarian motivations of the North donors. However, later during the superpower rivalry "the political conditions of the Cold War prevented the effective incorporation of the security implications of poverty and underdevelopment into the aid policy" (DUFFIELD, 2001: 35). Aid flows in the majority of cases followed the political decisions and served the strategies of the two adjacent war blocks and very often did not directly connect to the real needs and degree of poverty and underdevelopment in the areas of the Cold War 'playgrounds' creating the tensions between the development discourse and development practice.

Only at the end of Cold War the changing security architecture allowed the development thinkers and slowly also the practitioners to come back and bring the importance of the concerns with the poverty and security in the so called Third world.

However, it was not the end of Cold War that first connected development and security. The first notes about the aid flows in the less advanced countries can be traced back even to the 19th century, where long before being named explicitly, we could see the first links between development and security. During this period large amounts of money and other assets were transferred from colonial powers to their overseas territories, much of which was however coming from the private hands although, of course, often encouraged by the colonial governments for example by guaranteeing various monopoly rights for exploitation (BAIRD, FRANK, 1975: 135). Although, at the time, the generally prevailing philosophy was that the overseas territories should be more or less self-financing and self-supporting, meaning that also the development issues were entirely matter of the colonies themselves – the assistance from the motherland was given in cases of national emergency, but was only of a purely temporal nature (CASSELL, 2003). During the colonial era, the issues like eradication of poverty and working for sustainable development of the lands were definitely not the factors that influenced the policymaking in the developed countries and correspondingly their counterpart governments in the overseas territories. The set interventions were mainly concerned with finding the conditions for enabling to maintain the security in the colonies and the securing the status quo.

As we have seen above the changing security architecture following the end of Cold war made possible the explicit linking and elaboration of the development and security correlations which allowed for the examining the idea of development in the context of conflict and disorder and relations between the underdevelopment and security.

Within this framework the underdevelopment and its wider implications had become to be considered as dangerous leading to the gradual 'radicalization of the development' (DUFFIELD, 2001: 2, 259) discourse. What does this mean in practice? During the mid-1990s there was strongly voiced the growing need to address the conflicts in the mainstream development policies. We could also have observed the tendencies to shift the aid approaches towards the conflict resolution and conflict transformation while taking part in conflict prevention and reconstruction of the societies allowing for the stronger governance and control of the security.

The first concerns of the international community related to the conflicts and security problems in the South at the beginning of the 1990s reflected into the 'humanitarian intervention strategies' developing the new institutional arrangements which would allow the aid workers to act in the situations in the prevailing conflicts and thus support the civilians in the war zones. The humanitarian intervention instrument soon turned to be a very complex and controversial issue both in its legal and also practical dimensions, showing to have a very limited success and disputed acceptance. Being a theme for a separate thesis we will leave this instrument with the statement that due to the problems associated with it, the attention of development discourse had since mid-1990s shifted rather towards conflict prevention, resolution and postwar reconstruction aiming at developing tools for conflict transformation in its broad sense i.e. to transform the dysfunctional and low security and conflict prone societies (DUFFIELD, 2001: 11–15), facing a great challenge of the need to put emphasis on changing the attitudes and believes (WORLD BANK, 1997).

The merging development and security reflects into the new actors strengthening their position such as academics, NGOs or even those newly coming to the development scene, including the incorporation of the traditional security actors such as military establishments, private security companies and so on. The intention is to react to the growing complexities of the situation with the aims to build cross-cutting linkages and networks. The actors that used to be traditionally autonomous are now looking for the new ways of working together recognizing that it is no longer possible to address the present threats in the traditional way.

However, although all the actors now claim they are seeking the mutual interest of better security and development we can at the same time observe the growing tensions and challenges for cooperation between them. This is especially true for the civilian-military cooperation (i.e. traditional development and security actors), who are often not able to communicate well with each other and coordinate their activities in the area. According to the findings of the DFID *'Strategy for Security and Development'* study, for example "some development people worry that working with security counterparts risks diverting aid for

political purposes" (DFID, 2005: 14). Mark Duffield has looked through relevant papers and came with the more underlying reasons for the challenges for the cooperation such as "different cultures military and aid agencies represent". "Aid workers, for example, often regard the military as out of touch, bureaucratic and, in many cases, inappropriate. […] military actors see aid workers as undisciplined, disorganized and resistant to military co-ordination" (DUFFIELD, 2001: 60). Although the problems often depend on the individual differences in attitudes, they are also often springing out of the differences in organization, traditional purpose and structure.

According to Mark Duffield, the Colonel Bob Stewart – commander of British deployment in Bosnia in 1992 has stated that "The military are hierarchical, authoritarian, centralized; large and robust while UNHCR [as representative of the international organization] is flat, consensus based, with highly decentralized field offices […]"(DUFFIELD, 2001: 60). Another challenge is represented by different timeframes of the task delivery. The security oriented actors must often report achieving immediate, short-term objectives. On the other hand, the development workers often concentrate on medium or long-term sustainable objectives. This can create more tensions between the actors while each of them expecting different ends: the militaries might see the development changes to be too slow for the needs of the post-conflict situations and the development workers might judge the short term outcomes as undermining the institutional foundations needed for long term development (DFID, 2005, 14).

The question is whether both parties are able and willing to adjust for the new challenges and tasks: the militaries for waging new wars on poverty as a social security issue and the development workers for their tasks in the working on conflict approaches stemming from the radicalized development discourse.

What we need in this sense is to have an institutional base working in support for the goals of development and security in the changing international system.

Long in past, in the time of the formation of the United Nations, there have already been the first links between the development and security envisaged on the institutional basis. The United Nations have been primarily created to be concerned with keeping peace. However as it evolved it had taken upon an important development initiatives and roles, although at the very beginning these two were not interlinked in the current sense. Peacekeeping was assigned to the Security Council. However, where peace could not be secured immediately, UN agencies[11] were given the task to provide the relief for those suffering in the conflict (OVERTON, 2000: 1–2). However, at that time all the UN institutions worked in the strict sense under the assumption that although "the development and peacekeeping were linked, they did not seem to overlap. The securing of peace was the first and most serious responsibility, [and] then once a stable and legitimate government could be put in place, development agencies could follow and be charged with the task of eliminating poverty. […] peacekeeping troops

[11] UNHCR was created in 1951 and worked together with International Red Cross; UNDP and UNCTAD followed.

might work alongside the Red Cross or UNHCR stuff, but development agencies would rarely step in until the troops have made life safe or even departed" (OVERTON, 2000: 2).

However, as mentioned many times before, from the mid-1990s we could observe the clear signs of merging the development and security, this time in the sense of the proclamations of the important international institutions setting the direction for the practical action if the will and capacity be. Among the examples could be the OECD Policy Statement of May 1997 on Conflict, Peace and Development Co-operation on the Threshold of 21st Century where it is explicitly mentioned that "helping strengthen the capacity of a society to manage conflict without violence must be seen as a foundation for the sustainable development" (MEIJENFELDT, 2001: 7). Development cooperation shall therefore be newly designed to address the root causes of the violent conflicts such as imbalance of opportunities within societies, lack of effective and legitimate government, absence of mechanisms for peaceful reconciliation etc. (MEIJENFELDT, 2001: 7).

Another example could be European Commission's "Communication on Conflict Prevention" from 2001, where it is stated that "development policy and co-operation programs are the most powerful instruments at the community's disposal for treating the causes of conflict" (MEIJENFELDT, 2001: 8).

The United Nations Security Council in 2001 admitted that conflicts are the natural elements of all the societies, so the aim shall not be to suggest and work in the strict sense that societies are to live without conflict, but rather it had emphasized the role of development work to strengthen the capacities of the governments to be able to manage conflicts peacefully (MEIJENFELDT, 2001: 8). UN Security Council's statement was accompanied by the President of the World Bank Jim Wolfensohn claiming that "[especially in the context of Africa what needs to be done to reduce poverty and achieve sustainable development it is] first and foremost improving the governance and resolving conflict" (MEIJENFELDT, 2001: 8).

2.5 Estimated Role of Development Assistance in the Insecure Regions

As we have seen above, the wars and conflicts contribute to the set back of the development. Apart from the direct damages caused by wars, the military expenditures are put on the priority position over more productive public investments and responses to complex emergencies. In the similar way the long-term underdevelopment in its wider sense could also bring about the insecurities. Both eventualities might bring us to the vicious circle of violence and underdevelopment. The development aid, as we are going to see later, could be an important instrument either providing the continuity of services while working in conflict zones or helping to change structures and contributing significantly to the work on the conflict transformation. It can and shall, however, never work as

a substitute for the sustained political commitment and government action. Recently there had been reached the consensus about the fact the developing countries have admitted their own responsibility for development, so even in the countries, the capacities of which, were recently been severely weakened, the aid's task is only to strengthen these capacities, encouraging the participation of the local society not to substitute them.

In the last few decades it has been realized that aid can have a multiple functions which can serve in instable areas in all the different phases of the conflict: be it the pre-conflict prevention, contribution to the crisis resolution or post-conflict recovery.

The role of development assistance in post-conflict reconstruction is well established and accepted, however, its role in the early warning and prevention is still in question especially due to the numerous bureaucratic and political challenges that we need to face in this specific case. There is also a pending question whether there exist institutional and legal bases able and ready to react to the findings of the early warning systems when put in place. Therefore the aim of this subchapter is not to put forward the exhaustive analysis of the affectivity of the development assistance or the conditions for its successful operation in the conflict-prone zones in all the different phases of the conflict, it is rather trying to explore the possible space for development cooperation where if applied carefully it could play an important role.

The biggest impact in conflict prevention is brought about when aid is designed to address the root causes of violent conflicts in ways that are relevant to local circumstances and contribute to structural stability – such as imbalance of opportunities within the society, lack of efficiency and legitimacy of government, absence of mechanisms for peaceful reconciliation of different interests etc. (GAIGALS, LEONHARDT, NYHEIM, 2001:3). Especially when tensions have not escalated into violence, great numbers of possible measures can be used to help to diffuse the potential for violent conflict. The central focus of assistance shall be to work on improving of the general economic, political, social climate in partner countries, supporting measures for legitimate government and good governance principles, coherent institutions and creation of functioning civil society and participatory mechanisms which can facilitate the building of consensus within the given society and help to prevent the marginalization of certain groups in the society and to prevent the potential recourse to violence (MORSE, 2001: 6).

The role of development cooperation can also be concentrated on the fighting with corruption in public institutions, especially in those responsible for delivering of public goods, because otherwise the credibility of, yet usually too weak, state and system would be continually being undermined. It is important to support the institutions so they would be able to perform their duties and core functions more effectively and in non-discriminatory manner. The affectivity of justice and security systems (to become impartial and politically independent) pertains among another core issue, because the ineffective justice and security encourages people to 'take the law into own hands' which often leads to the privatization of violence. Aid shall also be proactive in helping to develop and

maintain mechanisms that guarantee and advocate for the human rights and favor non-discriminatory processes. Donors shall also be open to local initiatives for strengthening the traditional structures the public is used to respect. Links between formal and informal institutions shall be encouraged (OECD, 1998: 7, 57–65). Where about there exist divided societies the efforts strengthening the intercommunity relations such as trade, information exchange, dialogue shall be encouraged making the different communities interdependent to certain extend. This especially might help to overcome the inherent and deeply rooted prejudices and stereotypes about the adjacent groups. The interdependence combined with the sensitive community activities directed at the confidence building (tailored to the different specifics of the individual societies and situations) helps to lessen the building of tensions. Especially if there are created the constructive contacts and it is managed to prevent the dissemination of the distorted and controversial or biased information that can fuel the tensions (ANDERSON, 1999). It is essential that the development agencies shall involve all their capacities to analyze the socio-economic and political context of the area where the assistance is provided (OECD, 1998: 65).

The development agencies, by strengthening of the skills for effective mediation and negotiation and reconciliation, can help to increase chances for concrete cause of the conflict to be prevented. Moreover the strategies, developed through cooperative and participatory approach might be more easily accepted legitimate by the actors themselves and they would later be possibly able to negotiate own solutions (OECD, 1998: 67).

Another area where the development initiatives can play a role is the training of the staff for media, reporting and helping to establish the institutional base for independent and free media or helping to establish regional and community media institutions in order to create the coverage that would not be biased and moreover would address the important social issues (such as health, literacy, family, environment, traditional activities and cultures, awareness of different current issues). This measure can among other also contribute to the confidence building of the adjacent groups within the society. In places where the regime does not allow for the access to the media at all or the information is limited for any other reason, the aid organizations could help to identify and support the alternative communication channels (OECD, 1998: 70–71).

Apart from prevention role in the sense of long-term capacity building and stabilizing structural change, the development assistance agencies are often being mentioned as agents who could effectively contribute to the 'early warning systems' especially by helping to identify the root causes of the potential violent conflicts and monitoring the immediate or mid-term changes in the societies they are working in. Many development agencies are acting in the area within community and supposedly they know how the society is functioning, therefore they could be the ones who through analyzing the situation could see the possible signs of changing relations or building of the tension and latter can even help with identifying the conflict parties and their interests. They would be the ones understanding the historical and special dynamics of the conflict and the characteristics of the interlinking events (GAIGALS, LEONHARDT, NYHEIM,

2001: 3–4). The analysis of this kind of information and the rapid publicizing of the signals are vitally important.

However, at this point it is very important to mention that there is empirically hard to find any proof whether the so called 'early warning systems' have succeeded in preventing the outburst of the violent conflict. There might be several underlying reasons for this. One of them might be the often mentioned lack of resources and capacities necessary for the proper conduct of the reliable analysis and the other one is the lack of political will, including the questionable institute of the intervention into the other states sovereignty, to engage in the insecure areas before the signals of violence appear to be really visible and call openly for the intervention. Although, based on the findings of the Forum for Early Warning and Early Response, "the prevention of the violent conflict would be much cheaper then managing and resolving the violence once it has broken out" (CARMENT, SCHNABEL, 2001: 18).

On the other hand, the appropriate measures taken may counter the potential triggers that might otherwise push the conflict towards open confrontation. In this case it is very important that the development agencies cooperate with other actors with adequate policy instruments such as diplomacy, military, trade etc. Their interaction and coherence based on the comparative advantage of each one of them would be very important in the process of the conflict prevention or contention (OECD, 1998: 21).

Ted Morse in his study *'How Do We Change the Way We Use Foreign Assistance to Help to Prevent Deadly Conflicts'* puts forward some concrete examples of the immediate or mid-term activities by aid organizations that could lead to prevention of the conflicts. According to him the development agencies could for example engage themselves in exploring the options for the land-reform where it seems that the current tenure is volatile, arrange interfaith or otherwise cross-cultural action teams that would work on the trust building and reduction of the conflict themes in the community (MORSE, 2001: 5).

During the conflict itself the development agencies can help to play role in keeping some of the basic services running, although in this phase the humanitarian organization, diplomatic initiatives and political and economic measures tend to play a central role in the international attention and response (ADDISON, 2000: 398). However, in the time when the interest of media fades away the role of the already established development agencies and organizations becomes even more essential for the survival of the violence-torn society in the sense of keeping the basic services and reconstructing the infrastructure building the local partnerships or building on the already established local partnerships (OVERTON, 2000: 3). In this period more than ever it is important to apply the conflict sensitive approach to development cooperation in order not to feed the conflict further.

Undisputable role of the development cooperation comes after the contention of the conflict, in the periods of reconstruction, which means much more that just repairing the physical infrastructure. When the civil authorities had been distorted severely or broken down the priority would be to restore the

sense of security, restoration of the legitimate government and working systems – serving all groups of inhabitants (OECD, 1998: 7).

The conflicts and wars also lead to depression of the export earnings and increase in demands for imports of goods that would be normally produced inland, which contributes to growing deficits of the country. Therefore in the process of reconstruction it is vitally important to mobilize the resources again. Conflicts also contribute to the decline in tax revenues, so normally the social spending would be the first thing to be cut. Here comes the role for the development assistance as a short-term budgetary support especially for the necessary social spending (ADDISON: 2000, 398–400).

In addition the aid in the post-conflict setting can have, and is currently more and more profiling itself in this field, a lot more legitimate objectives then just the poverty reduction. Through not forgetting to address all the different levels and segments of the society working especially on the middle and grass-root levels and concentrating on the process and change development aid could have the conflict transformative functions either in helping the processes of disarmament, demobilization and re-integration of the ex-combatants into the society or through the trust building and reconciliation actions involving the divided societies in the development projects focusing on the long-term peace building efforts, processes and structural changes "trying to overcome the revealed forms of direct, cultural or structural violence, transforming the unjust social relationships and promoting conditions that can help to create cooperative relationships" (BIGDON, KORF, 2004: 3).

Here, in the conflict transformation period or in the previously chosen terminology – the post-conflict reconstruction period, we come back to our theme of the slowly merging disciplines of security in the sense of peace-building and development discourses. However, not saying that the development cooperation is overtaking the traditional roles of the peace-builders, it shall rather be complementing it.

On the other hand, there is no need to say that the aid in conflict situations could be very controversial and highly complex. Since the external development aid can never be separated from the local, national or international context, it can be, even if the rule in such situations is impartiality and deep understanding of the causes and dynamics of the conflict, perceived by the conflicting parties as very partial and helping one side (BIGDON, KORF, 2004: 29–30). Conflicts also very often involve the control over the resources and so the injection of further resources through aid would definitely mean certain degree of involvement into the conflict itself. Moreover, the injected resources could be misused by the waging factions (for commercial purposes or to support the combatants or for power building purposes), or against the civilian population which undisputedly leads to prolongation of the crisis.

Since the beginning of the 1990s there were many development thinkers and practitioners trying to find the optimum conditions for aid in conflict situations so that it would rather than feeding the conflict help the local people and perhaps contribute to the transformation of the conflict itself. The lessons learned from the field experiences of aid providers in conflict situations around

the world were completed into a book and field manual by Mary Anderson and the approach had acquired the name *'Do No Harm'* project. It includes important points and guidelines to be completed, such as the analysis of conflict environment, historical and current roles, capacities and agendas of the conflict parties, identification of 'local capacities for war' (such as different values, interests, apparatuses of war, propaganda, systems of possible discrimination) and oppositely the 'local capacities for peace' (commonalities in language, history, aims, common achievements, experience, infrastructure, market). The research findings also suggest that it shall be moreover investigated and analyzed how the power is exercised on the local level and by whom, what may be the potential contributions of aid to the conflicting interests and what would and is the attitude of different factions to the aid donors and what are the messages that could be passed through the aid (ANDERSON, 1999). This can help to minimize the risks (which can obviously never be totally eliminated) of the inequitable distribution of aid and possibly avoid the reinforcing of the existing patterns of exploitation.

However, it was not the aim of this paper to provide the exhaustive analysis of how the aid shall work and which conditions shall be implemented in order to contribute to the conflict prevention or transformation. It is a very complex and at the moment highly researched and debated issue either within the currently often disputed *'Do No Harm'* framework or other more recent conflict sensitivity approaches such as Peace and Conflict Impact Assessment approach.[12] The aim was rather to see the examples where the potential of the development cooperation in unstable areas could be and where it was in the past few decades; practically exploring its role in working in and on conflict.

2.6 Final Remarks

The linking of the security and development has long roots and in its tradition can be traced back in the 19th century. Although in the times of the Cold War the attention towards the problems of stability, enduring conflicts and waged wars in the South was limited to the extend where the area bore the potential to affect the bi-polar relations, soon after its end the need to address the issue of conflict in relation to development become an important part within the development policy. The specialized discipline in the international studies of the past – security and conflicts and their effects both locally, regionally and globally are now becoming an important part of development discourse.

Knowing that conflicts impede development and the security, if established, cannot moreover be sustainable without enhanced development, capacity building and strengthening of the institutions aiming at securing it. At the same time the

[12] For more profound analysis on methodologies and approaches to assess the impact of external interventions in conflict context shall be consulted the current research papers of the organizations such as German GTZ, British DfiD, World Bank, Forum for Early Warning and Early Response, International Alert, Berghof Institute etc.

development and underdevelopment and its implications – such as the newly defined and striking security challenges on local, regional and global level – have increasingly become important in the relation to how security is understood globally. This involves increasingly also the development policy makers. From the 1990s we could observe the clear signs of merging the development and security, this time either in the sense of the proclamations of the important international institutions setting the direction for the practical action, calling for the role of the development cooperation intended and hoped to become an instrument or answer for the new challenges or in the sense of incorporating new actors and approaches once typical for the security fields. In addition the aid in the conflict or post-conflicts setting can have, and is currently more and more profiling itself in this field, a lot more legitimate objectives then just the poverty reduction – concentrating on the process and change, the development aid could bear the conflict transformative functions involving the divided societies in the development projects focusing on the long-term peace building efforts, processes and structural changes.

Chapter Three
On the Effectiveness of the Development Assistance

Monika Jamborová

There were times in the history of humanity when many people believed that the development and economic convergence of the most economically backward regions of the world is just a matter of a few years. In the 'independence era' of the 1960s, the general mood in the international community indicated that the economic emancipation would ultimately go in hand with the political. However, approaching the end of the first decade of the new millennium, we can vindicate the alleged words of Jesus: "The poor you will always have with you..."[13] . Still around one fifth of all mankind must endure on less than one dollar a day.

One of the major tools for tackling poverty has traditionally been foreign development aid. It is generally believed that aid is able to foster economic growth and poverty reduction in the most economically backward regions of the world. This is also, why aid disbursements have reached a record amount of 120 billion USD in 2005 (WORLD BANK, 2007 a). After the relatively skeptical years of the 1990s when the attention given to development aid slightly declined, the topic received a strong boost at the dawn of the new millennium with the adoption of Millennium Development Goals (MDGs). As aid is supposed to be one of the major tools to achieve them and is partly a goal itself, from that point on, the effectiveness of development aid has become a popular issue. Voluminous and further growing body of literature is now available focusing on this topic. The consensus in this literature is that aid has a potentially positive effect on economic growth and poverty reduction. However, the point on which the literature is highly differentiated is what it takes to release this potential. There is still a wide range of questions, which lack the ultimate answers. Considering the volume of funds provided, why is poverty still so widespread? What can we do to overcome the pitfalls of aid and maximalise its benefits? Is not there an alternative tool more potent for poverty reduction? The future of the world's poor also depends on the answers we decide to consider true. This chapter will focus on these issues; give a complex overview of the current opinions and approaches and its assessment. Based on this, it will seek to formulate answers to these pressing questions.

[13] Mark, 14:7

3.1 Methodology

The first methodological issue one has to tackle when discussing development is which countries will be regarded as developing. Although still widely used, the term developing countries is becoming increasingly problematic. There are no clear rules on the classification – many organizations and journals have their own typology. However, a clear distinction is not very relevant for this chapter – the conclusions and policy implications should be widely applicable to a range of economies at different stages of development. Nevertheless, in accordance with the recent literature, we will primarily focus on low income countries according to the World Bank classification system.

Another definitional issue is that of foreign development aid itself. In this text, aid will be regarded primarily as official development aid (ODA) according to the standard OECD Development Assistance Committee (DAC) definition. Although again, there are many authors criticizing this approach, it is widely used in the publications dealing with foreign aid and therefore will be used in this chapter as well.[14] According to this definition official foreign aid are grants or loans to developing countries, which are (OECD, 2007 b: 1; for details see OECD, 2007 a):

a) undertaken by the official sector;
b) with promotion of economic development and welfare as the main objective;
c) at concessional financial terms (if a loan, having a grant element of at least 25 per cent). In addition to financial flows, technical cooperation is included.[15]

A critical methodological issue in connection with aid is also its supposed purpose. The most common reason for the provision of aid given in aid related literature is (rather vague) fostering economic growth and poverty reduction in aid recipient countries. There are of course good reasons to believe that aid has not always been driven by these motives and thus foreign policy considerations and political ties probably played a significant role. This text, however, should constitute primarily an economic point of view on aid. Therefore, this text will also assume that, with exceptions (below), aid should generate economic growth and poverty reduction in the recipient country. We therefore assume that the aims of economic growth and poverty reduction are complementary and nonconflicting and will not deal with their further interactions. The issue of the

[14] We can mention for instance CHANG, FERNANDEZ-ARIAS and SERVEN (1998) asserting that the current definition encompassing financial flows containing 25 per cent grant component or more is unadequate and suggesting a reformulation of the definition to contain solely the grant component of any financial flow. Under the current definition aid is regarded both as loans which have to be repaid up to 75 per cent and grants that do not have to be repaid at all (thus contain 100 per cent of grant component).

[15] As SUNDBERG and GELB (2006) point out, we must bear in mind that not all funds that are declared as aid are what the general public usually considers as aid – i. e. project and program support financing development projects. A significant portion of the ODA funds takes form of administrative costs, emergency and food assistance, foreign advisors and analyses and last, not least, debt relief.

relationship between economic growth and poverty reduction is an issue deserving further attention but goes beyond the scope of this chapter.[16]

Methodological issues connected to empirical studies cited in this chapter will be mentioned in the part of the text focusing on the empirics of aid. Now we will proceed to the analysis of aid effectiveness itself. We will begin by some theoretical considerations about the merits and pitfalls of aid.

3.2 Positive Effects of Aid – Theoretical Background

One striking feature of the economics of foreign aid is that it lacks a comprehensive and unified theoretical backing. Intuitively, we can say that there are many good reasons for a developing country to rely on external funds. They can compensate for the lack of domestic savings available for investment, relax foreign exchange constraint for the necessary imports and can provide resources for the funding of social services in the situation when public finances are heavily constrained. Nevertheless, the impact of aid is very difficult to measure or model (IMF, 2003). The first attempt to form a theoretical economic model of aid is connected with Hollis B. Chenery and Allan Strout, the authors of so-called dual gap model in the end of 1960s.

3.2.1 The Dual Gap Model

This model was a pioneer of the use of so-called capital-augmenting models in the area of development aid. It was based on Harrod-Domar's model of economic growth, in which capital is the primary constraint (PANKAJ, 2005). In accordance with this model, economic development was deemed to be restricted by the shortage of available capital. This belief had its reflection in the reality of developing countries that were highly labour abundant but lacked investment. The main tenet was that these countries would grow as long as the rate of investment grows. But where should this additional investment come from in a situation where the income of the population is highly insufficient to meet the basic needs let alone to save? Even if the country managed to save up enough resources to foster investment, there are technologies that have to be imported from abroad. For this, the country again has to have foreign currency at disposal. The foreign exchange reserves in the developing countries were, however, very limited. The answer was clearly to import funds from abroad. Thus model conceived that developing countries can be characterized by the prevalence of these 'finance gaps' – i.e. foreign exchange gap and savings gap that are the primary hindrance to development and can be bridged by foreign aid or private sources. In the 1960s, the outlooks for developing countries to attract significant

[16] One 'Do No Harm'of the reasons for this approach is for example the assertion that MDGs are supposed to be achieved by the means of higher economic growth (FINANCE AND DEVELOPMENT, 2003) and furthermore, it is a standard approach in the contemporary literature and empirical studies of aid's effectiveness.

amounts of foreign capital were rather bleak. The only way out of poverty seemed to be development aid. The model was intuitively meritorious and simple to use. It quickly penetrated development literature and thinking and brought about numerous optimistic predictions (WHITE, 1992).

However, in the years to come, it was to face a considerable amount of criticism. Whether it is thesis about foreign funds displacing domestic savings or the waning credibility of the model's underlying assumptions, the criticism was clearly here to stay. The more the actual economic development in poorer countries diverged from the model's predictions the more widespread was the view that the model had empirically failed. Its optimistic predictions were not fulfilled in reality, which we can see also in the following Figure 3.1:

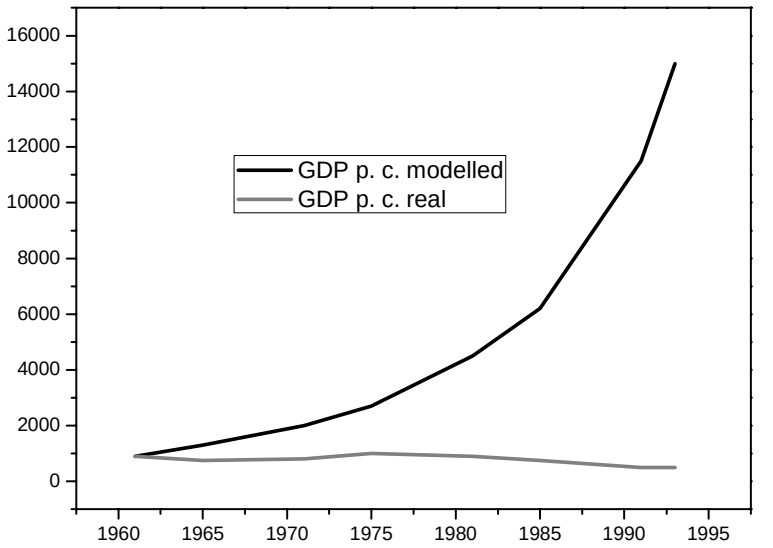

Figure 3.1: GDP p.c. predicted according to aid flows and GDP p.c. real in Zambia in US dollars. Source: EASTERLY (2004). Note: p.c. is per capita

The Figure 3.1 depicts GDP p.c. predicted by the dual gap model according to the aid flows in Zambia between 1961 and 1993 and the GDP p.c. Zambia truly experienced. EASTERLY probably chose Zambia to illustrate the point, although we should say that not in all of the developing world the situation must have been this striking.

Criticism grew strong especially in the 1970s where many, mostly African countries experienced low or even negative rates of growth despite voluminous aid (WHITE, 1992). Now the consensus is that rather simplified capital-augmenting models cannot explain and predict complex processes of development. In the author's view, capital is not the solution itself. However, premise that money can somehow 'buy growth' and that poverty can be overcome if aid will be high enough (whatever it means) has still not vanished from the recent literature and development practices.

Another strand of development theory that is connected to aid is the logic of vicious circles or traps. Although not solely attributable to aid theories, it is often used as an argument for upscaling of aid and therefore is mentioned here.

3.2.2 The Logic of Vicious Circles

Another 'weapon' in the hands of aid advocates are various 'vicious circles' or 'poverty traps'. Theoretical source of these considerations is the work of H. Liebenstein, R. Nelson and R. Nurkse of the 1950s. According to it, there is a certain level of development that needs to be achieved in order to render the development process self-sufficient. Aid is then the tool which can be used to get out of so called, low-level equilibrium trap. What exactly does this term mean?

There are many poverty traps and vicious circles mentioned in the contemporary literature but generally, it refers to a situation when low incomes of the population cause low level of aggregate savings. That in turn results in low investment and capital formation, which affects labour productivity and again, low incomes of the population. Nevertheless, the effects carry on – low incomes mean low tax revenues and insufficient or inadequate public administration and infrastructure. This can become a favourable environment for the thriving of corruption, which deters private investors. Gaps in public administrative aggravate the availability of public services that again reinforce the circle of low labour productivity and low incomes. There are other factors sometimes mentioned in literature adding up to these effects – e.g. adverse natural shocks and disasters, being landlocked, shortage of natural resources,[17] worsening terms of trade, predisposition to tropical diseases and AIDS pandemics[18] (SACHS, 2005). Another factor might be an excessive population growth. Economic growth then cannot catch up with the growth of the population and socioeconomic indicators do not improve (WILLIAMS, 2003).

However, the logic and the implications of the poverty traps are a contentious issue. Some authors doubt the logic itself. Walter WILLIAMS (2003) considers a simple question – how did all the industrialized countries became rich in the first place? In the beginning, there was the same situation of low incomes and savings as it is now in some developing countries. How did they all manage to get rich without foreign aid that is sometimes presented as the only cure to poverty? Indeed, taken into its logical extreme, the logic implies that no development is possible at all which clearly is not true. Furthermore, the economists believe that there are certain factors about being poor that create opportunities for economic convergence acceleration. Initial economic backwardness of developing countries means low factor costs and better competitiveness in international trade as well as an opportunity for learning out of others' mistakes and adopting strategies of their industrial counterparts (HAMPL, 2005).

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[17] However, as elaborated below, abundance of natural resources is no boon either.

[18] THE ECONOMIST (June 30, 2005) mentiones that around 85 per cent of all malaria caused deaths and 75 per cent of AIDS caused deaths occur in the Sub-saharan Africa.

Other authors accede that there are indeed some vicious circles operating in the developing world but they cannot be overcome solely by aid. Similarly, BIRDSALL (2007) states, that developing countries are caught in more of an institutional trap rather than anything else – i.e. that the ultimate cause of underdevelopment are inadequate institutions which are hard to change at least at the short run.

It is therefore up to the reader to decide whether the logic of poverty trap of vicious circles is valid and constitute a case for foreign aid alone. In the author's opinion, the belief that these vicious circles can be overcome by foreign aid is doubtful.

3.3 Negative Effects of Aid – Theoretical Background

Not only theories about a positive impact of aid have been created, perhaps even more theoretical arguments have been elaborated about the reasons why aid cannot be a panacea to the problem of underdevelopment. The classification is difficult as again, there are different strands of arguments rather than a single theory. However, some of the main concerns regarding aid can be structured under a common general heading – the resource curse.

3.3.1 Resource Curse

In literature, this term is often used for some of the main dangers aid can bring about. Originally, it has been used in reference to countries abundant in natural resources, which are not always developing as some might assume given their natural wealth. KLEIN and HARFORD (2005) mention a few examples – Angola has not become a developed country by producing diamonds and relationship can be found between natural wealth and civil war in Democratic Republic of the Congo. GYLFASON (2004) points out, that the OPEC countries' economic level increased by 0.3 per cent a year between 1960 and 2000. Political scientists sometimes blame natural wealth and the resulting 'rentier economy' for the survival of the state authoritarianism in Arab countries. There are also empirical studies challenging a somewhat common belief that abundance of natural resources is generally beneficial to development. Far from being a ticket to the rich man's club, natural wealth can even have detrimental effects on economy. That is why the concepts of resource curse of oil curse are sometimes used in this context. But how does it apply to aid? Some authors conceive that the same harmful effects often observed in connection with natural wealth can also be incurred by aid. They argue that some negative features of aid are to blame in this respect. It is for example its high volatility and uncertainty, limited capacity of the recipient country to absorb, manage, administer and use it well and its potential negative side effects (IMF, 2003). These operate through the following channels mentioned in the contemporary literature:

a) derogatory effect of aid on public finances and the fiscal system

b) derogatory effect of aid on recipient country's institutional background
c) Dutch disease

3.3.1.1 Derogatory Effect on Public Finances and the Fiscal System

A recipient country government can succumb to political motives when managing aid. It can use it in an unproductive[19] or even destructive way in order to gain more power. Aid flows are usually highly volatile, uncertain and not always planned and expected. Considering the fact that in poor countries aid flows can be vast compared to the country's own GDP, this can create many challenges for the economic policy. Strong, sudden and one-off fiscal stimulus incurred by aid can result into a higher volatility of the whole economy, its economic cycle and inflation. There are absorptive constraints embedded in the economy in the form of the quality of public administration, its infrastructure and the competence of public officers. HELLER and GUPTA (2004) warn that aid can exceed the ability of government and public administration to use and distribute it well.[20] These are serious issues even if the government is truly dedicated to development, which is often not the case. If the government lacks this commitment, the donor's influence over the use of aid can be limited (as we will argue later). It is because aid can be fungible. By aid's fungibility, the contemporary literature means that even if aid money is earmarked for a specific purpose or project, the government can react by decreasing other funds going into this area, which are then free to be used however the government wants, even for unproductive or destructive activities. Other authors mention the menace of rising state power and interventionism into the economy, constraining the private sector that is crucial for development (a good overview of the aid debate provides e.g. WHITE, 1992). One of the earliest arguments against aid is that it crowds out private savings by increasing the pool of domestic capital and therefore lowering domestic interest rates that are an important determinant of savings formation. Finally, there can also be a correlation between aid and government borrowing with causality so far working in an unclear way. Higher aid can signify lower borrowing needs and thus lower indebtness or on the other hand, can mean higher borrowing needs when aid promises are not kept and aid is not disbursed as planned.

Recent case study of the fiscal system of Ethiopia (published in MARTINS, 2007) shows that these concerns indeed are not unfounded. It found that in Ethiopia, aid was displacing domestic revenues meaning that the more aid was available, the more lax was the government in mobilising its own resources in the economy. This goes against the sole logic of aid – it is supposed to be a temporary bridge between indigence and self-sufficient development. However, if governments do not strive to mobilise its own resources – by efficient tax system, tackling tax evasion and strengthening public administration infrastructure, the

[19] There are many possible examples – take e.g. space programme or a gigantic soccer stadium in Nigeria.

[20] As a real-life example we can mention the issues arising with the distribution of mosquito nets. They are cheap to produce and their medical merit is vast, however, the costs of its distribution can be prohibitive when an adequate infrastructure is not in place.

self-sufficient, sustainable development will not occur. Quite the opposite – the country will become more and more dependent on aid. That leads us to the problem of aid dependence, which we will focus on in the next section.

3.3.1.2 Derogatory Effect of Aid on a Recipient Country's Institutional Background

That aid damages institutional background of a recipient country is a serious charge. Whether it is political environment, corruption, civil liberties of income inequality, institutions[21] strongly affect not only the effectiveness of aid but also a country's development itself. How can aid have such effects? Except for the area of public finances with which we dealt in the previous section, there is a number of other potential threats appearing in development literature.

Aid can aggravate the institutions necessary for a healthy democratic civil society (KLEIN, HARFORD, 2005). Aid funds can keep totalitarian governments at power in situations where their misrule would otherwise probably lead to an economic crisis and possibly loss of public support. It can enable delaying necessary political an economic reforms (GYLFASON, 2004). The international aid system causes the governments to be primarily responsible to the donors rather than their own citizens and their preferences (WAAL, 2004). Aid can sponsor thriving of corruption, rent-seeking activities, fraud, theft and crime in general (HELER, GUPTA, 2004; GYLFASON, 2004).

As we noted previously, aid can create dependency just like social welfare benefits can do in the case of citizens in industrial countries. Aid is supposed to be provided at the earlier stages of development and phased-out as a country gets on the path of self-sustainable development. Incentives are therefore set against development. Donors are usually urged to pour money where it is most needed and not to countries already relatively better off. Some governments then might be tempted not to be truly committed to development and choose the easiest way of passivity and aid dependence. Some authors even mention a threat of a manipulation of statistics by the government to appear 'more needy' (HELLER, GUPTA, 2004).

The terms 'samaritan's dilemma' and 'moral hazard' are often used in this context. The latter means a situation when aid recipient can use it in an unproductive or destructive way because it has a reason to believe that this will not result in a donor cutting off the funds (KLEIN, HARFORD, 2005). In the author's opinion, this is a big issue regarding foreign aid. Judging upon her own personal development experience, some countries' commitment to development is strikingly low. This applies especially to their policy makers, government servants and officials. The donors might then find themselves caught in the samaritan's dilemma. They know there are reasons why aid should be cut off but at the same time they are tempted to overlook them as cutting off the aid could have significant negative effects on the (poor) population who are often the last to blame.

[21] As we will see further in the text, defining institutions is not an easy tasks. However, in this text we will use this term refering to its broader meaning – in both formal and informal sense.

Aid funds can also spur corruption at every stage of its distribution. As IMF (2003) points out, a proportion of provided aid can be captured by the elite and will never make its way to its intended recipients. This situation can lead to yet another dilemma among aid donors when providing additional aid can reduce the absolute magnitude of poverty in a recipient country but at the same time it can aggravate the current income distribution.

Are these considerations merely pure speculations or is there actually empirical evidence on this matter? Unfortunately, empirical studies prove these concerns not unfounded. Among the studies dealing with this topic, those of Stephen Knack are often cited. KNACK (2000) found a correlation between aid and investors' risk implying a deterioration of institutions. KLEIN and HARFORD (2005) list many other studies reaching similar conclusions and they add a few real-life examples. Since the 1960 some of the main cases of institutional deterioration (e.g. in Gambia, Lesotho, Niger, Sudan, North Korea, Pakistan, Fiji, Myanmar) were connected to high aid volumes in the years preceding the subsequent political turbulences.[22] Research carried out by RAJAN and SUBRAMANIAN (2005) confirmed that aid has a negative effect on institutions where the institutional quality is already debatable. IMF (2005) lists other studies proving the same case. However, caution is advised as measuring or assessing institutions is not straightforward as we will see further in the text.

Nevertheless, the donor community should be aware of the danger. So far, we have seen that aid can have negative fiscal and institutional effects. However, in the next sub-section we will see that aid can also have other derogatory macroeconomic side effects.

3.3.1.3 Dutch Disease

The term 'Dutch disease' in its broadest sense is used for addressing adverse effects of high foreign exchange inflows into an economy (e.g. HELLER, GUPTA, 2002; EBRAHIM-ZADEH, 2003). In economic literature it is usually applied on oil exporting countries, however, the concept is applicable on any economy experiencing a surge in foreign capital inflows – aid notwithstanding. Originally, the term was used in reference to the economic situation of the Netherlands in 1960s. At that time, big supplies of natural gas were discovered in the North Sea. This seemingly positive event had adverse effects on Dutch economy as a whole.

This phenomenon was explained by W. M. Corden and J. P. Neary in 1982. In their analysis, they divided an economy infected with Dutch disease on tradable and nontradable sector. There are two subsectors in the former – booming sector of natural gas extraction and all the remaining production in the economy. Subsequently they demonstrated the process of contraction or 'crowding-out' of the traditional non-gas extracting export sector by the remaining two. In the Dutch case, the discovery resulted in a surge of foreign exchange flowing into

[22] We can see many other instances – for example, between 2002 and 2003 the highest per capita recipient of aid was East Timor. However, the year 2006 saw yet another round of political instability and escalation of violence in this small country in Southeast Asia.

the economy. If the funds were used in turn to finance imports there would be no further effects on the domestic economy. However, the situation changes if the foreign exchange is converted into domestic currency.

The subsequent scenario depends on the exchange rate regime. If a country pegs its currency, converting the surging foreign exchange results in the growth of money supply, aggregate demand and possibly inflationary pressures – thus real appreciation.[23] If the exchange rate is allowed to float, increased demand for domestic currency during conversion inflates its price – nominal appreciation. Either way, ther is a real appreciation (in the first case due to inflation and in the second due to nominal appreciation) corresponding to loss of international competitiveness and contraction in the traditional (non-gas extracting) export sector.

Is this a problem? It might not be as some authors argue. It might represent a temporary shock that can be dampened by an adequately chosen economic policy. Or the diversion of resources towards oil-extracting sector can be a rather permanent phenomenon implying that the transfer of resources is a necessary structural change in the economy.

Either way, there is a consensus that this scenario is also applicable to aid incurred foreign exchange flows. This means that these flows can result in a contraction of export earnings and loss of competitiveness of the recipient country. In a developing world context, this indeed can be a big problem. The export and manufacturing sector expansion has been a factor behind every development success since the Second World War (RAJAN, SUBRAMANIAN, 2005b). Export revenues are at the same time desperately needed for the servicing of developing countries' (often) high external debt.

Is it then something we should fear regarding aid? Recognizing that achieving Millennium Development Goals would require external resources beyond developing countries' abilities, the Monterrey Consensus in 2002 urged industrial countries to make concrete steps to scale up their aid to 0.7 per cent of GNP. As a result, aid is expected to rise by the end of the decade by about 50 billion USD in real terms (IMF, 2006). Such a strong transfer of resources could indeed lead to Dutch disease-like symptoms and some of the positive effect of aid could be then offset by undesired real appreciation. But is there really a convincing evidence that Dutch disease constitutes a menace?

As usual, nothing is quite as straightforward when it comes to empirical studies and their results. BULÍŘ and LANE (2002) proved the causality between high aid volumes and real appreciation and export revenues contraction in the case of Bhutan and Tanzania. In addition, BULÍŘ and LANE (2004) provide a listing of empirical studies proving the same thesis on a wide range of countries. However, it is difficult to differentiate between aid's impact and other possible factors influencing real exchange rate and export earnings. It is therefore not surprising that some studies reach the opposite conclusions. IMF (2006) notes that some highly aid-dependent African countries experienced real exchange

[23] Real exchange rate is defined as a nominal exchange rate times the foreign and domestic price level ratio and is an indicator of a country's competitiveness on the international markets.

rate depreciation in the past years quite contrary to the Dutch disease logic. Nevertheless, it is hard to determine whether the cause of this scenario is that these countries failed to absorb – i.e. convert and spend the aid money.

We can see that the opinions and empiric findings (as usual regarding aid) differ. While some authors use it as a sole explanation of the failure of aid some assert that the dangers are usually overstated. Both mention empirical studies proving their case. Either way it is advisable that the policymakers (within both aid donors and recipients) bear in mind that such a danger exists and can lower real benefits of aid.

It is evident that the theoretical background of aid is not very conclusive. There are theories advocating aid's effects and theories that have serious doubts about its abilities. This dilemma is perhaps connected to the deeper economic controversies. There probably cannot be a single economic aid theory as long as there is no single economic theory answering questions such as: how important is capital when it comes to development? What is aid's impact on savings, public expenditures, physical and human capital, tax revenues etc.? Economics does not have the ultimate answers to these questions, which makes putting a relationship between aid and poverty reduction and economic growth very difficult. One way out of this problem is to simply disregard theoretical considerations as a whole and focus on a purely technical, empirical approach – simply to analyse the empirical relationship between aid and economic growth or/and poverty reduction. These efforts will be the topic of the next sub-section.

3.4 On the Empirics of Aid and Growth

One way how to bypass the somewhat unsatisfactory state of aid theory is to look for relationships between aid and other variables in economic practice. During the years, many researches attempted to formulate a general assessment of aid based on its actual impact in reality. These studies use various empirical techniques from simple correlation analysis to more sophisticated unlinear modeling methods.[24] According to ANDERSON (2007) more than 60 empirical studies of aid have been carried out so far invoking rather turbulent discussions about their results. Unfortunately, the conclusions of these studies vary considerably. In the first part of this sub-section, we will give an elementary overview of the various studies and their results.[25] Then we will deal with the question of why there is so much controversy about both the results and their general merit.

Empirical studies classification will be adopted from RADELET, CLEMENS and BHAVNANI (2005) who differentiate them simply as to what conclusions they achieved. The first group finds zero or negative correlation

[24] These studies typically atempt to find a relationship between aid and economic growth, perhaps due to a wide data availability and long time series of economic growth data. However, this has its pitfalls as we will see below.

[25] By empirical studies we will understand primarily cross-country studies.

between aid and economic growth, secondly those who find positive correlation on average with diminishing returns and finally those who find a positive correlation when certain conditions are met. To these three we will add a distinct group of studies finding exclusively positive correlation.

3.4.1 Weak or Negative Relationship Between Aid and Development

Authors belonging to this strand of development literature assert that aid has either no significant or even negative effect on economic growth or/and poverty reduction. They argue by using examples of potentially adverse effects of aid many of which are mentioned in the previous section. Namely that it is captured by the powerful, sponsors corruption, crowds out private savings, causes Dutch disease, in case of food aid damages local agriculture, keeps corrupt and totalitarian governments at power and defers needed reforms, lowers tax discipline, is a tool of foreign policy considerations etc. Among the earliest skeptics, we can mention P. Mosley and his study from 1987 finding no relationship between aid and growth. Similarly, P. Boone whose study of 1996 found no evidence for the proposition that aid increases growth or benefits the poor (HUDSON, 2004). Among the contemporary studies, that of RAJAN and SUBRAMANIAN (2005a) is often cited. They find no empirical evidence whatsoever about any relationship between aid and growth independently of any other variable such as quality of policies, form of aid or geographical characteristics of the recipient country.

Skeptical calls regarding aid have been occurring throughout the history of development policies, being advocated also by the likes of Milton Friedman or currently William Easterly.[26] It is not difficult to understand their plea as probably even the fiercest aid advocate accedes that aid has also its failures as the following graph illustrates in the Figure 3.2:

A similar picture is a painted by the recent report by a British non-governmental organisation Tiri. It examines the development projects in eight post-conflict countries that have received around 65 billion USD in aid in the past years. According to this study, around 50 per cent of this amount wound up in the pockets of corrupt officials. Development projects in Iraq and Afghanistan (countries receiving the most aid in the past years) were highly inefficient (interestingly, the same goes for the reconstruction of New Orleans after the strike of hurricane Katrina). Aid provided to Sri Lanka after the 2004 tsunami is in the report even linked to the subsequent deterioration in its internal situation (THE OBSERVER, January 14, 2007).

A way out of this situation for this strand of development authors can be a substantial reform of how aid is provided, reduction of aid volumes and its diversion into other development tools and policies.

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[26] Milton Friedman was one of the most significant economists of the 20th century and the Nobel Prize winner. W. Easterly was a World Bank economist between 1985 and 2001 and today he lectures at the New York University. According to him (FRIEDMAN, 2001) many aid critics are recruited from the World Bank and International Monetary Fund staff.

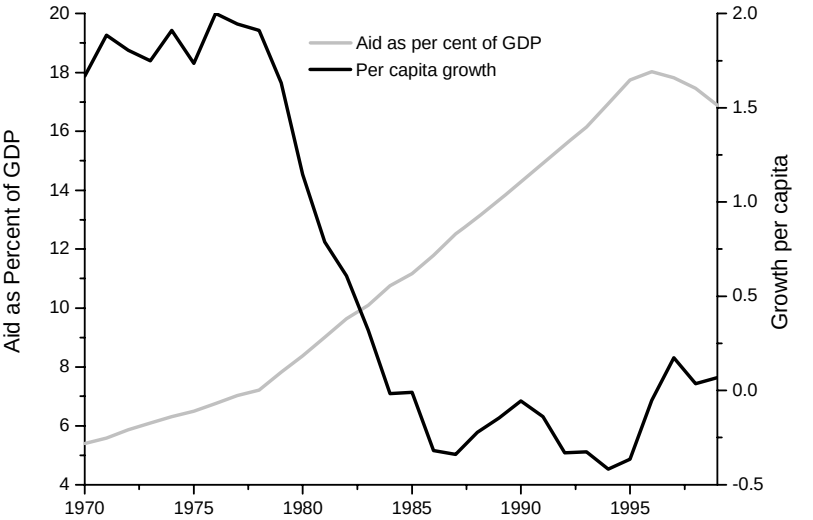

Figure 3.2: Aid and growth in Africa (10-year moving averages)
Source: EASTERLY (2004)

3.4.2 Average Positive Relationship with Diminishing Returns

The idea of diminishing returns of aid is a mere reflection of the absorptive capacity concerns mentioned earlier in the text. Authors of this strand of thinking conceive that aid is on average (i.e. not always and everywhere) beneficial but each incremental dollar of aid has a lower impact that the previous one (RADELET, CLEMENS, BHAVNANI, 2005). These authors admit a positive impact of aid – e.g. its capital-augmenting effect, improving human capital by investing in social services, dispersing modern technology etc. However, they criticise the use of linear modeling methods when it comes to aid. Due to the diminishing returns of aid, the relationship between aid and development is nonlinear. Using linear models is a methodological error resulting in the undervaluation of aid in empirical studies. This implies that when providing aid there is boundary, crossing which renders scaling up of aid no longer positive and can be even contra productive – can induce negative side effects mentioned in the previous subsection. These authors therefore advocate the provision of aid under this critical point and suggest investing it into the absorptive capacity – e.g. into physical and social infrastructure. These studies are relatively new – an overview is provided by RADELET, CLEMENS, BHAVNANI (2005). Authors of this strand therefore constitute a certain middle ground between aid critics and aid advocates. However, determining how much aid is already too much is a difficult question.

3.4.3 Strong Positive Relationship Between Aid and Development

Studies advocating beneficial impact of aid are also as old as development policy itself. Arguments and theoretically backed by capital-augmenting models, poverty traps or simply altruistic motives. According to these authors, aid is a prerequisite for development, relaxing savings, investment and foreign exchange bottlenecks of developing economies, paving their way out of poverty traps. They also refer to certain examples of successful development programs – typically the eradication of river blindness or the Green revolution in Asia. Apparent failures of aid are often explained by factors outside the developing countries' control – adverse terms of trade changes, colonial legacy, rich countries' protectionist measures in foreign trade or the activity of multinational companies. Non-economic factors can then be natural disasters, diseases, poor crops, political turbulences etc. Aid can play a role of a stabilising buffer shielding the vulnerable developing world against these adverse shocks (SEVERINO, CHARNOZ, 2004). The main aim of these authors is then a substantial increase in aid flows.

FAYISSA and EL-KAISSY (1999) and others provide an overview of aid advocating studies. Among the international icons representing the call for more aid are e.g. Nicholas Stern,[27] Joseph Stiglitz[28] and last, not least Jeffrey SACHS.[29] Among the recent studies, that of HANSEN and TARP (2001) is often cited. Authors belonging into this strand of development thinking do not have to constitute a homogenous group. Most of them explicitly or implicitly accede that aid can be more or less potent under certain circumstances and in certain environments. However, its abilities are not doubted and their main plea remains the upscaling of aid.

3.4.4 Conditional Positive Relationship

The currently dominant and perhaps the most eminent strand of empirical studies is set somewhere between the extremes by the proposing that aid can be both positive and negative depending on how and where it is spent. The authors admit that there have been successes in the history of aid but at the same time try not to be apologetic about its failures. They strive to identify the conditions of aid's effectiveness. Which conditions occur in the contemporary literature? There are generally three broad categories:

a) characteristics of the recipient
b) characteristics of the donor
c) characteristics of aid

We will analyze the three categories in more detail in the next chapter. We can see that the results of empirical studies are again, extremely ambivalent.

[27] Nicholas Stern was the chief economist of the World Bank between 2000 and 2003.
[28] Joseph Stiglitz is a former chief economist and senior vice president of the World Bank as well as Nobel Prize winner.
[29] Jeffrey Sachs has worked as an advisor in a wide range of insititutions – IMF, World Bank, OECD, WTO, UNDP and the UN Millenium Project is headed by him.

How can all these studies dealing with the same developing world and the same questions reach such diverse results? Reasons for this paradox given in development literature are the following:

ROLAND-HOLST and TARP (2003) assert that econometric research on aid has been always characteristic by the lack of division between the genuine research and policy advocacy. EASTERLY (2001) adds that historically almost every argument results in a counterargument. The econometric results are sensitive to sample size, definitions of the variables, methods of estimation, data and proxies chosen and other methodological aspects. It is then possible to mend some of these factors so that we reach the conclusion we want to reach, notes rather daringly THE ECONOMIST (September 29, 2001). Given the diversity of results, it is conceivable that indeed this has been happening. DOUCOULIAGOS and PALDAM (2005) even proved this thesis statistically when found that the diverse results in econometrical studies are caused by entry data differences and the mathematical specification of different models. This in turn could be explained by the author him/herself – his or her home institution and the set of opinions and paradigm of his/her colleagues or journals publishing his/her work. According to the experience of the author of this text, it is not exceptional at certain universities to see different lecturers mention primarily (or even solely) studies that are in chime with their own personal conviction about aid or development in general. The author does not deem this behaviour to be particularly objective, scientific and honest, however, conceives that this indeed is happening.

RADELET, CLEMENS and BHAVNANI (2005), MOREIRA (2003), IMF (2005) and many others mention the danger of methodological pitfalls when modeling aid's impact. There is a wide range of methodological errors – linear modelling for nonlinear relationship, endogeinity problem, causality misconceptions, multicolinearity etc. This bias is more probable in older studies. For example, a natural disaster means a surge in aid from humanitarian reasons and an economic contraction. Oversimplified, wrongly specificated model could then establish a negative relationship between aid and growth. Similarly, positive relationship between aid and growth does not determine the causality. It is extremely difficult to isolate the effect of aid from a number of other factors influencing growth and poverty. In addition to that, there are many forms of aid with different aims and results. Some aid is not supposed to yield economic growth at least at the short run or do not aspire to affect it directly at all (e.g. humanitarian or food aid). Similarly, some aid is of economic kind and is not intended to have a direct poverty reduction effect in the short run (e.g. investment into roads and other physical infrastructure). Some aid is provided out of political and other considerations and growth inducing or poverty reducing effect is not its primary goal. Some types of aid require a long time to yield its dividend (investment into education). These all are factor that can complicate econometric research of aid despite the considerable progress in this area. It is therefore probably a laudable

effort to examine the aid's relationship in reference to poverty rather than economic growth, which is mostly the case.[30]

On the other hand, whether primarily beneficial in the short or longer run, most aid should indeed produce at least some dividend at least in the very long run in the form of economic growth or poverty reduction. If this is not the case (and it sometimes is not) then in the view of the author, these funds are wasted.

It is also difficult to specify a sophisticated aid model where there is a lack of theoretical background to draw from, as GYLFASON (2004) notes. He believes it is impossible to prove an empirical case for which there is no comprehensive theory. Some believe that empirical studies can compensate for the lack of theorethical backing but as WHITE (1992) puts it this can be as if "we were trying to run when we cannot even walk". TARP (2007) adds on this by stressing that development is a risky business with inevitable failures and limitations. Looking for stable and predictable relationships between such variables as aid, growth and poverty is then maybe too ambitious (let alone predicting) while all we have is a set of generalizations. He carries on asserting that given aid's many failures, it is easy to find a weak or even negative correlation in cross-country studies. On the other hand, it is also difficult to generalise upon case studies, as every country is specific and solutions adopted somewhere cannot be always successfully transferred elsewhere.

There is yet another signal that there are probably severe misunderstandings about the nature of the development process itself. Odd as it might seem, it is not unusual to find that authors of both sides of the debate use the same countries as examples to prove their case. Countries such as Zambia, Uganda, Ethiopia and Kenya have been noted as both development successes and failures, depending on the author and the time the comment was made. While Kenya could have been regarded as a success a year ago by some, its current political turbulences and violence threatening to ruin Africa's most prosperous economy barely bring a reason for enthusiasm for the whole continent. While some development successes are undebatable – such as the economic rise of the Asian tigers, disputes occur on whether this success was assisted by foreign aid or not (in the author's opinion it was not). This brings us back to the underlying gaps in our knowledge about development in general which in the author's view should deter us from making any definite statements about such complex processes.

It is therefore again up to the reader to decide what he or she will consider true. Commenting on the strands of opinions elaborated above, in the author's point of view, the studies of the purely skeptical and purely optimistic strand suffer similar drawbacks. The skeptics provoke discussion about aid's effectiveness, which must be given to their credit, however, not always provide a practical guidance and policy advice. Perhaps even less can be attributed to the

[30] MOSLEY, HUNDSON, VERSCHOOR (2004) argue in favour of this methodological change. Little direct pro-growth impetus can be expected out of aid gong into health and nutrition programs, humanitarian and conflict assistance etc. On the other hand, human capital and political environment have strong ties to economic growth, so in the long run the undirect effects on economic growth should be noticeable.

credit of the optimists. As DOLLAR and COLLIER (2004) point out, their upbeat tone provides little practical guidance and advice for improving aid's effectiveness except for a simple upscaling. They also often invoke (possibly unjustified) expectations that in the history of development are often disappointed. Furthermore, it encourages a belief that development can somehow be 'bought' – a paradigm that failed so many times in history (BROWNE, 2007).

Not surprisingly, an evident skepticism is noticeable in the current development thinking against empirical (especially cross-country) studies. Many now believe that cross-country econometric studies that we reviewed in this section are not an adequate tool for assessing aid at all. Rather than to general macroeconomic aid-growth studies, the attention of aid practicionists and theoretists is leaning towards the micro-sphere. There is a growing demand for practical advice and guidance and devising developing projects that are tailor-made to each county's specific environment. Rather than setting up new models, the general mood is to pay a careful attention to the specific factors – conditions in developing countries that can hamper or foster aid's effectiveness. Here certain empirical studies can be of enormous help. Their above mentioned final strand attempts to identify these conditions and can therefore constitute a way forward out of this deadlock. Their main messages will be examined in the next section.

3.5 Factors of Effectiveness

What are then the factors that explain why in some instances aid has been a terrible failure while on the other hand it has also many success stories? What are the aspects aid policies should concentrate on? How is aid's effectiveness conditioned? Up to date, the development literature has mentioned factors belonging to either, recipient, donor or aid characteristics.

3.5.1 Recipient Characteristics

There are many factors on the side of the recipient that influence how well and effectively aid is spent. However, most studies find factors that are generally referred to as the quality of policies and institutions.[31] What do these terms mean in practice?

Both terms – good policies and institutions can be defined very broadly and it is not easy to determine what belongs to it and what does not. By policies, measures and actions are usually regarded, adopted by the local government, public administration and other state agencies. What is a good or bad policy will obviously differ in various countries and times; however, there is a consensus

[31] There are also studies that find aid conditioned on other characteristics than can be encompassed under the heading policies and institutions. We can mention DALGAARD, HANSEN, TARP (2004) as an example – they found that aid's effectiveness depends on the climate in the recipient country. However, these studies have not gained a significant attention or acceptance and therefore we will not focus on them.

among economists that openness to foreign trade and (to some extent) foreign capital plays a beneficial role (GYLFASON, 2004) together with low inflation and prudent fiscal policy (BURNSIDE, DOLLAR, 1998).

Institutions are a little trickier as the term contains both formal – those institutions embedded in a country's legal system and informal institutional background. RODRIK and SUBRAMANIAN (2003: 31) define institutions as 'the rules of the game in a society, as defined by prevailing explicit and implicit behavioral norms and their ability to create appropriate incentives for desirable economic behavior'. They deem some institutions as 'market-creating' since the market cannot really function well without them – i.e. property rights protection and law enforcement. Others, e.g. GYLFASON (2004) define institutions more broadly stressing aspects such as culture, trust in the society, its coherence, code of conduct, liberal values and respect for freedom.[32] De Soto (2001, quoted in BUSINESS WEEK ONLINE, 2001) puts emphasis on an efficient legal system and independent judiciary as well as corruption and its acceptance in the society. Others (e.g. ROLAND, 2004) point out democratic values and the respect for human rights. BURNSIDE and DOLLAR (1998) add the public administration efficiency. BIRDSALL (2007) mentions income inequality as an important institutional feature. Last, not least, the author deems highly important the factor of gender equality in the society.

There is currently a consensus among economists and social scientists based on voluminous empirical evidence that institutions indeed play a crucial role in development.[33] But what about policies, institutions and aid? The interaction between policies and institutions and aid can operate in at least two ways: the influence of policies and institutions on aid's effectiveness and the influence of aid on the quality of policies and institutions. Let us first deal with the former.

It is an intuitive and logical proposition to say that aid's effectiveness is higher where development-contributory policies and institutions are in place. It is therefore a relatively widely accepted that aid works best where the government is committed to good governance and supports development-oriented institutions. This thesis is appealing from the point of view of the economic theories as well – take Solow economic growth model and its concept of conditional convergence or endogenous growth models dominating the contemporary theory of economic growth.

There is also some empirical evidence for this proposition. The debate on policies and aid's effectiveness was effectively born in 1995 when J. Isham, D. Kaufman a L. Prichett of the World Bank found out that among the bank's projects, the best results were achieved by those realised in countries with strong civil liberties (GRAHAM, O'HANLON, 1997). During the years, many other

[32] Maybe a legacy of Max Weber, who would consider his concept of protestant ethics as conductive to economic progress.

[33] There are many studies proving that certain institutions are more conductive to growth and development that others (an overview is provided in RODRIK and SUBRAMANIAN, 2003 or WORLD BANK, 1998 and others). However, the causality probably goes the other way round as well – the citizens of relatively better off countries will demand better institutions and policies.

studies suggested a link between good policies, institutions and aid's effectiveness (account given in BULÍŘ, LANE, 2004). By far the most prominent and significant contribution to this debate is connected to Craig Burnside and David Dollar. In their 1998 study, they showed that aid on average has a weak pro-growth effect. A strong positive effect was however observable in countries accomplishing their criteria of good policies, even after acknowledging the general positive effect of these policies on growth.[34] Their findings raised immediate attention and quickly penetrated the pages of development journals and magazines. Their intuitive appeal chimed with the practical experience of development agencies and their study has hugely influenced both development thinking and practice. Their findings were lauded also by the THE ECONOMIST (November 12, 1998).

It however attracted a considerable amount of criticism and backlash from both sides of the aid discussion. Aid skeptics challenged the belief of conditional effectiveness of aid by providing alternative explanations for the cases of development progress rather than aid (e.g. EASTERLY 2001 and 2002). Aid's advocates regard the factors of good policies and institutions overrated and attempt to doubt its importance (account given in BULÍŘ and LANE, 2004). William EASTERLY (2004) acclaimed alleged high scientific and academic standards of the original study, on the other hand, criticised their definition of good policies and warned that their results can be very fragile. THE ECONOMIST (January 13, 2007) asserted the same. EASTERLY, LEVINE and ROODMAN (2003) attempted to test the Burnside and Dollar hypothesis again on wider data sample finding that the original result is not statistically robust. HANSEN and TARP (2001) tested the same finding that aid has a positive effect disregards the policies of institutions. RADELET, CLEMENS and BHAVNANI (2005) countered the Burnside and Dollar proposition by pointing out countries such as Mozambique, Uganda, Sierra Leone and Indonesia) where aid was allegedly a success without good policies and institutions in place.[35] MOSLEY, HUDSON and VERSCHOOR (2004) criticised the measure of good policies and institutions used by Burnside and Dollar for being too limited. In short, the whole debate is becoming more and more confusing. Again, we have to recall what we stated in the previous subsection about the credibility of empirical studies. Their results are sensitive to sample size and choice, data and criteria chosen and other variables. One can probably anticipate the result of a study just by looking at the names of its authors.[36]

Measuring, let alone comparing policies and institutions is indeed a very arduous task. As BIRDSALL (2007) puts it, institutions cover many factors that

[34] In addition to this, they also accept the proposition of aid's diminishing returns (COLLIER, DOLLAR, 2004).

[35] Again, to the confusion of the reader, there are probably authors who would doubt that all these countries' policies and institutions are bad or that there were any development successes connected to aid at all.

[36] On the other hand, it would be rather harsh to denounce all empirical studies as uncredible. They provide valuable impulses for discussion and constitute a way of how to bring more insight and objectivity into a very emotional and contentious issue which aid's effectivity indeed is.

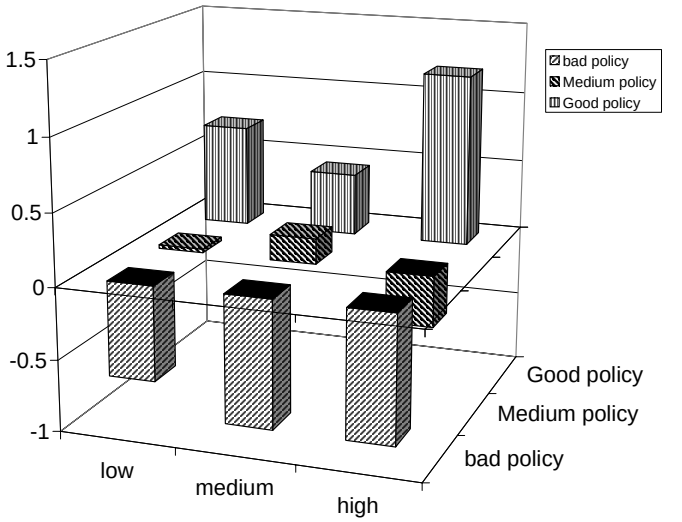

Figure 3.3: Impact of aid on economic growth in bad, medium and good policy countries. Source: BURNSIDE and DOLLAR (2004)

are hard to describe or compare among countries. BURNSIDE and DOLLAR (2004) themselves admitted that the criteria chosen in their study for distinguishing bad policies and institutions from good were a bit too simplified and crude. Their initial criterion of good policy combined macroeconomic features with corruption, legal system and public administrative variables. There was a call for more institutional features to be included; however, they are difficult to put to measurable terms. BURNSIDE and DOLLAR (2004) therefore repeated the empirical testing of their original proposition in 2004 using a new data set and a broad World Bank country policy and institutional assessment indicator, which combines around 20 institutional and policy-related characteristics reaching the same conclusions (see Figure 3.3).

To conclude the debate about aid-good policies nexus, we can say that even though there can be many limitations to the credibility of empirical studies including the one by Burnside and Dollar the thesis that institutions and policies influence aid's effectiveness is currently widely agreed on. As COLLIER and DOLLAR (2004) put it, it is something that almost does not have to be tested in econometrics, as it has a lot of underpinning in the micro evidence of World Bank's Independent Evaluation Group case studies, donor practice and the first hand experience of the aid agencies. It is simple to observe in reality – according a recent study of Oxfam, the bill of armed conflicts in Africa reaches as much as 284 billion USD between 1990 and 2005 which roughly equals to all aid given to the continent over the same period (OXFAM, 2007). According to Nigerian

official estimates, the country's rampant corruption has so far cost more than 400 billion USD which is the equivalent of about two-thirds of all the aid given to the whole continent since 1960s (THE ECONOMIST, January 5, 2008).[37] Also the experience of the author of this chapter shows that in the long run there is no way money can buy development where there is no respect for democracy, human rights, women, economic and politic plurality and other ingredients needed to release the creative business forces. But what if these ingredients are not in place (as is often the case)? Can aid be used to improve the policies and institutions? That brings us back to the beginning of this chapter where we said that the relationship between aid and policies and institutions could be at least bidirectional. We now dealt with the question of how policies and institutions influence aid's effectiveness. But what about the second causality between aid and the quality of policies and institutions?

Whether aid can be a tool of the improvement of policies and institutions will be the topic of the next section. However, earlier in our analysis we dealt with the concept of resource curse and mentioned that aid can damage policies and institutions. We also said that many of these concerns have been confirmed by empirical research. On the other hand, many authors believe that aid can also improve the quality of institutions and policies. One way in which aid can encourage this, is by being conditioned on their adoption, or given to countries who take measures directed at the improvement of their institutional background. Whether these approaches are effective or not will be debated in the next chapter. Another way in which aid can positively influence policies and institutions is by being invested into projects focusing on this issue. It can provide funds for the development of public sector and civil society, improving the qualification of public officials etc. (IMF, 2005 or WORLD BANK, 1998). Considering that aid seems to be capable of having both positive and negative effects in this respect, it is not surprising that the empirical studies trying to find the aggregate effect of aid on policies and institutions reach inconclusive results (IMF, 2005). Perhaps the most cited study in this area is that of RAJAN and SUBRAMANIAN (2005). It asserts that aid has on average negative effect on policies and institutions in countries without an institutional anchor – i.e. where their initial quality is already low. That means that aid can actually aggravate already bad institutional background.

Nevertheless, policies and institutions in the recipient country are not the only variable influencing aid's effectiveness. There are other factors mentioned in the contemporary literature with which we will deal now.

[37] Despite Nigeria seems to be aware of the burden corruption has placed on its economy and development, its actions do not seem to support the notion that they are commited to tackle it, as the recent case of forced resignation of the anticorruption agency chief shows (THE ECONOMIST, January 5, 2008).

3.5.2 Donor Characteristics

Not only the recipient influences the effectiveness of aid also the donor holds some power in this respect. This manifests itself in at least three areas:

a) the way in which a donor allocates aid
b) the way in which a donor provides and realizes aid projects
c) type of the donor

The first two issues will be elaborated in detail in the next section focusing on policy recommendation and practical advice. For now, we will analyze whether the type of a donor makes a difference for the effectiveness of aid.

Some authors conceive that the effectiveness of aid differs whether the donor is of bilateral, multilateral or nongovernmental character. Multilateral aid is sometimes believed to be more efficient than bilateral because it is less politicized than the national development agencies are prone to be (THE ECONOMIST, April 21, 2007). Burnside and Dollar indeed found some empirical evidence for this proposition. According to their 1998 study, the motives of multilateral organization followed the criteria of good policies and institutions to a bigger extent that those of bilateral agencies (WORLD BANK, 1998). On the other hand, note that there has been not enough research carried out to prove this assertion (e.g. KANBUR 2003 or THE ECONOMIST, April 23, 2003).

For similar reasons, some believe that aid provided by nongovernmental organizations is more effective than governmental aid (e.g. YONTCHEVA, 2005) and some refer to multilateral organisation as inefficient and inflexible bureaucratic giants (HAMPL, 2005). There is so far little empirical evidence to draw definite conclusions on these assertions also because the nongovernmental organizations form a heterogeneous group of entities for which there is not enough aggregate data available (YONTCHEVA, 2005). However, the author of the chapter would be cautious about much optimism about nongovernmental organisations' potential especially those coming from developing countries. For example in India, there are more than one million nongovernmental organisations registered, while not all genuinely care about their purpose.

3.5.3 Aid Characteristics

There can be many types of aid and many ways in which it is provided. By this we mean whether its disbursement is conditioned in any way, whether it is given out of economic or political motives and what form it takes. The first question – the issue of aid conditionality is a contentious issue and will be discussed in the next section. However, there is a consensus that one specific type of aid conditioning – so called tied aid should be eradicated from the aid practice. Tied aid is aid given under a condition that it will be used for the purchase of goods or services from the donor country. In addition, conditional credits obtained from industrial countries' export agencies can be mentioned in this respect. As UNDP (2005) estimates, tied aid is 11–30 per cent less valuable than

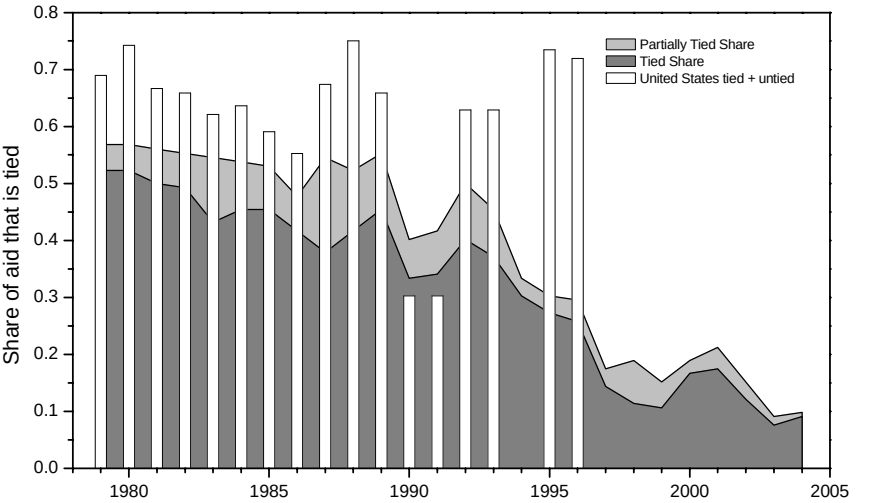

Figure 3.4: Types of tied aid and its evolution between 1979 and 2004. Source: EASTERLY (2006)

untied aid because of price differentials between what donor country firms charge and what would be available in the market. Products or services obtained in this way could most probably be obtained elsewhere under better terms or the funds would be used in an entirely different way in accordance with the recipient's priorities. Aid untying has been advocated by IMF, World Bank, DAC and other agencies over the past years. The reaction of the donors is mixed. Tied aid has substantially decreased over time as the following figure clearly shows (Figure 3.4.).

On the other hand, some donors (most notably the USA) reacted by ceasing the publishing of the data on tied and untied aid (as obvious in the Figure 3.4). There are also fears that the positive effect of reduced aid tying will be offset by scaling up of other forms of tied aid, that are usually deemed to be of dubious quality – food aid and technical assistance (THE ECONOMIST, June 15, 2000).

Why is food aid a problem? As these donations in kind usually come from the donor country, it is not surprising that The IMF and World Bank found it about 50 per cent more costly than locally procured food and 33 per cent more costly than food imports from a third country (EASTERLY, 2006).[38] It is at the same time shown to have price depressing effects on the local agriculture which hurts the poor typically concentrated in this sector and allows the government to neglect agricultural reforms and good governance in this area (e.g. EASTERLY, 2006). There is therefore again, a strong trend to phase out this type of aid.

The similar goes for technical assistance and cooperation, much of which is spent on foreign advisors. As SUNDBERG and GELB (2006) note it has historically been the second largest component of aid – even though finance for

[38] As it is usually the case when it comes to aid, there can be probably instances when food aid is justified and adequate. It can be for example an adequate reaction to an acute famine where there are serious concerns about the ability of the government and public administration to tackle the situation.

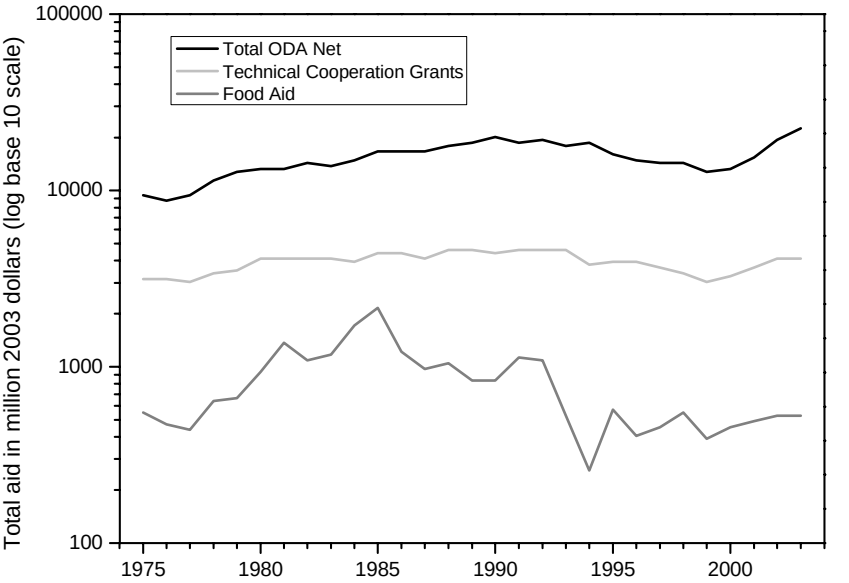

Figure 3.5: Types of aid to sub-Saharan Africa between 1975–2004. Source: EASTERLY (2006)

training programs, analytical reports, and expert advice may never actually cross the borders of the donor country. While this is not to say that these investments have been always utterly inefficient when fostering development by disbursing knowledge and technology, they are, by nature, a form of tied aid and are therefore costly. As EASTERLY (2006) reminds, technical assistance is also badly coordinated among donors. Have these types of aid been reduced because of these concerns? The following Figure 3.5 shows a somewhat positive development when it comes to food aid, however a relatively steady position of technical assistance with an increasing trend in the new millennium.

EASTERLY further notes that the share of food aid has a steady downward trend in the case of the major food donor – the U.S.A. He regards this as an evidence of some learning leading to a shift away from a type of aid widely seen as counter-productive (EASTERLY, 2006: 20). However, this so far cannot be said about the technical assistance.

There are also studies focusing on other types of aid. A prominent study by RADELET, CLEMENS and BHAVNANI (2005) discriminates between types of aid that they consider less and more pro-growth. They empirically examined emergency aid, pro-growth aid (physical infrastructure and agriculture investment) and indirectly pro-growth aid which yields its dividend only in the long run (investment in education, health and other human capital augmenting projects). The first type of aid was found to have a negative association with growth – which is unsurprising as it is provided mostly at times of natural, economic or political distress. The second is in their study expected to yield its

benefits relatively quickly and directly. Finally, the third type of aid is expected to have a notable effect on growth and poverty reduction in the long, rather than short run.

Another question that can be often found in the contemporary aid-related literature is whether it should be provided in the form of grants or loans. The portion of aid provided in the form of grants has increased in recent years also due to fear that some developing countries will again become highly indebted and there will be a need for yet another round of debt cancellations (WORLD BANK, 2006 a). However, as CLEMENTS, GUPTA and PIVOVARSKY (2004) point out, scholars often argue that loans induce policymakers to use funds wisely and to mobilize taxes or, at least, to maintain current levels of revenue collection. Grants are, on the other hand, viewed as free resources that worsen fiscal discipline and possibly the effectiveness of their use. Is this fear justified?

HARFORD and KLEIN (2005) assert that indeed, empirically, the more concessional the funds are, the less efficient their use usually is. They add that grants are typically used for consumption rather than productive investment and that they are negatively correlated with tax revenues and less positively correlated with economic growth than loans (however, the causality is unclear). On the downside of grants, another argument is that, quite intuitively, donors are willing to provide more funds in the form of loans then grants, which are still relatively scarce.

On the other hand, CLEMENS, GUPTA and PIVOVARSKY (2004) assert that they found no general tendency for grants to harm domestic resource mobilisation. In their study, the impact of aid on domestic revenues is contingent on the quality of institutions – where the institutions are the weakest, an increase in grants will be offset by the reduction in public revenues. Thus, here domestic revenue can be displaced by aid in the form of grants. We will attempt to formulate a policy recommendation in the area of grants and loans in the next section.

In this chapter, we have identified factors that are shown to influence aid's effectiveness in empirical studies. Out of this knowledge, we will now attempt to devise a way forward by formulating policy recommendations that could substantially increase aid's effectiveness.

3.6 Policy Lessons

We have seen that the donor characteristics, aid characteristics and the quality of recipient's policies and institutions matter when it comes to aid effectiveness. We have seen that where the quality of policies and institutions is low, there is generally not much aid can achieve in terms of growth and poverty reduction. But what if this is the case? What can the donors do to improve the lives of these 'failed states' citizens? We will ask this question in the first subsection of this part of the text – in the section devoted to the conditionality vs. selectivity issue.

Much is however, also in the hands of aid recipients. Apart from the general strengthening of institutions, policies and the commitment to good governance practices, measures can be adopted to lessen potentially harmful effects of aid within the recipient country itself. Finally, much of what has been discussed here, is calling for the change of code of conduct of aid agencies. This will be the focus of the final subsection.

3.6.1 Selectivity Versus Conditionality Debate

In the last section, we have seen that aid effectiveness is largely dependent on the quality of policies and institutions in the recipient country. But what if this condition is not fulfilled in certain countries? What can be done? Some of these institutions might be hard to change in the short run – such as deeply embedded societal values regarding the role of women etc. On the other hand, some can be addressed by the appropriate set of policies quite quickly – in the case of economic policy almost immediately. Nevertheless, what if for some reasons, the recipient country's government is not willing to adopt this set of policies? Traditionally, aid conditionality has been the major tool to bridge the gap between the desired level of policies and institutions and the reality.

3.6.1.1 Encouraging Change – Aid Conditionality

Aid has been conditioned by many things in its history, depending on what the donors deemed appropriate for the recipient, what incentives for change they wanted to create and what behaviour they wanted to reward.[39] The basic idea is that the fear of aid suspension will force the recipient to rethink its stand and mend it in accordance with the donor's recommendation. To a large extent, the structural adjustment program of the IMF and World Bank (SAP) can be mentioned as the most prominent example of this approach.

However, this strategy has led to many disappointments over the years.[40] BULÍŘ and LANE (2004) showed in their study that the countries with the most conditioned program (i.e. those with the lowest initial quality of their institutions and policies) subsequently fulfilled the least conditions. COLLIER and DOLLAR (2004: 258) make the point that any successful reform requires its ownership – i.e. a wider acceptance within the society. They further illustrate their point by referring to the World Bank series of case studies *'Aid and reform in Africa'* concluding that aid cannot bring about sustained policy changes when the government is not committed to them. They mention the example of Zambia where many adjustment loans were dispersed without any policy improvement.

[39] Not always are the conditions growth or poverty related. They might also attempt to induce change in the area of foreign policy or the political arena (we can mention the suspension of aid coming from the European Union to Hamas in Palestine for not recognizing Izrael).

[40] In the past years, the power, which the industrial country donors might have had has been further eroded by the policies of China. China has become a major competitor in the aid industry utterly unconcerned about good governance and institutions or democratic values in the recipient countries.

Apart from the proposition that donors tend to overestimate their influence they even suggest that aid can have reform-deferring effects. The financial support that Zambia, Kenya and Tanzania received during the 1980s is here said to have helped to postpone the necessary reforms by financing some wholly unprofitable schemes (COLLIER, DOLLAR, 2004 similarly HAMPL, 2005). World Bank itself admits that insufficient governmental commitment to reforms stood behind the SAP's failures (WORLD BANK, 1998; WORLD BANK, 2002 a; WORLD BANK, 2003). RODRIK and SUBRAMANIAN (2003) sum up by saying that where the commitment to good policy and institutions already exists, the conditions are superfluous where it does not they are ineffective. On the other hand, MOSLEY, HUNDSON and VERSCHOOR (2004) believe that the proposition that aid conditionality has never had any impact on policies and institutions is too strict.

Another problematic feature of aid conditioning is the donors' consistency of the condition enforcement. KANBUR (2003) asserts that in many cases the conditions were clearly not fulfilled while aid was still disbursed. SVENSSON (2002) finds on average no link between the extent, to which the conditions are kept and aid disbursement. The WORLD BANK (1998) itself admits that in many cases the fact that the conditions were compromised did not result in aid suspension. KANBUR (2003) provides two possible explanations for the lack of donors' consistency. Firstly, vested interests can block the attempts to suspend aid disbursements. Secondly, aid officers can find themselves in the sammaritan's dilemma (as mentioned above) when aid recipients succumb to political and economic instability which should result into aid being withheld. However, this threatens to impact negatively the situation of the common citizens (as THE ECONOMIST, February 24, 2007 mentions in reference to Ethiopia or more recently Kenya's stolen elections). COLLIER and DOLLAR (2004) add to this that aid industry is prone to a certain bureaucratic inertia – giving aid to countries that no longer deserve it or are not that poor anymore. Finally, political and foreign policy considerations can understandably play a role when extending aid to corrupt and failed governments.

The consensus and the first policy lesson is that, as BIRDSALL (2007) puts it, changing policies and institutions is a long term and mostly a homegrown process, which is not manageable by external intentions or money.

Is it then desirable to condition aid at all? While conditions cannot ensure domestic ownership where there is simply none, where there are sings of governmental and societal commitment, they do have certain advantages. The WORLD BANK (1998), COLLIER and DOLLAR (2004) and many others point out that in certain cases they can assist to mobilize public support and the acceptance for unpopular reforms, raise the credibility of the reform program and boost investor's confidence. Most authors also conceive that a certain minimum level of aid conditionality is needed to ensure that aid is not entirely wasted (WAAL, 2004; similarly HELER, GUPTA, 2004; KANBUR 2003; WORLD BANK, 1998; WORLD BANK, 2002 a; WORLD BANK, 2003).

But what if there are significant reasons to believe that the government is not committed to raise the quality of the country's policies and institutions?

What if there is not a real support for a policy reform and thus, aid will probably not achieve much in such environment? COLLIER and DOLLAR (2004) state that donors have essentially two choices at their disposal – they can decide for strict aid selectivity and thus withdraw aid to corrupt states (or at least some forms of that). Alternatively, they can attempt to work 'around the state' not withdrawing their aid programs but executing them in a different way. In the next subsection, we will review what aid selectivity is and its merits. Then we will deal with this question into more detail.

3.6.1.2 Rewarding Change – Aid Selectivity

The shift from conditionality to aid selectivity is one of the major changes in the aid architecture in the past years. According to it, aid should be given to governments on the delivery of their promises not in exchange for promises themselves. According to many authors, this has not been happening until quite recently. BURNSIDE and DOLLAR (1998) found that in the case of bilateral donors, one of the major criteria when deciding how aid should be allocated, are their historical political ties. In their study, they found a former colony to receive the double amount of aid than countries without historical ties in which the policies and institutions are better. ALESINA and WEDER (2002) found that the level corruption in the recipient country had no effect on aid allocation. SUNDBERG and GELB (2006) assert that before 1991 very few bilateral or multilateral donors considered good management and governance a factor when allocating aid. At the same time, they remark that in the past a significant portion of aid was given to countries that were politically unstable. From 1980 to 2002, one-fourth of all aid to Africa went to countries experiencing conflict and almost one-fifth of total aid went to countries later torn by wars that eroded prior development gains (SUNDBERG, GELB, 2006). Similarly, also COLLIER and DOLLAR (2004) find little evidence for aid selectivity in respect to policies and institutions until the second half of 1990s. This would be understandable if aid programs improved the quality of governance and institutions. However, as we have seen in the previous subsection on aid conditioning, it has not, in general, been the case. There is therefore an growing trend to make aid disbursement selective. But on which criterion?

There is now a consensus among the development economists that aid should be given to countries combining the quality of policies and institutions and high incidence of poverty (HELER, GUPTA, 2002; or THE ECONOMIST, June 24, 1999). Some add the sufficient absorptive capacity as a concern that should be also taken into account. Although it might not have been the case in the history, this benchmark penetrated both development thinking and practice rather quickly. It is a part of DAC/OECD recommendations, the Paris declaration on aid's effectiveness and many aid agencies adopted this benchmark in practice including the Word Bank's International Development Agency and the Millennium Challenge Corporation administering the Millennium Challenge

Account.[41] As a result, SUNDBERG and GELB (2006) state that aid selectivity with respect to policies and institutions, has greatly improved. On the democratic side, aid to countries with unlimited executive authority has fallen from nearly a half to 18 per cent, and the share of aid to countries with more democratic systems nearly tripled.

Moreover, it is advisable to reward already existing initiatives sprung from the country itself.[42] There is an increasing shift towards *'reform ownership'* rather than structural adjustment-like dictate of the donor. The current paradigm requires the country to utilize the knowledge of its own specific conditions to formulate a strategy of reform in consultation with the civil society agents and the general public. For this, the country subsequently seeks external financing. The research so far indicates that the support for reform is higher when it is designed by the country itself (WORLD BANK, 2002 a; WORLD BANK, 2005 a). This shift is now clearly visible in the way the World Bank and the IMF cooperates with developing counties. While this and the above-mentioned progress should clearly be welcome, there are at least two issues with the argument on aid selectivity.

Firstly, while the need for rewarding reforms and efforts rather than promises and the importance of institutional and policy quality is currently acceded by the vast majority of economists and practitioners, some tend to interpret good policies and institutions quite broadly. Indeed, there is no clear line that distinguishes badly run countries from the well run ones. As some authors deem for example Uganda as an example of the latter (COLLIER and DOLLAR, 2006), some put it in the former category (MOSLEY, HUNDSON, VERSCHOOR, 2004). That poses some dangers for a successful implementation of this benchmark in practice. Here we can give an example of The Practical Plan to Achieve the Millennium Development Goals produced by an expert group headed by Jeffrey SACHS for the UN Millennium Project. Although it suggests a preference for well run countries, it recommends aid upscaling for many others, because there as well, the governments are 'potentially effective'.[43]

The second issue is that strictly speaking, there are not that many countries that fulfill all the criteria simultaneously (as THE ECONOMIST, April 23, 2005 also illustrates by a relatively few countries supported by the Millennium Challenge Corporation). In other words, countries, which are well run, tend to have low poverty incidence and vice versa. There is therefore a conflict between a country's relative need for aid (thus high poverty incidence) and its ability to use it well. Aid will then be a factor that speeds up the poverty reduction rather than its primary cause. So what can we do about the countries that are both poor

[41] Millenium Challenge Corporation disburses money dependent on a country's assessment of 15 indicators on policy and institutions. It is often contrasted to USAID which is generally regarded as a highly politicised aid agency providing money to strategic allies (Izrael, Egypt, Jordan, Pakistan) which are either poorly run or not that poor (THE ECONOMIST, April 23, 2005).

[42] THE ECONOMIST (June 30, 2005) mentions examples of successful reform financing when the reform was formulated and intitiated by the recipient country itself – Mosambique, Ghana, Tanzania or Etiopia.

[43] As THE ECONOMIST (February 20, 2005) puts it, "much as Mike Tyson is potentially well-behaved".

and poorly run? What is the *optimal* approach of donors in this case? As we said earlier, one option is to suspend financial aid altogether and rather than cash, provide technical assistance, trainings, scholarships and other skills and knowledge-disbursing programs (among others, WORLD BANK, 1998; EASTERLY, 2004). This rather strict approach has many advocates. THE ECONOMIST (November 12, 1998) mentions that aid should be withheld if the conditions are not being kept due to the fact that wasting aid money reduces public support for aid as a whole. COLLIER and DOLLAR (2004) mentions the danger of moral hazard in this respect when continuing giving aid to corrupt and failed states encourages a general belief that no matter how aid is used, it will be always provided again. Some suggest to provide money as well but to earmark it to a concrete outcome or project. This, however, is problematic as aid money is regarded to be highly fungible. Aid fungibility means that in a situation when aid money is earmarked to a specific project or sector, a government reacts by channeling the money, which would otherwise go into this sector to a different activity. The net financial effect on this sector is therefore negligible (more on aid fungibility e.g. COLLIER, DOLLAR, 2004; or HUDSON, 2004).

Nevertheless, some authors (such as TARP, 2007) believe that cutting aid to countries suffering from bad governance is not the sole answer. In his view, it is morally dubious to 'punish' the common citizens for their politicians' misrule that they can hardly change (considering the conduct of elections in certain countries).

It is again up to the reader to form his or her own opinion. In the author's point of view, it is not justifiable to continue providing aid to regimes that do not use it efficiently and do not respect democratic values and human rights. The international community has certain tools by the means of which it can attempt to reduce the negative impacts of aid suspension on the citizens. For example, in Kenya, where the politicians, as THE ECONOMIST (January 5, 2008) puts it, showed an utter contempt for democracy and its people in the recent elections, the donors can withdraw aid provided to the regime itself and attempt to 'work around the state'. This term refers to a situation when the donors use different entities than the state as implementations agencies for their aid projects – typically non-governmental organisations. Although this measure is generally recommended for inadequate policy environments, COLLIER and DOLLAR (2004) note that this has also some drawbacks – most notably in the form of the forgone experience of the state administration and the democratic accountability of the government. Furthermore, if the general environment is adverse to growth and poverty reduction, it will affect the project sustainability no matter how well the project is executed. In the author's opinion and experience, the outlooks for a sustained beneficial impact of the project are rather dim in this case. This is not good news for the citizens suffering under their politicians' misrule and corruption.

However, as we said earlier, it is hard to classify countries as either entirely failed or entirely efficient when it comes to aid. There are grey areas and certain compromises will always be required. Perhaps out of these concerns a relatively new form of aid delivery and execution has sprung – so called 'sector wide

approaches' (SWAPs). While it is difficult to provide a precise definition, this term generally refers to a way of providing aid in which all donors contribute to a common 'pool' of finances allotted to a common strategy designed by the country itself. Some, for instance UNICEF (2004) consider this tool to be so far the most powerful means of ensuring that the government takes a leading role in partnership with the donor community. While a complex description and evaluation of this method goes beyond the scope of this chapter, the method is said to have a potential to address the problem of donor fragmentation and harmonization, aid fungibility and maximise aid effectiveness.

3.6.2 What the Recipients Can Do

We have seen that when it comes to aid effectiveness, much is in the hands of aid recipients who should strive to improve their governance and institutions. We have seen that while certain institutional features are hard to change in the short run, many governmental policies can be improved quite easily. The whole issue of good governance and institutions is a very wide area extending the scope and topic of this chapter; we will therefore not go into more detail here. However, some of the measures that can boost aid effectiveness would include anticorruption bills, strengthening the competence of public administration and its officers and the measures that can mitigate some of the potential negative effects of aid. In the preceding text, we mentioned two strands of issues connected to aid – its volatility and unpredictability complicating the conduct of economic policy of the recipient and the Dutch disease.

BULÍŘ and LANE (2004 and 2002) mention the following measures that can be adopted in respect to aid volatility: flexible budgeting that allows for contingencies in aid disbursements when possible, creation of reserves and alternative sources of financing (also HELLER, 2005). In reality, however, all these potential solutions have their pluses and minuses and their adoption is constrained by the country-specific circumstances.

Economic policy can also react to the menace of Dutch disease. However, the literature is currently inconclusive on how to do it. While some authors think that the Dutch disease poses substantial risk and suggest a conservative economic policy, some stress the fact that preventing Dutch disease means that the aid money is used for reserves and not for the development projects that could lift many people out of poverty. For the current debate on Dutch disease see for example AIYAR, BERG and HUSSAIN (2005).

As GOLDSBROUGH and ELBERGER (2007) put it, in reality, the recipient countries must make policy choices under a great uncertainty and balance complex macroeconomic concerns. In the case of aid volatility, the ideal state would certainly be to eliminate aid volatility altogether – either by ensuring the recipient' compliance with aid's conditions or by reforming the way donors agencies work.

3.6.3 The Code of Conduct of Aid Agencies

Much of what was said here constitutes a call for a reform of how the aid agencies often work (or at least worked in the past)[44]. Based on the previous findings, we will now formulate the major policy recommendations that could boost aid's effectivity:

1. *Increase selectivity*
   As we have already mentioned multiple times in this chapter – low selectivity (and inconsistency) constitutes one of the gravest misconducts of the aid agencies. We have seen that aid should be targeted at countries combining the favourable institutional and policy environment, widespread poverty and sufficient absorptive capacity.
2. *Decrease donor fragmentation and increase cooperation and harmonisation*
   Donor fragmentation is one of the most cited problems in the contemporary development literature. RIDDEL (2007) says that there are currently over 200 official donor agencies, which is more than double of the number 40 years ago. He goes on mentioning that at least 30 recipient countries must therefore deal with more than 40 donors simultaneously. Furthermore, in 2005, the number of separate aid transaction recorded by all official aid agencies was estimated at 60,000 while the average size of each transaction has fallen. This situation has many documented negative side effects on the recipient. KNACK (2006) highlights the experience of Mozambique in early 1990 when donor agencies and government were competing over qualified officials, which in the end resulted in the government being deprived of their most skilled personnel. As we have seen, the capacity of the government and public administration to administer aid programs effectively as well as good governance critically depends on the competence of its officials. Still though, the donor fragmentation seems to be on the increase (see Figure 3.6).
   Not only has high donor fragmentation a negative effect on the human capital available to the government and public administration. Its detrimental effect on the bureaucratic quality in the recipient country is well documented in the contemporary literature as well. KNACK (2006) records a negative and statistically significant relationship between aid fragmentation and bureaucratic quality for 30 countries in the most aid-intensive region – the Sub-Saharan Africa. Fragmented aid means more reports that have to be filled out, a greater diversity of rules and procedures that have to be followed placing an enormous burden on the country's (mostly underdeveloped)

[44] As the recommendations formulated in this section are applicable on a wide range of subjects, we consider the broad sense of the term "aid agencies'. That is all subjects through which development aid is channeled, i.e. governmental aid agencies, international organisations and non-governmental organisations.

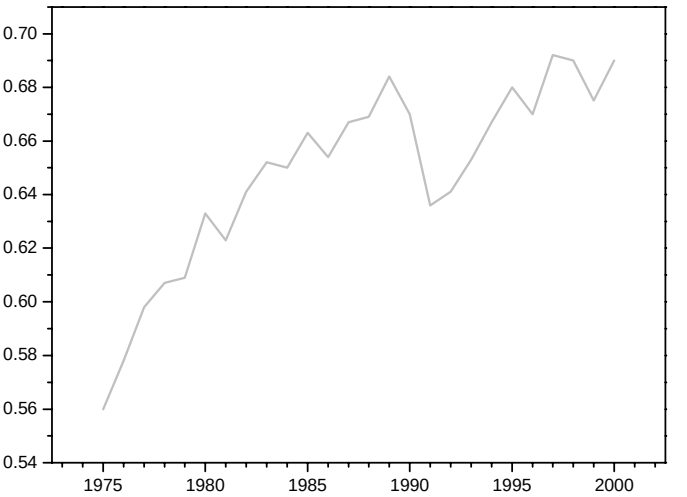

Figure 3.6: Mean donor fragmentation index between 1975–2000. Source: KNACK (2006)
Note: Fragmentation is averaged oveall OECD-DAC aid recipients, and is computed from the DAC data on aid volumes.

administrative and bureaucratic capacity.[45] EASTERLY (2004) goes on criticising the tendency of aid agencies to 'do everything' where specialisation would yield better results and economies of scale. These concerns lead us to the necessity of donor coordination. The WORLD BANK (2003) asserts quite daringly that the aid agencies tend to show little concern for what other agencies are doing in the same area and do not try to harmonize their operations. This situation can lead to activity overlapping and resources wasting (EASTERLY, 2004), potentially even to the conflict of goals and incentives pursued by the various donors (KANBUR, 2003).

Sector wide approaches here again can constitute certain solution. As their key principle is that a single program is devised and executed by the recipient and the donors share the costs in a single basket form of funding, the dangers stemming from donor fragmentation are greatly reduced.

3. *Decrease administrative costs*

Aid agencies and aid in general has been long ctiticised for the high ratios of administrative costs in aid budgets and (as mentioned earlier) high administrative burden placed on the recipient country bureaucracy. SUNDBERG and GELB (2006) mention that the administrative costs of bilateral aid have increased partly due to the proliferation of agencies and countries involved in delivering aid—whereas two agencies and 10 countries provided aid to Africa in 1960, these numbers had increased to 16 agencies and 31 countries reporting to the DAC by 2004. This does not even take into account the administrative burden. STANEK (2007) refers the World

[45] KNACK (2006) gives an example of Vietnam, where it took 18 months and the involvement of 150 governmental workers to purchase five vehicles for a donor-funded project because of the differences in the regulations among aid agencies.

Bank statistics of 2006 when asserting that in order for the Afghan government to utilize one dollar of aid, the aid agencies have to spend eight. It is therefore not surprising that the call to reduce the administrative costs and requirements is included in the DAC/OECD recommendations and the Paris Declaration.

4. *Increase transparency, improve research and monitore results*
   Inadequate research and evaluation of results and outcomes of development programs is also often mentioned in the contemporary literature. Insufficient ex ante research stood, according to THE ECONOMIST (June 24, 1999), behind instances when developing countries were flooded by things for which there was limited use.[46] Effective aid also requires consistent monitoring of the development projects' results. KNACK (2006) highlights the need to publicize the measures of donor performance including the share of tied aid, the number and frequency of reports required, missions and delegations carried out and so on.
5. *Plan carefully*
   It is also vital to set realistic, easily measurable and quantifiable goals that enable aid agencies to obtain feedback on the quality of their projects (EASTERLY, 2004). THE ECONOMIST (January 20, 2005) considers even the Millennium Development Goals to be too ambitious and therefore not adequately formulated. Nevertheless, it appreciates that they are set in concrete and measurable terms.
6. *Ensure aid flows are predictable and honour previous promises*
   Given what was said earlier about aid volatility and predictability and the lack thereof, it is no surprise that it is one of the key recommendations occurring in the contemporary literature. It means ensuring that the donor promises are being kept and that aid is disbursed on time in accordance with the expectations of the recipient. Jamison and RADELET (2005) mention that progress on this field is already being made which now also enables the donors to fund recurrent expenditures such as teachers' salaries which would otherwise be too risky. On the other hand, RIDDEL (2007) mentions that aid is still very volatile and unpredictable due to the fact that there is no effective mechanism present to ensure that donors live up to their aid commitments. He goes on saying that there are no sanctions for the donors who fail to honour their promises except for the sole peer condemnation in DAC/OECD.
7. *Select an adequate form of aid*
   Which form of aid is the optimal one and in which cases is still a question with no straightforward answer, as we have seen earlier in the text. However, some hints can be found in the contemporary literature on the choice between loans and grants. The general rule of thumb is to provide grants (if possible) where the prospects for loan repayment are dim, where the socioeconomic benefits are expected to be generated in the long run or

[46] For example heartburn pills to Somalia or high heel shoes for the poor peasants in Mosambique (THE ECONOMIST, June 24, 1999).

where there is an urgent need or emergency. The IMF (2003) sums up the issue by giving an account of instances where grants are advisable instead of loans:

- when raising consumption of the poorest is the immediate priority
- when aid is disbursed due to humanitarian reasons and responds to natural disasters
- where the prospects for loan repayment are weak

Possible negative effects of 'free resources' should be at the same time addressed by the better monitoring of their use by aid agencies.

8. *Eliminate aid tying*
   As we have seen earlier in the text, one of the other misconducts aid agencies is that they often succumb to aid tying. Nowadays most notably in the form of food aid and technical assistance. Further reduction in the share of tied aid and transparency in this area could further boost aid's effectiveness.

All that has been said here so far shows that there are indeed many tasks and requirements placed on the donor if aid's effectivity is to improve. According to EASTERLY (2006), aid agencies have been improving in the area of the general aid tying and aid selectivity while the issue of donor fragmentation is yet to be taken seriously. On the other hand, as CEDERGREN (2007) points out, the commitment of aid agencies to improve aid's effectiveness was to a great extent proven by the endorsement of Paris Declaration on Aid Effectiveness. In 2005, more than 100 countries and donor organisations accepted this plan to reform the system of aid delivery (CEDERGREN, 2007). The Declaration rests on the following principles:[47]

- Ownership – i.e. developing countries exercise leadership over their development policies and plans
- Alignment – i.e. donors base their support on countries' development strategies and systems
- Harmonisation – i.e. donors coordinate and minimise the costs of delivering aid
- Results – i.e. donors and partner countries orient their activities to achieve results
- Mutual accountability – i.e. donors and partners are accountable to each other for these reforms

The future will witness how far the aid agencies will eventually go to fulfill these laudable commitments.

[47] The full text of the declaration can be found on http://www.oecd.org/dataoecd/11/41/34428351.pdf.

3.7 Conclusions and Final Remarks

Some say that development aid has been a tremendous success. Some say that at times it has been a tremendous failure. Some say that aid is not only incapable to deliver development; it can even hamper it by fostering real exchange rate overvaluation, corruption or lousy fiscal discipline. Some say that aid is superfluous where it is effective and ineffective where it is needed. Some say that aid is not only beneficial but also absolutely necessary to bring about growth and poverty reduction. What sense can we make out of this?

When trying to find out the real effects of development aid we hit the ceiling given by the abilities of methods we possess. Are we able to give a full account of factors underlying growth and poverty reduction in theory and in practice? Are we able to say how important each of these factors has been in the case of each and every country? Are we able to say what is wrong or what is missing in the case of the poorest countries in the world? Despite the considerable progress in both econometric modelling and economic theory and empirical research in general, in the area of foreign aid, our answers are still far from complete.

As we have seen in this chapter, there are many theoretical and empirical mechanisms through which aid can both, foster growth and poverty reduction and hamper it. Which effect will prevail in the end will depend on many factors. We identified the quality of policies and institutions of the recipient countries as the most important one. Thus, it is impossible to form any absolute conclusion about aid's effectiveness – it will always be contingent on where and how it is spent.

However, what we can do is to attempt to formulate policy recommendations on how to strengthen the positive merit aid contains. One of ways how to achieve this rests in the area of good governance and institutional change. Nevertheless, it is illusionary to believe that aid per se could be the cause. For a long time, aid disbursements were conditioned on the adoption of 'good practices'. This strategy, however, yielded many disappointments. One of the major policy lessons of this chapter is that aid should be selective – on the criteria of good policies and institutions, widespread poverty and sufficient absorptive capacity. Aid agencies should further strive to reduce project overlaps and donor fragmentation, increase multidonor cooperation, improve project outcomes planning, monitoring and transparency, decrease administrative costs of aid, honour their aid commitments, eliminate aid tying and carefully choose the form of aid. Much is of course in the hands of the recipient country, where good policy and institutional environment could most probably bring about growth and poverty reduction even without aid.

There is much justified skepticism about aid. But this does not mean that the international community should resign on its development policies as a whole. Moreover, if it is really serious about development, it should strive to change the situation where nearly three fourth of the world's poor are trying to compete with industrial country farmers receiving subsidies and other protection (IMF, 2003). Or as Uganda's president Museveni puts it: "Aid without trade is a lullaby – a song you sing to children to get them to sleep" (THE ECONOMIST, January 15, 2004).

Chapter Four

The Official Development Assistance and Debt Relief – the Case Study of the Czech Republic

Robert Stojanov

The historical record height of the Official Development Assistance (ODA) in 2005 and evaluation of performance in commitments within the frame of the Millennium Development Goals (MDGs) in the middle of given period (2000 – 2015), have brought new potential for discussion on development issue in Central European countries. One of the most frequent topic, within the frame of the ODA, is debt relief to developing countries, which is also one of the commitments of the MDGs programme. The Central European countries have belonged to creditors of developing countries since the socialistic regime period. The prime purpose of the chapter is description of the ODA policy of the Czech Republic's government together with explanation of the issue from the broader perspective.

The official development assistance issue came around to be serious theme for the Central European politics only a few years ago. It is related above all to membership in the European Union since 2004. But the public from the countries can remember 'brotherly aid' addressed to newly established socialistic countries in developing regions. That is why the development assistance is not generally too popular in the Central Europe, except the humanitarian aid. So many people still do not understand why they have to devote their taxes to assistance and development of 'some exotic countries' in Africa and Asia, in particular. This is also the case of active debts of developing countries.

The prime purpose of this chapter is introduction to the Official Development Assistance issue in Central European countries (Czechia, Slovakia, Poland, Hungary) provided for last years, as well as the presentation of contemporary situation dealing with debts relief to developing countries from the Czech Republic perspective, in more detail. However, the second issue suffers by lack of data and relevant information so far. Both mentioned issues are described from the quantification viewpoint (the high of the ODA budget or extent of developing countries' loans) without any quantitative comments, such as effectiveness measurement of the ODA providing. The main research questions which launched the writing of the chapter were "How is the extent of the ODA budget of four Central European countries?"; "Are there any differences among

the particular budgets of the countries?"; "How far is the development and contemporary situation dealing with debts relief to developing countries from the Czech Republic?".

This first part of the chapter consists of comparative analysis based on information and data which come from the Organization for Economic Cooperation and Development (OECD) reports as the most relevant organization dealing with the issue considering the progress of the ODA in its members' countries. The second part of the chapter is analysis of debt height of developing countries towards the Czech Republic and its development including the schedule of debts relief to these countries. In the view of lacking relevant data, information and research works, various sources were analyzed, including the official messages from the Ministry of Finance of the Czech Republic that were given to author of the chapter. Another relevant sources include official reports of the Czech permanent delegation in OECD, particular media remarks and statements of some Czech former public representatives, and selected data of the World Bank. The specific advantage, from the research point of view, is fact that majority of the sources are primary. Selected data and information are published in the chapter for the first time. The exchange rates from Czech crowns (CZK) to U.S. dollars (USD) refers to concrete date, in particular to December 31 each of the year, according to the Czech National Bank.

4.1 The Official Development Assistance of the DAC/OECD Members During the Last Years

In 2007–2008 the world community evaluates fulfillment of the commitments within the frame of the Millennium Development Goals in the halfway. One of the goals, that should be financed and supported by developed states, regard with enhancement of official development assistance (ODA) and debt relief of developing countries. Concretely, the goal No. 8 'Develop a global partnership for development' that includes particular targets No.13 'Address the special needs of the least developed countries (including tariff- and quota-free access for exports of the least developed countries; enhanced debt relief for heavily indebted poor countries and cancellation of official bilateral debt; and more generous official development assistance for countries committed to reducing poverty)' and No.15 'Deal comprehensively with the debt problems of developing countries through national and international measures to make debt sustainable in the long term'. Considering the Central Europe countries finally rank among the developed countries and as the members of the OECD and European Union (EU), they have full responsibility for fulfillment of their commitments.

The official development assistance to developing countries from member countries of the OECD's Development Assistance Committee (DAC) rose by 32.0 per cent to 106.8 billion USD in 2005, according to the OECD report (OECD, 2006 b). That is a record amount in absolute numbers in history of the ODA. It represents 0.33 per cent of the Committee members' combined Gross

National Income in 2005, up from 0.26 per cent in 2004. Aid in the form of debt relief grants increased by more than 400 per cent between 2004 and 2005, while other aid increased by 8.7 per cent in the same period (OECD, 2006 a).

The main factors that contributed to the increase in 2005 were debt relief for Iraq and Nigeria (approx. 14 and 5 billion USD) and 'tsunami aid' to countries affected by the disaster in December 2004 in Indian Ocean (together about 2.2 billion USD), says OECD report (OECD, 2006 a). The combined ODA of the fifteen members of the DAC/OECD that are EU members rose by 27.9 per cent in real terms to 55.7 billion USD, equivalent to 0.44 per cent of their combined GNI. The bulk of this increase was for debt relief grants. In 2002, the DAC/EU members committed to reach an ODA level of 0.39 per cent of their combined GNI by 2006, with a minimum country target of 0.33 per cent. Greece, Italy, Portugal and Spain still need to increase their ODA in order to reach this target (OECD, 2006 a). The ODA dropped back slightly in following years as debt relief declines.

Further, the OECD report (OECD, 2007 c) claims that the 22 member countries of the DAC/OECD provided 103.9 billion USD in the development assistance in 2006, which down by 5.1 per cent from 2005, in constant 2005 U.S. dollars. This figure includes 19.2 billion USD of debt relief, notably again exceptional relief to Iraq and Nigeria. Excluding debt relief, other forms of aid fell by 1.8 per cent (OECD, 2007 c; compare with OECD, 2007 d).

The last report from the OECD (2008) reflects the end of exceptionally high levels of debt relief (notably for Iraq and Nigeria) and a small increase in other official development assistance. The DAC/OECD members provided 103.7 billion USD in the development aid in 2007, according to preliminary figures. However, the most donors are not on track to meet their stated commitments to scale up aid and will need to make unprecedented increases to meet the targets they have set for 2010, says the report (OECD, 2008).

With the end of exceptionally high debt relief, total official development assistance (ODA) from members of the Development Assistance Committee fell by 8.4 per cent in real terms in 2007 to 103.7 billion USD, according to provisional data reported by members. This represents a drop from 0.31 per cent of members' combined gross national income in 2006 to 0.28 per cent in 2007 (OECD, 2008).

In fact, the fall during the last two years was expected because the ODA was exceptionally high in 2005 and 2006 (see Table 4.1) due to large Paris Club debt relief operations for Iraq and Nigeria, as we mentioned. The last report by OECD (2008) points out that debt relief grants diminished in 2007 to 8.7 billion USD as the Paris Club operations tapered off. Excluding debt relief grants, DAC/OECD members' net ODA rose by 2.4 per cent .

Table 4.1: The official development assistance (ODA) and rate of the ODA and Gross National Income (ODA/GNI) of the DAC/OECD members

Year	ODA (billions USD)	ODA/GNI (per cent)
2004	79.4	0.26
2005	106.8	0.33
2006	104.4	0.31
2007*	103.7	0.28

* Preliminary data.
Source: data from OECD (2006 b); OECD (2007 d), OECD (2008)

4.2 The Official Development Assistance of Central European Countries – Brief Overview

Among the non-DAC/OECD donor European countries, the Czech Republic, Hungary, Poland and the Slovak Republic reported ODA figures for 2004–2006, and preliminary for 2007, however we will not pay to attention to the Czech Republic in this part of the chapter. Hungary spent 70 million USD for the ODA in 2004 as the 0.07 per cent of its ODA/GNI ratio. Next year Hungary's net ODA rose to 100 million USD and corresponded with the ODA/GNI 0.11 per cent. Even if the development assistance of Hungary on 2006 increased in both bilateral and multilateral aid on 149 million USD, reflecting the debt relief to Iraq which accounts for nearly 80 per cent of bilateral flows, the net ODA in 2007 dropped back on 91 million as the 0.07 per cent of its ODA/GNI ratio, according the preliminary figures (see Table 4.2).

Poland s net ODA was 118 million USD and corresponded with the ODA/GNI ratio 0.05 per cent in 2004, whereas in 2005 Poland's net ODA rose to 205 million USD with increasing the ODA/GNI ratio on 0.07 per cent. In 2006 the ODA of Poland increased by almost 40 per cent, due mainly to larger bilateral aid, to 297 million USD, however the ODA/GNI ratio remained on the same level. Last preliminary figures from last year reflects increase both statistical values, the Poland' net ODA rose on 356 million USD together with the ODA/GNI ratio on 0.09 per cent (see Table 4.2).

In 2004 the Slovak Republic s net ODA was 28 million USD and its ODA/GNI ratio was 0.07 per cent. Next year the net ODA from the Slovak Republic doubled to 56 million USD, partly due to increased aid to the least developed countries, notably in Sub-Saharan Africa. The net ODA rose of 87.7 per cent in real terms (OECD, 2006 a) and the ODA/GDI ratio rose to 0.12 per cent. In 2006 the Slovak budget dedicated for development assistance was stagnating in absolute figures on 55 million USD and droppped in ODA/GNI ratio on level 0.1 per cent. Nevertheless during the last year the budget newly increased on record level 68 million USD, according to preliminary figures, however the ODA/GDI ration again declined on 0.09 per cent (see Table 4.2).

Table 4.2: The extent of the net Official Development Assistance (ODA) in selected countries (in millions USD) and percentage rate of the ODA and Gross National Income (ODA/GNI) in 2004–2007

Year	Czechia		Hungary		Poland		Slovakia	
	ODA	*ODA/GNI*	*ODA*	*ODA/GNI*	*ODA*	*ODA/GNI*	*ODA*	*ODA/GNI*
2004	108	0.11	70	0.07	118	0.05	28	0.07
2005	135	0.11	100	0.11	205	0.07	56	0.12
2006	161	0.12	149	0.13	297	0.07	55	0.10
2007*	179	0.11	91	0.07	356	0.09	68	0.09

* Preliminary data.
Source: data from OECD (2006 b), OECD (2007 d) , OECD (2008)

4.3 The Official Development Assistance of the Czech Republic in Figures

The Czech ODA was established during the second period of 1990s and after a little stagnation, the amount of ODA began to rise in first years of new century. The Czech Republic has been member of OECD since 1995, and also member of the European Union since 2004. Of course, the Czech Republic undertook to development assistance commitments as each of the members of the organizations. In the case of membership in EU, the Czech Republic had to take over commitments from the Millennium Development Goals dealing with the growth of financial sources dedicated to the ODA providing.

Since the year 2003 the Czech ODA have crossed border 0.1 per cent of ratio ODA/GNI, however it still has been keeping a little bit over the border (for details see Table 4.3). The transition of the Czech Republic from recipient of assistance to aid donor was considerably painful. Significant growth of finance is apparent only since 2001. Overview shows that total amount of Czech ODA in 2003 reached almost 90.6 million USD (2.6 billion CZK), in comparison to nearly half-size budget (especially in USD) 45.4 million USD (1.5 million CZK) in 2002 and ODA/GNI ratio 0.065 per cent. The growth was partially caused by stronger exchange rate of Czech Crown (CZK), however the real growth of Czech ODA between 2002 and 2003 was 69.0 per cent, said short report by DEVELOPMENT CENTER (2004).

In 2004 the Czech Republic's government devoted 108 million USD (almost 2.8 billion CZK) for the ODA which corresponded with the ODA/GNI ratio 0.11 per cent. The Czech Republic's ODA rose to 135 million USD (3.3 billion CZK) in 2005 due to a larger contribution to the EC development budget and growth of 12.6 per cent in real terms. However, it represented still 0.11 per cent of ODA/GNI ratio (OECD, 2006 b; compare with CR OECD, 2005).

The Czech ODA in 2006 increased by 10.4 per cent due to contributions to the EU development budget, debt forgiveness, reconstruction relief in Asia and the Middle East, as well as an increase in the core budget for bilateral projects,

said OECD report (OECD, 2007 d). The Czech ODA registered, in the year, a record amount in absolute and relative numbers in its history of the ODA providing (see Table 4.3). The budget increased on 161 million USD (almost 3.36 billion CZK) and corresponded with the ODA/GNI ratio 0.12 per cent. Further, according to preliminary estimation for 2007 the budget a little decreased in Czech currency on 3.24 billion CZK, however it increased by 10 per cent in U.S. dollars due to stronger Czech Crown. Nevertheless, the ODA/GNI ratio decreased on 0.11 per cent (for details see Table 4.3).

Table 4.3: The Czech Republic's net ODA and ODA/GNI ratio in 1999–2007

year	ODA (in millions CZK)	ODA (in millions USD)	ODA/GNI (per cent)
1999	511.5	14.80	0.027
2000	623.6	16.16	0.032
2001	1007.2	26.48	0.047
2002	1485.9	45.39	0.065
2003	2556.0	90.55	0.101
2004	2780.1	108.17	0.106
2005	3319.4	135.00	0.110
2006	3361.0	161.00	0.120
2007*	3239.2	179.00	0.110

* Preliminary figures.

Source: data from CR OECD (2005), OECD (2006 b), OECD (2007 d), OECD (2008), author's own calculation.

4.4 Debt Relief from the Czech Perspective

4.4.1 Historical Overview

Foreign debts of African, Asian and Latin American developing countries was roughly equal to 2 billion USD in 2000 (SILNÝ, 2004: 6–7) and the economic poor states have never paid off the foreign debts. From the historical view rational debt relief together with long-term and well-aimed development projects represent one of the most effective tools for regional or national development. We can mention examples of debt (or reparation) relief to Germany after World War II (in contrast of development in period 1920s and 1930s), or approximately 50 per cent debt relief to Poland in 1990s. In both examples the debts (or reparations) relief were followed by another financial measure (e.g. Marshall Plan in the case of Germany; European funds in the case of Poland).

The origin of the Czech Republic's claims to developing countries comes from former socialistic Czechoslovakia as a generous supporter of real or potential ideological allies among developing countries. The former Czechoslovakia supported most of socialistic (communistic) regimes in the world by various ways within the frame of plan for world socialistic community building. One of the

tools was providing credits between national governments based on inter-governmental agreements or payment agreements. In the context of civil credits, supplies of capital units were realized. In the case of special governmental credits, special technology was supplied (MINISTRY OF FINANCE, 2005a). The term 'special technology' means weapons and various military systems, as well as some equipments usable in military sector (e.g. terrain trucks). These agreements were subject of confidentiality and therefore details about the contest of the agreements (including finance conditions) have not been generally known, except declassified agreement between Czechia (former Czechoslovakia) and Iraq in May 2006.

However, the Czech Republic's government has decided to relieve debts of developing countries since 2002. But the extent of the debts was unknown until recently and the Czech Ministry of Finance did not want to disclose the key documents[48]. So far some of the agreements with debtors are still classified due to special military deliveries. That is why some obscurities, incorrectness and pure estimations over the issue still persist. There are only two studies dealing with the issue and published in the scholar journal or conference proceedings (see STOJANOV, 2006a[49] for the Czech environment, and also in English STOJANOV, 2006 b), according to knowledge of the author.

4.4.2 The Contemporary Situation

The end of Cold War has completely changed situation in political and economic relations between Czechoslovakia (the Czech Republic) and many developing countries, including the issue of new credits providing. The provision of governmental credits was stopped in 1991 due to growing amount of impregnable claims, except supplies coming from early signed contracts. The Ministry of Finance, in the Czech Republic, has the prime responsibility for recovery of the claims and for their registration. The general strategy of the ministry is aimed at conclusion of an agreement with partner s governments relates to debt service, or an effort to find alternative forms for any solution of the financial situation (MINISTRY OF FINANCE, 2005a).

The main reason for classification of selected claims is that the Czech Republic is committed itself to rules of intergovernmental credit agreements. Although the most of the agreements were contracted before 1989, they are still valid as the basic legal document for recovery of the claims. One of the condition of intergovernmental credit agreements between former Czechoslovakia on on the one hand, and Libya, Cuba, Syria and Iraq on the other hand, that were concluded to export of 'special technology', is confidentiality of sort and amount of the material, including its price (MINISTRY OF FINANCE, 2005 b; compare

[48] For instance, detail study of foreign loans towards the Czech Republic exists, including debts of developing countries, that was prepared by Czech branch office of Deloitte company for Czech Ministry of Finance. Nevertheless, the work is classified, however some Czech media already cited selected outcomes of the study. So, according to the Czech legal rules we cannot use that.

[49] Unfortunately this publication suffers by some incorrectness, due to confidentiality of particular data, which were updated in following issues of the journal.

with BBC, 2004). According to the statement of Czech MINISTRY OF FINANCE (2005 b), the Czech Republic initiated declassification of the agreements, but debtor states refused these proposals with consideration to special characters of the supplies. The new exception is agreement with Iraq, mentioned below in the chapter.

The Czech MINISTRY OF FINANCE (2005 b) stated that claims remain valid and they are charged interest in accordance with conditions of intergovernmental credit agreements no matter whether the debtors do or do not fulfill their commitments. If debtor does not pay up his debt and refuse to negotiate his obligations on state level, Ministry of Finance tries to use any kind of compensatory solutions that ensure at least partial economic return of the claims, for instance through selected private companies, said Mr. Zelinka, former deputy minister of finance responsible for the issue (BBC, 2004).

The development in extent of claims recorded dramatic decrease in last period due to significant debt relief to Russia. At the turn of 1999/2000 the height of claims amounted to 200 billion CZK (it is equivalent of 7.5 – 8 billion USD). In March 2004 it was only more than 70 billion CZK (approximately 2.8 billion USD) due to partial solution of the Russian debts (BBC, 2004). At December 31, 2004, the Ministry of Finance of the Czech Republic (MINISTRY OF FINANCE, 2005 a) registered total foreign claims of amount 43.5 billion CZK (around 1.8 billion USD).

According to the data of Czech MINISTRY OF FINANCE (2005a) the most debtors do not meet their obligations. For instance, the debt of Kazakhstan – approximately 8 billion CZK (about 320 million USD), has its origin in the Soviet Union period in early 1900s when Kazakhstan did not pay up to deliveries of state Czech company Transgas to Kazakhstan petroleum refineries (see SPURNÝ, 2004 a). The Czech Ministry of Finance started to demand the claim from Kazakhstan government in 2001 and one year later declared that the problem has been solved. However, both contractors made agreement for repayment the half of total amount only (SPURNÝ, 2004 a; BBC, 2004). Then some non-transparent negotiations of the Czech government were being held dealing with opportunity for selling the claim to any private company (SPURNÝ, 2004 b; compare with BBC, 2004). Nevertheless, total disillusion came up when the Czech government delegation and Czech president Vaclav Klaus visited Kazakhstan in 2004 and Kazakhstan s president Nazarbayev declared that there were no debts between the states, because the responsibility rested with Russia as the successional state of the Soviet Union (SPURNÝ, 2004 b). However, the last negative position of Kazakhstan government is based on argument that the debts issue must be solved on private, non-governmental level.

Similarly the Cuban government refused to negotiate about the Czech Republic's obligation in amount of 292 million USD (6.1 billion CZK) at December 31, 2006 for civil claims (MINISTRY OF FINANCE, 2007), however there were particular differences. First of all, there is unclear classified part of the Cuban debt which relates to special technology, however Cuba does not want to officially recognize both parts of the debt (civilian and military) as the claims of nonexistent state – the Czechoslovakia. According to Mr. Zelinka (BBC,

2004) Cuban partner does not want to accept the existence of debts at all and rejects any negotiation about the issue. Cuba requires 'normalization' of political relations between the both states first, which means that the Czech Republic will finish its effort dealing with advancing the declaration to United Nations about breaking the human rights in the island and also will end up the support of Cuban opposition. Nevertheless it is not sure if the Cuban government would accept the debts after fulfillment the conditions.

However, the Czech Republic has started to slowly relieve debts to developing countries since 2002 year. The first amount dedicated to the purpose was about 11.61 million USD (380 million CZK), even if during the next years Czech government continued with far lesser figures, 8.78 million USD (247.6 million CZK) in 2003, or 10.73 million USD (almost 276 million CZK) in 2004 and 10 million USD (240 million CZK) in 2005 (for details see Table 4.4). The total is 41.12 million USD (1.14 billion CZK) for the mentioned years.

Table 4.4: Debt relief to developing countries by the Czech Republic in 1999–2005

Year	Debt relief (in million CZK)	Debt relief (in million USD)
1999	0.0	0.00
2000	0.0	0.00
2001	0.0	0.00
2002	380.1	11.61
2003	247.6	8.78
2004	275.8	10.73
2005	240.0	10.00
TOTAL	1143,5	41.12

Source: data from CR OECD (2005); OECD (2006 b), author's own calculation

Table 4.5: Debt relief/ODA ratio of the Czech Republic in 1999–2005

Year	Debt relief/ODA(in per cent)
1999	0.0
2000	0.0
2001	0.0
2002	25.58
2003	9.69
2004	9.92
2005	13.10

Source:STOJANOV (2006 b: 131)

The debt relief/ODA ratio of the Czech Republic reached the highest figure in 2002, it was 25.58 per cent. In next two years the debt relief/ODA ratio came near to 10 per cent, however in 2005 crossed the level of 13 per cent (for details see Table 4.5). It means that debt relief does not play so significant role as in the year 2002. From the data mentioned in Table 4.5 we cannot estimate any trend for following years, in particular there is not any generaly debt relief strategy on the governmental level.

4.4.3 The Real State of the Developing Countries Loans

The total debts of developing countries to the Czech Republic at the end of the 2004 was about 1.5 billion USD (33.7 billion CZK), including claim to Kazakhstan and without the loan of India and selected classified debts (for details see Table 4.6). The highest debts among developing countries, which the Czech Ministry of Finance registered in the year, were loans of Kazakhstan (326.6 million USD – 7.3 billion CZK), Iraq (286 million USD – 6.4 billion CZK), Cuba (245.9 million USD – 5.5 billion CZK), and Libya (199.2 million USD – 4.5 billion CZK). The Kazakhstan's debt was subsequently disputed by Kazakhstan's government in following year (see above), and the mentioned Cuban loan deals with civil part of the all obligations only and it is still not recognized by Cuban government (for details see above). The Libyan debt is still classified as whole and estimation is based on author's calculation, however the loan of Iraq was unclassified in 2006 due to debt relief process.

The Czech Ministry of Finance registered in 2004 another relatively high claims to Algeria amounting to approximately 125.5 million USD (2.8 billion CZK), to Sudan in the amount of 1.7 billion CZK (77.7 million USD), to Nicaragua amounting to 49.2 million USD (1.1 billion CZK), to Iran in the amount of 38.1 million USD (851 million CZK) and to Myanmar in the amount of 37.3 million USD (835 million CZK). Among the smallest claims to Czechia at the end of 2004 belonged Laos with debt of 200 thousand USD (4,9 million CZK), Cambodia with debt in the amount of 2.8 million USD (63 million CZK) and Afghanistan with loan of 3.5 million USD (77.3 million CZK) (for more details see Table 4.6).

During the following years the debts recorded various development influenced by debt relief policy, debt service, stronger Czech Crown, or increase of debts due to default in payment. Among the biggest debtor in 2005 were again Iraq with the obligation 395 million USD (9.7 billion CZK) and Cuba with the amount of 245 million USD (6 billion CZK), further Libya with the debt of 183 million USD (4.5 billion CZK) and Sudan with the obligation of 82.7 million USD (more than 2 billion CZK). The smallest amount was debt of Laos (200 thousand million USD – 4.6 million CZK), Cambodia (2.6 million USD – almost 64 million CZK), and Afghanistan (3.2 million USD – about 79 million CZK) (for more details see Table 4.6).

Table 4.6: The foreign claims of the Czech Republic to developing countries (2004–2006)*

Country	2004		2005		2006	
	CZK (millions)	USD (millions)	CZK (millions)	USD (millions)	CZK (millions)	USD (millions)
Afghanistan	77.3	3.5	79.1	3.2	80.9	3.9
Albania	276.4	12.4	239.1	9.7	169.0	8.1
Algeria[4)]	2806.5	125.5	888.1	36.1	688.4	33.0
Cambodia	63.0	2.8	63.8	2.6	64.6	3.1
China	252.5	11.3	256.4	10.4	218.8	10.5
Cuba[1), 4)]	5500.0	245.9	6024.3	245.0	6095.3	292.0
India	no data	no data	412.2	16.8	555.4	26.6
Iran	851.2	38.1	971.2	39.5	855.8	41.0
Iraq[2)]	6384.5	285.5	9722.2	395.4	2628.4	125.9
Kazakhstan[3)]	7304.1	326.6	no data	no data	no data	no data
Laos	4.9	0.2	4.6	0.2	3.1	0.1
Libya[1), 3)]	4455.9	199.2	4500.5[9)]	183.0[9)]	4545.9[9)]	217.8[9)]
Myanmar	835.1	37.3	818.1	33.3	618.6	29.6
Nicaragua	1098.9	49.2	967.1	39.3	616.6	29.5
North Korea	196.7	8.8	202.7	8.2	192.7	9.2
Sudan	1737.6	77.7	2032.5	82.7	1836.4	88.0
Syria[8)]	1849.9[3), 5)]	82.7	256.6[4)]	10.4[4)]	26.3[4)]	1.3[4)]
TOTAL	**33694.5[6)]**	**1506.7[6)]**	**22681.4[7)]**	**1105.4[7)]**	**14624.0[7)]**	**918.3[7)]**

* It refers always to December 31, of the selected year.

Notes:

1) The claims are partly or totally classified.
2) The claim was originally classified in 2004-2005, however in May 2006 was finally declassified.
3) Estimation.
4) This is a civil claim only, there are another claims for special technology.
5) This is a sum of civil and special claims.
6) Without the claims of India and classified claims of Algeria and Cuba.
7) Without the claims of Kazakhstan and classified claims of Algeria and Cuba..
8) The claim was originally classified in 2004-2005, however in the report of MINISTRY OF FINANCE (2007) was published.
9) Since we do not know the details about the classified loan we include annual 10 per cent increase in Czech Crown due to estimated interest.

Source: STOJANOV (2006), data from MINISTRY OF FINANCE (2007) and author´s own calculations

The biggest debtors, in 2006, were Cuba with the amount of 292 million USD (6.1 billion CZK), Libya with the debt 217.8 million USD (more than 4.5 billion CZK), and Iraq with the obligation of almost 126 million USD (2.6 billion CZK). On the contrary, the smallest debtors of the Czech Republic among the developing countries were again Laos with the amount of 100 thousand USD (3.1 million CZK), Cambodia with debt of 3.1 million USD (64.6 million CZK),

and Afghanistan with the obligation of 3.9 million USD (almost 81 million CZK) (for more details see Table 4.6). In fact there was also low civil debt of Syria in the amount of 1.3 million USD (26.3 million CZK) however there was much bigger debt for special (military) technology.

There are some unsolved claims of the Czech Republic to former Yugoslavia, or more preciously to succession states of the Yugoslavia, in the amount of 101.6 million USD (more than 2.1 billion CZK) in 2006 (MINISTRY OF FINANCE, 2007). In the cases of Czechoslovakia's (Czech Republic's) claims to Mozambique, Tanzania and Egypt, they probably came under the statute of limitation or were overridden, according to the report of the MINISTRY OF FINANCE (2007), however these obligations are still monitored by Czech Ministry of Finance as well as a possible legal procedures are investigated.

4.4.4 Realization of Selected Czech Debt Relief Programmes

In the context of debt relief the Czech governments holds general strategy 'not to forgive foreign claims', says report of MINISTRY OF FINANCE (2005 b), however the Ministry of Finance generally tries to make an agreement with indebted states about the way of liquidation of their debts. The ministry can take into consideration real economic situation of the indebted country as well as it respects resolution of European Union about partial debt relief, or recommendation of the World Bank and International Monetary Fund towards process of debt relief to states included in programme of Heavily Indebted Poor Countries Initiative (HIPC) (MINISTRY OF FINANCE, 2005 b; compare with BBC, 2004).

For instance, the negotiation between the Ministries of Finance of the Czech Republic and Nicaragua in 1996 dealing with debt service issue was finished by signing the consensus. Both contractors made agreement relating to gradually debt service to the Czech Republic in next 14 years and relief 93 per cent of total debt and compound interests (MINISTRY OF FINANCE, 2005 b). In 2004 the amount of the debt was still relatively high – 49.2 million USD (1.1 billion CZK) (MINISTRY OF FINANCE, 2005 a), nevertheless in 2006 the amount was already 29.5 million USD (616.6 million CZK) (MINISTRY OF FINANCE, 2007).

New agreements relating with debt relief were concluded with Algeria (MINISTRY OF FINANCE, 2005 a), however the contract deals with part of the civil claim only (for details see MINISTRY OF FINANCE, 2007). Another debt relief agreements were signed with Albania in 2005, where the interests were forgiven only. Further, within the frame of agreement with Syria from 2006 was forgiven part of the civil debt in the amount of 331 thousand USD (6.9 million CZK). Another negotiations dealing with debt relief to developing countries are treated with Cambodia, as well as the Czech Ministry of Finance considers the debt relief to Sudan, which is classify among the group of Least Development Countries (LDCs) within the frame of inclusion to the ODA (MINISTRY OF FINANCE, 2007).

The Czech government dedicated to relief 60 per cent of the claims to Iraq in 2006 and next 20 per cent in 2008 (for details see Table 4.6), however the debt was originally classified due to supplies of special technology. That is why it is not clear how the debt relief is counted towards the Czech ODA, nevertheless the forgiven amount was 305.5 million USD (almost 6.4 billion CZK) for 2006 (MINISTRY OF FINANCE, 2007).

According to the estimation of the WORLD BANK (2004: 97) the Czech Republic undertook debt relief to programme Heavily Indebted Poor Countries (HIPC) in total amount 6.1 million USD in 2003. More specifically, the sum, determined to debt relief, was divided among Nicaragua (5.1 million USD), Tanzania (900 thousand USD) and Zambia (100 thousand USD). In 2004 the total amount of debt relief was 6.3 million USD, more concretely the most of the sum, 5.3 million USD, was delivered to Nicaragua, however the recipient of remaining 1 million USD has not been mentioned (WORLD BANK, 2005 c: 74). Similarly Tanzania and Zambia were not mentioned in the report, which probably means, that the Czech Republic has not already have any claims towards the countries.

4.5 Conclusion

During the last four years the Central Europeans countries recorded the increase of the ODA absolute budget, except Hungary last year. Each of the countries became again donors of development assistance to the economic poor countries, if we take into account the former aid to developing socialistic countries. There are some residues, particularly in the form of financial obligations of developing countries since the time.

Czech official development assistance is relevant part of international relations politics among developing countries in the world and the Czech Republic. The Czech ODA budget recorded continuous expansion in absolute and relative figures between 1999 and 2006 (for details see Table 4.3). Nevertheless, the extent of the budget does not reply to commitments of European Union members, in fact, the Czech budget is on one third of the EU level. However, in the context we have to note the ODA figures do not give evidence about the efficiency of the assistance.

Though we generally described the development of Czech financial claims towards to developing countries, including the extent of the debts, there is still lack of relevant data, some unclear information and unwillingness of governmental authorities to share the information among the scholarly public, non-government organizations or academic institutions, even if there is relevant detail study dealing with the issue. Selected data are still purposely subject of confidentiality, based on international agreements with debt countries. Similarly, any debate does not exist between public and governmental authorities relates with debt relief issue.

Nevertheless, some particular questions still remain, for instance, can we consider some of mentioned debts as being legitimate in the light of 'odious debts' strategy? We have to take into account particular historical and political factors accompanying providing the credits, and try to compare the factors with present situation (e.g. Afghanistan, Laos, Cambodia). If we stay at the approach we can ask how these credits contribute to development of given countries, local communities, and who were seriously supported through the aid in the states? Did the governments of the countries such as Cuba, Iraq, Iran, North Korea and Sudan use the financial support for economic development of the poor, or for oppression of the people? Were the delivered aid and special (military) technology used to protect of human freedom indeed, or were conversely used to stronger repression by governments of (Syria, Iraq, Libya, Algeria)? Do we know if the credits were not used as military tool to invasion into other country in case of Iraq, Syria or Libya? And finally who is currently debtor in the states with different regimes such as Afghanistan, Nicaragua, Algeria, Laos and Cambodia?

The important problem still remains, how can we solve the situation with the debts in countries where dictatorial, military or authoritative regimes still govern, such as in Cuba, Iran, Myanmar, China, Kazakhstan? Is ethical and correct to relieve any debt or persist on debt service towards these regimes? Alternatively, is more effective to wait with debt relief for change of regime, that will lead to democratic, liberal values in the society, or is better strategy to relief the obligations and minor part of the debt obligate for development of given spheres such as education, public health, nature conservation, social sphere, civil society, etc? At the end of the chapter we can note that still, more questions remains than clear answers and systematic strategies, especially in the issue of the Czech debt relief to developing countries.

Chapter Five

Millenium Development Goals – News of Idle Hope in Development Aid and Inadequate Indicators

Robert Stojanov, Monika Jamborová

In 2007 the current state of fulfillment of the MDGs commitments will be assessed. These commitments, adopted in 2000 on the ground of the UN Millennium Summit represent one of the most ambitious and complex endeavors of the international community to tackle poverty, on which the world leaders were able to agree. One of the major tools of achieving this set of goals is scaling up of resources into social services (health, education, nutrition, family planning), environment (water and sanitation, environmental technology) and infrastructure (roads, electricity, ports, information and communication technologies) in the underdeveloped countries as well as their effective use. These measures are to be accompanied by as deep debt forgiveness efforts as possible and the scaling up of ODA. The year set as a basis for comparison of indicators (if set for a concrete goal) in 1990.

Firstly, it is crucial to note that some of the most important commitments that the MDGs contain are not new to the international affairs. As soon as in 1986 when a summit dedicated to hunger and food security took place the OECD countries pledged to reduce the number of people living below the poverty line (815 million at that time) by a half. Only five years later, these countries acknowledged that this ambitious aim is probably not realistic given the current state of affairs. As the main reasons for this, the insufficient funds donated for tackling hunger and inadequate attention of the developing countries to the problems of agriculture were mentioned (PAZDERKA et al., 2005). Also UNESCO dedicated itself to the aim of universal basic education as soon as in the 1960s and hoped that this goal would be accomplished within a decade (AMIN, 2006: 3). It still has not been accomplished …

In June of every year the United Nations Department of Economic and Social Affairs – UNDESA releases a report on the current progress on the MDGs. This chapter is a brief comparative analysis of the former analyses of UNDESA, the World Bank materials, 2006 Social Watch report focusing on MDGs and other materials on this topic. This article further analyses the immediate impacts of the finances provided for development projects and poverty reduction, using the example of the Czech ODA practice.

The authors decided to focus on the first and partly the 13th target of the MDGs. Namely the goal of reducing the number of people living below the poverty line, which is perceived as the ultimate goal of the whole MDG concept. Furthermore, the scaling up of ODA which is perceived as one of the major tools in achieving the ultimate purpose. The comprehensive analysis of the whole MDGs goes beyond the scope of this article. We use the example of Czech ODA for the interest of the Czech audience.

5.1 Poverty Reduction Backed by China and India

Probably the most attention (in the media) is dedicated to the first goal of the MDGs – "to reduce by half the proportion of people living on less than a dollar a day between 1990 and 2015". In more detail, it is meant the universally acceded 'extreme (absolute) poverty line' for a person living with less than 1,08 USD a day in purchasing power parity of 1993 (UNITED NATIONS, 2007: 7). According to the newest UNDESA report of June 2007 (UNITED NATIONS, 2007: 6) the number of people living below this poverty line fell from 1.25 billion to 980 million in 2004. These numbers appear creditable, especially when we consider that this entails the reduction in the ratio of 31.6 per cent of the whole population of the developing world in 1990 to 19.2 per cent in 2004. According to the authors of the report, if this pace (based especially on the strong economic growth in certain Asian regions) is to be kept, the global goal will be accomplished for most regions (see Table 5.1 for details).

Table 5.1: Proportion of people living on less than 1 USD a day broken down by regions (percentage)[50]

Region	1990	1999	2004	2015*
Eastern Asia	33.0	17.8	9.9	16.5
Southern Asia	41.1	33.4	29.5	20.8
Southeastern Asia	20.8	8.9	6.8	10.4
Western Asia	1.6	2.5	3.8	0.8
Northern Africa	2.6	2.0	1.4	1.3
Sub-Saharan Africa	46.8	45.9	41.1	23.4
Latin America and the Caribbean	10.3	9.6	8.7	5.2
Southern and Eastern Europe	< 0.1	1.3	0.7	0.0
Commonwealth of Independent States	0.5	5.5	0.6	0.3
Developing countries	31.6	23.4	19.2	15.8

* MDGs plan

Source: data by UNITED NATIONS (2007: 6)

[50] The most recent UNDESA report (UNITED NATIONS, 2007: 7) brought a change in the internationally recognized poverty line. Starting with 2000, this line was set on 1.08 USD a day in purchasing power parity of 1993. The International Comparison Program will carry out a new estimation of purchasing power parity in 2005 according to the 2005 prices (UNITED NATIONS, 2007: 7).

However, an alarming proposition is that the significant poverty reduction is backed mostly by a few countries experiencing a progressive economic growth, most importantly China and India. The worst situation still prevails in Sub-Saharan Africa where the progress is relatively low. The good news is that after many decades of economic stagnation the Sub-Saharan growth rate has significantly risen to 5 per cent of annual real growth also due to rising commodity prices and domestic reforms (BIO-TCHANÉ, CHRISTENSEN, 2006). Nevertheless, as e.g. PATILLO et al. (2006) points out, most Sub-Saharan countries cannot hope that the first MDG will be accomplished unless this growth rate is doubled. This is, however, unlikely also due to insufficient investment, institutional and infrastructural bottlenecks. We therefore witness that when China and India are taken out of the statistics, between 1990 and 2002 only low poverty decrease of 2.1 per cent is registered (compare with WORLD BANK, 2006 b; SOCIAL WATCH, 2006: 64). In addition, what will happen to the global poverty if the economic growth of the two leading countries decreases?

In reference to both countries, many menaces of macroeconomic kind are being mentioned that could in future possibly contribute to such a scenario. In the case of China, much is being said about its overheating economy and the subsequent inflationary pressures. India is currently trying to put up with the appreciation of the rupee and here again, symptoms of overheating. There are other factors occurring in the contemporary literature such as inadequate infrastructure, corruption and dismal social services in India or social tension in China. The outlook of these countries and its inhabitants are therefore dim without the necessary measures and reforms (more on India and the challenges it is facing e.g. ŽÍDEK, 2008 or in the case of China AZIZ, DUNAWAY, 2007). Even if we disregard the internal dangers, the possible negative consequences of the American slowdown in the developing world still looms.

We must not forget that a graver situation still holds when we consider the number of people living with less than 2 USD a day which is also a recognized poverty line not captured by the MDGs statistics. Between 1990 and 2002 the number of these people fell only by 40 million and thus still 2.6 billion people (including those living in 'extreme poverty') are suffering under these conditions (SOCIAL WATCH, 2006: 64).

As we said earlier, the MDGs progress in Sub-Saharan Africa is still tragic despite number of warnings and urges from different sides (compare e.g. UNMP, 2005; WORLD BANK, 2005 b). The declared goal of poverty reduction is not going to materialize. Only a year ago, the UNDESA report warned that in this region, although the poverty rate declined marginally between 1990–2002 (by around 0.6 per cent) in sub-Saharan Africa, the number of people living in extreme poverty increased by 140 million (UNITED NATIONS, 2006: 4). However, the new UN report of June 2007 based on a different calculation method states a decrease of 5.7 per cent since 1990 (UNITED NATIONS, 2007: 6). That unfortunately does not change anything about the goal not being accomplished.

The situation is similar when it comes to different goals. For example, still 1 in 16 women are dying when giving birth or due to commonly curable or preventable diseases. This statistics reaches only 1 in 3800 women in the developed

world. A slow pace is also notable in Southern Asia and Sub-Saharan Africa on the grounds of malnutrition indicators. The same holds when we consider water and sanitation access, where the Sub-Saharan Africa experienced a progress of only 5 per cent in the concerned period 1990 – 2004 (UNITED NATIONS, 2007).

5.2 Development Assistance as an Idle Hope?

Another subtask of MDGs we will be focusing on in this chapter is scaling up of the ODA (goal number 8, target number 13). This aim gets a lot of attention from the development experts as well as from the media also because it is considered a tool for the achievement of the other MDGs. The UN expert team itself estimates that MDGs completion requires more than doubling of the current ODA levels (UNMP, 2005). Despite the general view that it is necessary to further provide and increase ODA levels its effectivity debate is by no means over. As we will see on the next lines, there are still many questions and doubts regarding aid lacking a comprehensive answer.

How has the fulfillment of the 13th target evolved so far? A further increase of ODA was registered in 2005 exceeding 110 billion USD foremost as a result of debt relief provided to Nigeria and Iraq and charity surge following the tsunami disaster (compare UNITED NATIONS, 2007: 28). In 2006 the amount slightly decreased[51] (OECD, 2007 c) although in real terms this is the first decrease since 1997 (UNITED NATIONS, 2007: 28). Thus while up to 2005 the ODA budget was increased every year, starting from 2006 we can expect stagnation or a mild decrease. If the OECD and EU members keep up to their promises in 2010 ODA should reach an amount of 130 billion USD and the ODA/GNI ratio should reach 0.36 per cent (OECD, 2007 c). Let us remind a well-known fact that since the 1970s the UN urges the international community to reach 0.7 per cent of this ratio at minimum – something the OECD members as a whole yet fail to achieve (compare the development since the beginning of the century in Table 5.2).

However, if we exclude debt forgiveness from ODA, amount of 2006 is still lower by 1.8 per cent in comparison with 2005 (UNITED NATIONS, 2007: 28). In the past years, the criticism of counting debt forgiveness into ODA amount is on the rise. It is caused by the fact that the developed creditors forgive debts that the developing debtor is not only unable to pay. It is not therefore a genuine aid of the declared amount (if it is aid at all) because the debtor usually pays only a minimum amount or nothing. That brings us to the basic question – how much aid is left in reality if we reduce the amount by these and other costs? Moreover, how effective is ODA in accomplishing its own goals?

The ODA structure can be illustrated on the example of the Czech ODA provided in 2005 (Table 5.3) where mandatory payments into EU funds constitute

[51] The UNDESA report (UNITED NATIONS, 2007: 28) erroneously states a lower amount of international community ODA in 2006 (103.9 billion USD). This amount only accounts for ODA provided by O DAC/ OECD members (for details see OECD, 2007 a).

Table 5.2: ODA and remittances comparison (millions USD)

Year	ODA[a)]	ODA/GNI	Remittances
2001	53.629	0.22	147.015
2002	61.510	0.23	169.688
2003	72.521	0.25	204.671
2004	83.169	0.26	230.495
2005	110.008 [b)]	0.33	257.496
2006	105.179 [c)]	0.30	268.424
Total (2001–2006)	**486.016** [b,c)]	-	1,277.789

a) total net ODA of both members and non-members DAC/OECD
b) except ODA of Saudi Arabia in 2005
c) the current estimate of net ODA without Saudi Arabia in 2006
d) official remittances, employee compensations and migration transfers
Source: STOJANOV, NOVOSÁK (2008)

Table 5.3: Czech ODA structure in 2005

Purpose	Amount (millions CZK)	percentage	Bilateral / Multilateral
Development projects	395	13.1	Bilateral
Scholarships	100	3.3	Bilateral
Transformation cooperation	14	0.5	Bilateral
Multilateral projects	26	0.9	Multilateral
Humanitarian aid	104	3.4	Bilateral
Refugee assistance	231	7.6	Bilateral
Debt reduction	230	7.6	Bilateral
Reconstruction (Iraq, Southeast Asia)	109	3.6	Bilateral
Administrative costs	73	2.4	Bilateral
Czech payments into EU funds	1478	48.9	Multilateral
Czech payments into the UN funds and its agencies	175	5.8	Multilateral
Czech payments into international financial institutions	87	2.9	Multilateral
TOTAL	3022	100	-

Source: MZV (2006: 22)

nearly a half of the whole budget. The second most significant amount is funds for development projects in developing countries (13.1 per cent), refugee assistance in the Czech Republic (7.6 per cent) and debt forgiveness (7.6 per cent).

Except for the already mentioned debt forgiveness we can notice other amounts calculated into ODA having low direct (often neither indirect) effect on the recipient's development. A significant item on the budget of every development agency are the costs of its own existence and administrative, travel and other costs. STOJANOV and NOVOSÁK (2008) assert that based on their personal communication with foreign development agency employees, it is not exceptional for these costs to reach 50–60 per cent of the whole project budget. The authors deem that these costs should not be calculated as ODA as their recipients are the developed country inhabitants. Similarly, we can view other items in Table 5.4.

Table 5.4: Examples of items calculated as ODA with low direct effect on the recipient country's development

ODA component
Operation costs of (official) development agencies
Operation cots of international development organizations and agencies
Administrative and other costs of the implementation of bilateral and multilateral development projects
Debt forgiveness especially in the case of the debtor's default
Refugee and asylum seekers assistance
Development education, research, analyses and other „domestic' projects (the payments stay in the developed countries)
Loans (especially in the case when provided to back up previous unpaid loans) that are calculated as ODA in the whole nominal amount even if they have to be returned up to 75 per cent (see the official DAC/OECD definition of ODA – OECD, 2004)
Scholarships (considering that many graduates do not return to their home country on the completion of their term)

Source: STOJANOV, NOVOSÁK (2008), OECD (2004)

Authors therefore believe that a redesign of the current ODA definition is desirable – perhaps in the form of '*Clear Official Development Assistance'*, which would better capture its purpose and contents. 'Clear Official Development Assistance' would be then defined as the current ODA without the calculation of amounts with low direct effect on the recipient country's development (see Table 5.4 for examples). Nevertheless, there are other definitional problems in reference to aid. The conventional approach has been simply to add up funds that comply with the DAC/OECD definition. However, as CHANG et al. (1998) point out, some transfers of resources can take hidden forms (such as preferential trade agreements). Aid is also often conditioned which can significantly decrease its effectiveness – tied aid being the most striking example.[52] Last, not least, the generally accepted ODA definition does not discriminate between grants and

[52] There is a general consensus among the development experts that the practice of aid being conditioned on the purchase of goods and services from the donor country is undesirable. Despite the calls to reduce the share of tied aid (which has been happening in the past years) some big donors (USA) recently ceased to publish statistics on their tied aid altogether.

concessional lending. Both resources that are not to be repaid (i.e. grants with 100 per cent grant component) and resources that are to be mostly repaid (i.e. loans with the grant component of 25 per cent and more) (OECD, 2004). Therefore, in accordance with the concept of *effective official development assistance* suggested by CHANG et al. (1998), our definition also recommends calculation of the sole grant component of the provided funds only.

5.3 Development Assistance and its Effectiveness

The above-mentioned pitfalls of ODA might not be the only. Some authors doubt the very ability of ODA to deliver and foster poverty reduction. We can name e.g. William Easterly among the most prominent critics (EASTERLY, 2006 or recently RAJAN, SUBRAMANIAN, 2005). Although the full analysis of the criticism of ODA goes beyond the scope of this paper (see the chapter above deals with ODA's effectiveness in this publication), we can at least mention a few often cited objections referring to aid.

It is conceivable that not all ODA is necessarily driven only by poverty reduction motives. An indispensable role when disbursing and allocating aid is played by the foreign-politic and strategic interests of the donors. We can mention the example of the whole cold war period, when ODA was perhaps more than a tool of development a tool of gaining strategic allies. We should be therefore not surprised by the fact that the resources have not always reached the intended purpose and the poorest people. Although the historical ties now play a considerably lesser role, it is still a factor when allocating aid (WORLD BANK, 1998). Political interests can still be more important when deciding the ODA disbursement than where it is more needed or where it will be used in a more effective way.

Nevertheless, the ways and conditions of ODA provision have a crucial influence on its effectiveness. We have already mentioned the practice of tied aid, which can be regarded as a tool of pro-export policy of developed countries rather than a tool of development (OECD, 2005). Although tied aid and other practices dominated by the interests of the actors based in the developed world play a lesser role than before, lobbying power and path dependence can still cause biases in the aid allocation and thus its lower effectiveness.

In the past years much has been said about the necessity of 'good governance and institutions' for aid's effectiveness. If these ingredients are missing, more than less often the well-intended development projects do not reach their desired outputs. In practice, the obstacles can be quite numerous. According to the experience of the authors of this article, in India the omnipresent 'baksis system' swallows so many resources on each level of project implementation, that only a fraction of the whole resource allowance reaches the grassroots level. That brings us to the issue of corruption that is possibly inherent in the ODA system per se. According to some authors (e.g. HELER, GUPTA, 2004) ODA can even foster corruption. Among the other undesired negative effects of aid, the threat of

Dutch disease[53] of dependency syndrome[54] is often stressed. Finally, insufficient coordination and donor harmonization can be a problematic feature of aid as well. In practice this can take for of overlapping of activities etc. – for example some public schools in India are visited by HIV/AIDS prevention educational teams from various organizations multiple times a week while some lack this crucial information altogether.

It is therefore not very surprising that for some authors (e.g. mentioned W. Easterly) consider aid an inefficient tool of poverty reduction. The fact that after 50 years of ODA provision it is still needed also cannot be put to its credit. This is one of the reasons why the attention of the development experts has been turning to other forms of financing – e.g. funds sent home by migrants – remittances. A number of studies (account given by STOJANOV et al. 2008; STOJANOV, NOVOSÁK, 2008) have assessed its importance in the development context and most of them consider remittances or international migration as a whole a powerful tool in bringing about development and poverty reduction. Be it as it is, the funds transferred in the form of official remittances multiple times exceed the global aid budget (see Table 5.2).

5.4 Desert Protection as a Development Indicator?

After what has been said about the current state of completion of the MDGs it is not surprising that doubts about the whole concept can be seen in the literature. Given that the MDG commitments seem to be unrealistic, their progress is not always measurable and controllable; we can witness also skeptical or critical voices. Minority of authors refuse MDGs per se, either asserting that they are ineffective in the long run or serve as a tool of further liberalization and economic globalization driven by the interests of the developed world, perhaps through some international organizations (e.g. AMIN, 2006). According to this view it can be seen as another form of neocolonialism.

Critical look at some of the goals, aims or indicators, can indeed be staggering. Scaling up of ODA is a part of goal number 8 – Develop a Global Partnership for Development and when we take a closer look at this goal we can find problematic features here as well. His seven targets concerning strategies for decent and productive work for youth; availability of the benefits of new technologies in cooperation with the private sector; debt forgiveness; addressing the special needs of landlocked developing countries etc. are factually uncontrollable and untraceable. Furthermore there are no clear commitments and concrete indicators are set only for four targets (see UNITED NATIONS, 2007).

[53] This term refers to a situation when foreign exchange inflows (e.g. in the form of ODA) into a country result in a real appreciation of the domestic currency which reduces the competitiveness of the export produce in the international markets.

[54] Dependency syndrome is a term that often occurs in connection with ODA and refers to a wide range of undesired links that can form between a donor and a recipient.

Table 5.5: Selected indicators tracking the progress in the MDGs fulfillment in Sub-Saharan Africa, Southern and Eastern Asia and the Pacific given the current trends and the supposed date of their full completion

Indicator	Sub-Saharan Africa	South Asia	East Asia and the Pacific
Prevalence of underweight children under five years of age (in case of 0 per cent) and level of malnutrition (less than 2 per cent)	2282	2062	2060
Proportion of births attended by skilled health personnel (in case of 100 per cent) and contraception prevalence (70 per cent)	2130	2096	2076
Literacy rate of 15–24 year-olds (100 per cent), total amount of people enrolled at primary (100 per cent) a secondary level schools (90 per cent)	2079	2044	2026
Infant mortality rate (under); under-five mortality rate (under 5 in 1.000 births)	2155	2035	2035
Number of population with access to fresh water sources (100 per cent coverage) and hygiene (100 per cent coverage)	2159	2036	2071

Source: SOCIAL WATCH (2006: 12)

A similar situation presents the 9th target (7th goal) – integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. The measurable indicator of progress when it comes to this task is the Proportion of land area covered by forest in comparison with 1990. Whether the authors mean pristine (rain) forest, diverse forest close to the natural kind or a plantation of eucalypts or pines that is going to be cut down every few years, is not specified. There are other indicators of doubtful quality.

The typical example is the Ratio of area protected to maintain biological diversity to surface area (indicator or 9th target). In 2002 about 19 million square kilometres large area was protected, of which 17.1. million square kilometres is continental (accounting to around 11.5 per cent of the total desert area our planet) (UNSD, 2005). Do these numbers really give us any real information when not assessing an effectivity of such protection or protected species and genetic diversity? Regional data from the period of 1990–2006 mapping the ratios of protected area to the total area of each region show that these indicators increased in all parts of the world. The biggest progress was tracked in Western Asia where this improvement was caused by the establishment of one desert area in Saudi Arabia in 1994, ratio climbing from 3.8 per cent to 18.1 per cent as a result (UNITED NATIONS, 2007). The obvious problem especially in developing countries is an effective management of these areas and keeping the rules of protection in practice. However, the absence of clear commitments is yet again the most serious problem.

To some authors and organizations the MDGs are insufficient and argue that even if we manage to reduce the proportion of people who suffer from hunger or water inaccessibility by half there is yet the other half left to suffer. Let us take the 2nd target – halve, between 1990 and 2015, the proportion of people who suffer from hunger. The development between 1990 and 2005 in Sub-Saharan Africa in the case of one of the indicators (prevalence of underweight children under five years of age) showed that given the current pace of progress the absolute fulfilment (i.e. the whole eradication of malnutrition) of the target could be expected in 2282 (SOCIAL WATCH, 2006: 12). In Table 5.5 there is a timetable of the absolute fulfilment of chosen goals and targets of the MDGs given the current trends in Sub-Saharan Africa, Southern and Eastern Asia and the Pacific.

The MDGs advocates see their merit in the fact that the leaders of the vast majority of the world's countries were able to agree on their adoption and cooperation leading to their fulfillment, which means that resources on country, region and international level can be used in these efforts. Truly laudable is also the fact that the MDGs are concrete goals, for which a concrete deadline has been set (foremost 2015) and equally positive is the sole existence of measurable indicators for most of the goals. This enables the international community to track the progress and should be definitely welcome.

5.5 Conclusions

Given the fact that many of the MDGs goals and tasks are most probably not going to materialize within the set period, we conceive that the national leaders are probably not taking these commitments seriously. The worst situation is still in the region of Sub-Saharan Africa where the the progress is only mild despite the numerous pledges by both developing and developed countries (e.g. in the area of debt cancellations, ODA effectivity etc.). The primary goal of poverty reduction is being fulfilled to a big extent only due to the economic boom in China and India.

It is therefore not surprising that opinions of MDGs' 'B plans' are starting to occur, focusing e.g. on other sources of finance – i.e. migrant remittances as a natural resource transfer from the developed to the developing world. It is indeed a pressing question which measure will have the most merit to poverty reduction. Whether these are often politically biased and inefficient development programs or rather opening up of labor and other markets in the developed world.

Poverty is complex phenomenon and removing people from a category of 'extreme poverty' (income of less than 1 USD a day) to a category of 'poverty' (income of less than 2 USD a day) does not change much from a long term and systematic point of view. Although no matter how small, each positive change in the situation of the poorest must be welcome. In the long run we have to deeper and more critically reconsider the whole current paradigm of development policy and development per se within its economic and environmental limits.

ODA can have a positive impact on the grassroots level where it can improve situation of a regional community or society. Significant progress can also be registered in the case of systematic and consistent efforts in areas such as inoculation, eradication of malaria, provision of antiretroviral drugs, better and cheaper access to health and education for the poor and so on. (see e.g. STOJANOV, 2005 for more details). This is the case especially when these efforts are coordinated be a single agency and the danger of donor fragmentation and overlap is thus reduced (e.g. WHO, UNESCO). Equally laudable can be investing into infrastructure, food and other security for the poor. However, when considering the global aid effect in the situation when geopolitical and strategic interests play a role, the authors of this article are rather skeptical. The current progress of the MDGs merely proves this case.

Chapter Six

The Impact of Chernobyl Disaster on Belarus – Special Case for Assistance

Robert Stojanov, Klára Kavanová

The Chernobyl catastrophe from the year 1986 and the ensuing enormous social, economic and environmental consequences in the affected regions in Ukraine, Russia and Belarus represent up to now a major challenge. After the disaster 76 per cent of radioactive precipitation fell on the area of Belarus contaminating 23 per cent of its territory (SDC, 2008) with about 2.5 mil people living there (WORLD BANK, 2002 b). Around 2.0 million people continue to live in the contaminated area (IFRC, 2002). The official Belarus Chernobyl Committee, which is responsible for dealing with the consequences of the disaster in the country, estimates the total damage for the country at 235 billion USD. This is more than ten times the gross national product of 1997 and about 60 times the annual national budget (SDC, 2002). The necessity to allocate resources in order to deal with the consequences has weighed heavily on the state budget taking up to 18 billion USD in the last 20 years. Nowadays, the affected regions leg behind in social and economic development. This tendency is obvious especially in the rural areas, where it causes numerous social and health problems (SDC, 2008).

Since the original disaster in 1986, between 350–400 thousand people have been relocated from the devastated areas in three most affected countries (WORLD BANK, 2002 b; ROCHE, 2006: 91). At least, another 70 thousand people in Belarus are still awaiting evacuation; however the situation is quite complicated due to lack of flats, houses or fields. Moreover, some evacuees discovered that the new areas have became as contaminated as the places they had left (ROCHE, 2006: 94). The people, including children, who live in the affected areas usually eat contaminated food or drinks (e.g. milk) with direct or indirect political support of central governmental institutions and on the general level their health is not in good condition.

The aid activities of many organizations, or more preciously the Official Development Assistance (ODA) provided, are concentrated on improving the health and living conditions of the most deprived groups of people who still live in the contaminated regions of Belarus, especially in the rural areas. The

assistance programs include medical-social aid; institutional development; disaster response; population movement; and dissemination of international humanitarian law (IFRC, 2002: 2). However, the strategy for last ten years has been changed towards the transition from emergency humanitarian assistance to building sustainable social and economic development of the affected territories (SHEVCHUK, GURACHEVSKY, 2006: 2–3). Nevertheless, some difficulties from the side of Belarusian political establishment were recorded by some international humanitarian and development organizations during last years. The main reason for the obstructions was probably the regime's fear of the capacity building of independent civil society.

The chapter focuses on selected humanitarian conditions of environmental migrants in Belarus who had to leave their habitats due to Chernobyl disaster. The first part of the chapter deals with theoretical issue of environmentally-induced migration (more frequently known as environmental migration). Concept results from theory of 'forced (involuntary) migration' which describes the potential factors that 'force' people for involuntary leaving of their habitats. People rarely move for a single reason, the motivations to migrate consist of many factors, personal trajectories and itineraries of the migrants. This is also the case of Belarusian migrants, however, one dominant factor for migration prevails.

Humans have always been in interaction with the environment and both have always influenced each other. The men have always responded to negative changes in environment (made by the natural forces or from exhausting the natural sources) by migrating elsewhere. We can trace the population migration due to changes in environment back to ancient history, but without having the accurate data. Only some events in the 20th century bring the relevant information about the phenomenon, however the environmental conditions are quite different then couple of thousands years ago.

Nevertheless, current environmental problems cause various troubles to a human society also in the present world. People have to face this fact and need to cope with the changes. In some cases, the response is represented by migration elsewhere as the traditional survival strategy. In Belarus, the disaster of Chernobyl nuclear power plant was the main cause that forced people to migrate. The research presented in this chapter trace the change of social and economic conditions of people, originally living in the affected areas, after they were forced or 'voluntarily' decided to move from their traditional habitat.

The prime goal of this chapter is to present conceptualization of the environmentally-induced migration on the general level and also to present the field research results that was carried out among Belarusian environmental migrants and people affected by environmental degradation. So far, much research on economic and health impacts of the disaster has been carried out, but no research focusing on the population migration due to the deteriorated environment, its humanitarian and development consequences.

The chapter consists of two parts. First part deals with theoretical conceptualization of the environmental migration issue and it is based on desktop analysis of principal sources dealing with the environmentally-induced migration

issue. Authors present the brief summary of historical development of the concept and theories concerning the definition of the phenomenon, including critical approaches. In conclusion of the part, they present one of the possible typologies of environmental migrants as the some kind of intersection of sets of other classifications.

The second part of the chapter deals with migration of people affected by the Chernobyl nuclear disaster in 1986 and its humanitarian and development consequences. The authors present part of their field research outcomes in the area in 2007 where they tried to identify present quality of life of environmental migrants in comparison to their quality of livelihood before the disaster and with comparison to people who did not migrate from the contaminated areas. The second objective was to inspect the conditions for humanitarian aid and development assistance provided towards the people who come from or live in the contaminated areas.

The first group of 'studied migrants' was represented by people who were displaced by former Soviet government in 1986, almost immediately after the Chernobyl disaster, or who have decided to migrate during the early 1990s (already at the times of independent Belarus). The second group consisted of people who did not decide to migrate and despite the impaired environment remained to live in their original habitat. In total, 28 interviews were made, counting total of 32 respondents.

As KOHUT (1997) and REUVENEY (2005) propose, the case study method was chosen as the most suitable one for the field research of environmental migration. The semi-structured interview with open questions was chosen as a tool to obtain the data. According to TELLIS (1997), the interview is the most important tool in this kind of data obtaining. DUNN (2005) adds that it is the only tool that can be used when the data cannot be obtained by other research tools. One of the advantages of the interview method is that very unique data can be obtained. Also, the researchers using the interview method come to very close contact with the subject of the research and that gives the opportunity get really deep with the research. Each interview was composed out of sets of questions which were related to the housing, health, labour and family issues.

The interviews took places in six localities, one in the 'clean area' (the capital city of Minsk) and five in the 'contaminated area' (towns or villages located in southern Belarus – Bragin, Cecersk, Narovlje, Savici and Cechy), which were chosen after the interviews in Minsk were made. It was done so in order to compare answers of respondents in Minsk with answers of people still living in the contaminated area. Thus, each the chosen locations in the contaminated area used to be 'home' for part of the environmental migrants in Minsk. As already stated above, the anonymous semi-structured in-depth interviews were used as the main methodological tool for the field research. The analysis of interview was completed by data and information that were compiled from scholar literature received during the field survey in Belarus, or other sources such as scientific journals and publications dealing with the issue

6.1 The Concept of Environmentally-induced Migration

The concept of environmentally-induced migration (more frequently known environmental migration), as mentioned above, results from 'forced (involuntary) migration' approach. It is described by the potential factors that 'force' people to involuntary leave their habitats. CASTLES (2005: 1) notes that forced migration includes number of legal or political categories and popular usage of the term tends to call all forced migrants as 'refugees', but in legal terms refugees are actually quite a narrow category. He argues that the majority of forced migrants flee for reasons not explicitly recognized by international refugee law, and many of them are displaced within their own country of origin. Even if the governments particularly want to make clear distinctions between refugees and economic migrants, many people are forced to flee their homes and families due to 'mixed motivations' which produce new term 'the migration-asylum nexus'. That refers to the blurring of the distinction between economic and forced migration (CASTLES, 2005: 1; compare with MYERS, 1993: 752).

Environmental degradation, natural resource depletion and natural or man-made disasters can play a contributing role as an important *push* factor in affecting population movement[55] during the human history, often filtered through contexts of poverty, food or/and water deficiency, civil conflicts and social inequity. In this way, MYERS (1993, 2001), MYERS, KENT (1995), BROWN (2004) and others declare the rapidly increasing number of incidents that force people to leave their houses and fields due to environmental change.

According to SAUNDERS (2000: 229), the concept of environmental migration was first popularized in 1976 by Lester Brown et al. in Worldwatch Institute as the 'ecological refugees' because of various environmental reasons. The first definition of environmental migration phenomenon proposed EL HINNAWI (1985: 4) in his report for United Nations Environment Programme (UNEP) where he defined environmental refugees[56] as those people who have been forced to leave their traditional habitat, temporarily or permanently, because of a marked environmental disruption (natural and/or triggered by people) that jeopardized their existence and/or seriously affected the quality of their life.

JACOBSON (1988: 37–38) argues that 'environmental refugees' have become the single largest class of displaced persons in the world which includes three broad categories:

1. those who have been temporarily displaced because of a local disruption such as avalanche or earthquakes;
2. those who migrate because environmental degradation has undermined their livelihood or poses unacceptable risks to health; and
3. those who resettle because land degradation has resulted in desertification or because of other permanent and untenable changes in their habitat.

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[55] On other hand, environmental can play a 'positive' role as the *pull* factor in case 'amenity migration' that is generally defined as the (relatively) voluntary migration motivated by the opportunity to live in a better natural or/and socio-cultural environment.

[56] In this approach we do not recognize the possible detailed differences between the terms 'environmental refugee',' environmental migrant', etc.

One of the most cited definition offers MYERS (1993: 752; 2001: 609), according to him 'environmental refugees' are people who can no longer gain a secure livelihood in their homelands because of drought, soil erosion, desertification and other environmental problems, together with the associated problems of population pressures and profound poverty. In their desperation, these people feel that they have no alternative but to seek sanctuary elsewhere, regardless how hazardous the attempt is. He adds that not all of them have fled their countries, many of them are being 'internally displaced', but all of them have abandoned their homelands with little hope of foreseeable return.

Generally, environmental migrants (refugees) are people who were forced to leave their traditional habitat, temporarily or permanently, because of lack of natural resources and/or environmental disruption that had jeopardized their existence and seriously affected the quality of their life. Thus, home-region was not able to ensure them safe livelihood. By 'environmental disruption' is meant any physical, chemical and/or biological changes in ecosystem (or the resources base) rendering it temporarily or permanently in the way, which is unsuitable to support human life. Environmental disruption, often triggered by population pressures and poverty, can be caused by natural and/or human activity. Not all of the refugees flee their country, many of them are labeled as 'internally displaced people' (compare with MYERS 2001; LEIDERMAN, 2002).

The definitions of environmental refugees or environmental migrants were criticized or commented from many points of view. BLACK (2001) is one of the most cited authors dealing with the critical approach. He agrees with central point that environmental degradation and natural hazards may be important factors in the decision to migrate, however the conceptualization of environmental degradation (change) as a primary cause of forced displacement is unhelpful and unsound intellectually and unnecessary in practical terms (BLACK, 2001: 1). Similarly HOMER-DIXON (1993: 40–41) believes that the term 'environmental refugees' is misleading because it implies that environmental scarcity will be the direct and sole cause of refugee flows. Usually, it will be the only one of large numbers of interacting physical and social factors that together may force the people from their homelands. The term does not also distinguish between people who are fleeing due to genuine disaster or acute hardship and those who are migrants for a variety of less urgent reasons. He suggests using the term 'environmental refugees' only when there is a sudden and large environmental change. As an example he presents the population displacement rising from environmental land scarcity in Bangladesh where the issue has been a key factor causing the large-scale movement of people from the country to the Indian state Assam (HOMER-DIXON, 1993: 41–42).

On this matter, CASTLES (2002: 2) points out interesting note that a clear disciplinary divide exists within the literature between ecologists and geographers, or environmental experts and migration specialists. The first ones tend to be strong advocates of environmental 'refugees', considered as a new category of migrants (MYERS, KENT, 1995; BROWN, 2004; LEIDERMAN, 2002 and many others), while the migration or political studies specialists seem to be much more skeptical about the concept, dreading a water-down of the very concept of

refugees. Also, they estimate that the concept is unsound intellectually and unnecessary in practical terms (BLACK, 2001; HOMER-DIXON, 1993).

The migration experts (e.g. BLACK, 1998; BLACK, 2001; CASTLES, 2002) argue that there are no environmental refugees as such, however environmental factors do play a part in forced migration. Displacements due to environmental factors are always closely linked to other factors, such as social and ethnic conflict, weak states, and inequitable distribution of resources and abuse of human rights. According to CASTLES (2005: 4), thus it is difficult to define who is an environmental or disaster displacee or to quantify this category in any meaningful way and also, the emphasis on environmental factors can be a distraction from central issues of development, inequality and conflict resolution.

At this approach MYERS (1993: 752) is aware of difficulties in making difference between refugees driven by environmental factors and those who are forced by economic problems. According to him international migrants, notably those with moderate though tolerable economic circumstances, are probably pulled by opportunity for a better economic life elsewhere rather than pushed by environmental degradation. However, he claims that the people who migrate because they suffer outright poverty are frequently driven by root factors of environmental degradation (MYERS, 1993: 752), as well as the people who have migrated in large numbers and proportions in the past mainly due to deficits of natural resources (e.g. land, famines). The economic impoverishment closely relates with environmental degradation. The significant or dominant role of environmental factors in human movement decision-making process are evident in the event of migration to regions where economic conditions for living are on the same level or worse than in area of origin. MYERS (1993: 752) points out that this is a case of migrants in sub-Saharan Africa and the Indian subcontinent.

However, SUHRKE (1993: 4–7) argues, based on the environmental change and population movements literature survey, that two different and opposing perspectives can be discerned. On the one hand there are 'the minimalists' who see environmental change as a contextual variable that can contribute to migration, however warns that there is a lack of sufficient knowledge about the process to draw firm conclusions. On the other hand there are 'the maximalists', the proponents of the perspective who argue that environmental degradation has already displaced millions of people, and more displacement is on the way. SUHRKE (1993: 6) criticizes maximalists for the uncritical approach to the issue such as a very general definition notion of (environmental) refugees and inflated estimation of numbers. She argues that there are primary economic and social reasons for environmental degradation that cause outmigration (SUHRKE, 1993: 8).

Nevertheless, the majority of mentioned approaches are based on understanding only a category of environmental migrants (refugees) and do not take into account different causes of the kind of migration. Further, these authors did not refer to the evident cases of environmental migration such as the victims of development projects (see below) or manmade accidents. An example of forced migrants due to Chernobyl disaster is one of the credible evidence of the dominant environmental factor in migration decision-making process.

In the context STOJANOV (2008) presents typology of environmentally-induced migration which modifies the classification by RENAUD, F. et al. (2007). He divides the environmental migrants to three main categories:

1. *Environmentally Motivated Migrants*
   This category covers people who chose to move relatively voluntarily from their usual place of origin primarily due to relatively serious environmental reasons (change). These people move because, in their mind, environmental factors are one of the foremost reasons for leaving their usual place of residence (e.g. environmental pollution, natural or human disasters risks, slow-onset land degradation, etc.).
   This type of migration is pro-active, and can also be viewed as a coping strategy. However, 'amenity migrants'[57], who also move absolute voluntarily, are not included in this category. In the context is important to recognize that environmental dimension in other causes of migration such as politically motivated or economically motivated migration.
2. *Environmental Displacees*
   This category includes people who are forced to leave their usual place of residence, because their lives, livelihoods and welfare have been at serious risk as a result of adverse environmental processes and natural disasters. They are people who were displaced by both slow onset and rapid onset environmental process and natural events such as natural disasters, land degradation, water or another natural resources deficiency and sea-level rise, industrial disasters. Permanent, long-term and temporary migrants are included to the category. The speed of departure makes dividing the category into two sub-categories:
   a) *Slow-onset Environmental Displacees*
      This category covers people who have relatively longer time for displacement and better presumption of preference for finding place for new livelihood, in comparison with the following sub-category. They have longer experience with environmental degradation or periodical natural disasters, and their decision-making process for migration has gradually grown. The migrants who leave their habitats due to Chernobyl disaster during the next years after the accident are included to the category.
   b) *Rapid-onset Environmental Displacees*
      They are people who has to move from the place of origin almost immediately before predicted natural disaster or immediately after that. Their habitat is generally completely destroyed (houses, livelihood, fields and crops) or the they lost some fundamental source for survival (safe water, food, etc.). The people who had to leave their habitats due to radioactive contamination immediately after the accident in Chernobyl in 1986 are included to the category.
3. *Development Displacees*
   Those people are intentionally relocated or resettled due to a planned land use change and economic development. This type of displacement includes

[57] They are generally defined as the migrants who are motivated by the opportunity to live in a better natural or/and socio-cultural environment.

people who are displaced due to development projects such as dam construction, irrigation canals building, transport infrastructure development, as well as nature/wildlife conservation projects. This kind of displacement differs greatly from the previously mentioned two categories since displacement of environmentally motivated migrants and environmental displacees is unplanned and unintended, there is a clear responsibility of institution (such as government, municipality, private company, etc.) for the environmental degradation and also compensations.

The environmental migration is not definitely new phenomenon, but recent extend of population pressure, environmental degradation or change in some regions and the threats of climate change (e.g. sea-level rise, rainfall season moving, droughts), together with possibilities to acquire the modern automatic guns (like an AK-47) add new security dimensions to the phenomenon. The population migration due to the environmental change may also increase because of the dissemination of human activities to regions that are vulnerable to natural hazards (MARSH, GROSSA, 2002). Despite this importance, there is rather a lack of research on this topic. According to SHESTAKOV, STRELETSKY (1998) this phenomenon has been under researchers' scope just from the 1980s.

6.2 The Environmental Migration after Chernobyl Disaster

The Chernobyl nuclear power plant disaster from April 1986 is one of the mentioned example of man-made causes for environmental migration. Its impact on environment is so noticeable that lead many authors like JACOBSON (1988), RAMLOGAN (1996), KOHUT (1997), ROCHE (2006) to state that it is an exemplary case of environmentally-induced migration due to the environmental degradation.

The cause of the environmental migration in Belarus is the accident of the Chernobyl nuclear power plant, respectively the surface contamination by the radioactive pollutants released because of the accident. Because of the accident, the impaired environment forced a great number of people to leave or move their habitat. KOHUT (1997: 24) explicitly states that "lessons learned from Chernobyl related to migration … may contribute knowledge that can be generalized for managing ecological as well as other mass migration in other parts of the world". Majority of research related to the Chernobyl accidents focuses on health or environmental impact of the accident, however, the impact on social, economic or living conditions of migrants or impacts of emigration from the contaminated areas have not yet been studied as well as the issue of humanitarian and development assistance provided.

Prior to the relations between the environmental migrants and the ODA providing can be discussed in detail, it is necessary to explain the cause of this issue, thus the causes and consequences of the Chernobyl disaster. The accident occurred on April 26th 1986. The Chernobyl nuclear power plant lies about 110

kilometres north of Kiev (Ukraine), near to the Ukrainian and Belarusian border. To some degree the accident has affected many European countries, but of course, Ukraine, Russia and Belarus were the most hit. Due to the weather conditions, Belarus suffered the most radiation contamination out of all countries. All together about 80,000 square kilometres of surface was polluted and about 4 million people were affected by some degree of radiation (SHESTAKOV, STRELETSKY, 1998). The radioactive pollution was distributed very unevenly, creating zones of different level of contamination. On the bases of this fact, five different zones have officially been identified, each one of them of different extent of radioactive contamination. These zones are marked only on the map, whereas in the countryside are not bounded. The only exception represents the area around power plant itself – there has been created the 30 kilometers zone with very limited and controlled access to it.

The main impact of the disaster can be recognized as economic, health, environmental and social (UNITED NATIONS, 2002). Up to present day, a lot of money is dispensed to mitigate the consequences of the accident (cleaning activities, monitoring, informative activities etc.) as well to ensure power plant itself. As was mentioned above, estimate of the total damage for the Belarus was about 235 billion USD (SDC, 2002). The health impact was mainly seen as increased number of thyroid cancer in children. The psychological impact of the disaster was also great on public, for example, 64 per cent of Ukrainians think that the Chernobyl disaster is an important factor that influences their health (PANINA, GOLOVAKHA, 2001). The accident affected large area of fields and forest along with animals and plants. The social impact of the accident is represented by the resettlement and evacuation of people. These actions led to the disruption of local economic activities and to the displacement of villages[58]. To conclude, living in the contaminated areas represents threat to the people. Some sources like KOHUT (1997) or report by UNITED NATIONS (2002) state that living in the less contaminated areas represent no health problem. This statement is very disputable, since no authority or measurements can state with certainty, that there is no more danger; this situation is enhanced by uniqueness of the Chernobyl disaster, which remains unmatched.

Environmental migration as a consequence of the Chernobyl accident is specific due to its reason for migration. Radioactive contamination cannot be recognized in the countryside, it is not visible by any means to ordinary people, the sequel of radiation will uncover after years thus habitants do not have the immediate, obvious reason to migrate. In this case of environmental migration the decision to migrate was made by the government, which coordinates most of the population moves.

There is no accurate data of total migrants due to the Chernobyl disaster. UNHCR report (in ZAYONCHKOVSKAYA, 2000) states 228,000 of migrants. More precise information can be found in WORLD BANK (2002 b): about 350,400 people migrated due to the Chernobyl disaster (the number includes

[58] For more information about the impact of the accident see e.g. www.chernobyl.info or UNITED NATIONS (2002).

government-organized as well the non-organized migrants). ROCHE (2006: 91) actually indicates that more than 400,000 people have been relocated from the devastated areas since the original disaster in 1986. The majority of these people have been resettled through the government organized resettlement program. Immediately after the accident, 25,000 people were evacuated from the power plant vicinity and another 91,000 till the end of the year 1986 (SHESTAKOV, STRELETSKY, 1998). At first, people from the most contaminated zones were resettled. Table 6.1 shows the proportion of the migrants according to the nationality. Almost 50 per cent of the migration took place in the Ukraine (UNITED NATIONS, 2002). The policy of the governments was to first resettle the people from the most contaminated zones. This resulted one of the main problems with the resettlement – most of the people were not resettled until 5 years after the accident. Only 26 per cent of people migrated within the first year after disaster (SHESTAKOV, STRELETSKY, 1998). The reason for late migration was the lack of the apartments which were not built until the early 1990s.

Table 6.1: The number and percentage share of environmental migrants due to the Chernobyl disaster in Belarus, Ukraine and Russia

	Belarus		Russia		Ukraine		Total
Number/Share	Number	Share	Number	Share	Number	Share	Number
Total of migrants	135,000	38.53	52,400	14.95	163,000	46.52	350,400

Source: WORLD BANK (2002 b), UNITED NATIONS (2002)

As already stated above, the environmental migration due to the Chernobyl disaster can be mostly characterized as government organized. SHESTAKOV, STRELETSKY (1998) stress that it is very difficult to track non-government organized migration. They conclude that the most migration streams occurred within the boundaries of national states. However SERDIUK (1992) claims, that the disaster affected also the streams of international migration. For example, Czechs by origin (group of 1,812 migrants), living on the territory of Ukraine and Belarus since the 19th century, migrated to the Czech Republic between 1991–1993. The main reasons were according to DLUHOSOVA (1998) the increasing health problems and the fear from the consequences of the Chernobyl accident. Interesting characteristic of the migration due to the Chernobyl disaster is that the more time passes, the less people migrate from the contaminated areas. And also, there are cases of people returning and moving in to the contaminated areas even from countries far away (e.g. Kazakhstan) (SHESTAKOV, STRELETSKY, 1998). The resettlement of contaminated areas shows an important specificity of the Chernobyl disaster. The type of the pollution (radiation) is very unique, it does not harm the environment at the first sight but its impact will show in few years. Thus, at the first moment there is not obvious push factor (impaired environment) that would force people to move.

6.3 The Case for Assistance

There is not much information about environmental migration in Belarus, the reports and articles are mainly focusing on the technical part of the disaster or its impact on people's health, not on the migration or its humanitarian and development consequences relates with the ODA issue. Belarus suffered the most contamination, mainly the south-east part of the country. About 20 per cent of country's area was contaminated with about 2.5 mil people living there (World Bank, 2002 b). Within the first year after accident, 24,700 people (only 18 per cent from total number of Belarusian migrants) left their homes. Until the year 2000, it was already 135,000 environmental migrants in total (WORLD BANK, 2002 b). Majority of these migrants were resettled within the early 1990s. Main Belarus problem concerning the resettlement activities was that only few people living in the contaminated area were resettled. At present, about 1.6 mil people still live in the contaminated area (mainly in the areas where the level of contamination is very low). The government's priority is to improve the living conditions of these people (UNITED NATIONS, 2002). The contaminated area has mainly the rural character and due to the disaster agriculture cannot be conducted anymore. Thus, the contemporary contaminated regions suffer from migration because of the lack of job opportunities and low wages above all (World Bank, 2002 b).

The official report of Belarusian government (SHEVCHUK, GURACHEVSKY, 2006: 74) mentions that for the resettled population during the twenty post-Chernobyl years there have been constructed 66 thousands houses and flats, including 239 settlements with infrastructure and services in clean area of the country. There were constructed schools for 45,699 children, kindergartens for 18,505 children, outpatient health centers, hospitals, etc.

The operations of many international organizations are concentrated on improving the health and living conditions of the most deprived groups of people who still live in the contaminated regions of Belarus, especially in the rural areas. For example, the aid activities of the Swiss Agency for Development and Cooperation (SDC), as the one of the most significant donor in the country, are concentrated mainly in the Gomel oblast and Mogilev oblast provinces of the Belarus that suffered most from the consequences of the disaster (SDC, 2008). Another assistance program of International Federation of Red Cross and Red Crescent Societies (IFRC) include medical-social aid, institutional development, disaster response, population movement, and dissemination of international humanitarian law (IFRC, 2002: 2). Also, there operate the United Nations agencies such as the WHO and UNICEF who also provided their programs in the field of early diagnosis of the thyroid cancer or medical aid to the children affected by the Chernobyl accident (SHEVCHUK, GURACHEVSKY, 2006: 97–99).

However, the strategy for last ten years has been changed towards the transition from emergency humanitarian assistance to building sustainable social and economic development of the affected territories, as stated in the official report of Belarusian government (SHEVCHUK, GURACHEVSKY, 2006: 2–

3). Nevertheless, some difficulties from the side of Belarusian political establishment were recorded by some international humanitarian and development organizations during last years. Some experts, during the interviews, claimed that there were obstructions with the humanitarian and development programs approval by Belarusian government (each assistance program has to be officially accredit by the government) and the international agencies had to wait half or even more than one year; many of development programs, above all, were rejected and humanitarian aid is generally prefer. According to the authors of the chapter, the main reasons for the obstructions were probably caused by regime's fear of the capacity building of independent civil society.

The main target groups for provided aid are single parent families, children, elderly and large families. During the last decade, migration flows to the Belarus from regions like Russia, Ukraine, Kazakhstan, the Baltic States and the southern Caucasus, have been reported (IFRC, 2002: 2). Many of the migrants settled down in the empty houses in areas contaminated by radioactivity; this fact was often mentioned by the experts and locals to the authors of the chapter during their field research in affected areas.

6.4 The field research outcomes

The field research was carried out during the June 2007 and the selection of research objectives was relatively simple. The first objective was set as identification of the present social and economic conditions of living of the environmental migrants in comparison with their quality of life before the disaster. The second objective was to compare the quality of life of environmental migrants with the living conditions of people who did not migrate from the contaminated areas. Along with these two objectives the reason to resettle or to remain were also examined, as well as the issue of humanitarian and development assistance provided. To summarize, the main interest was to find out the impact of the disaster to a quality of life of ordinary people who happened to become the environmental migrants.

As stated above, there were two studied groups. The first group was represented by people who migrated because of the Chernobyl disaster (the environmental migrants). The second group was represented by people who decided not to migrate and despite the impaired environment remained to live in their original habitat. The selection of the respondents was contingent – they were met and chosen on the streets, in their houses etc. with the only condition moving or not moving due to Chernobyl disaster. As already stated above, 28 interviews were made, counting total of 32 respondents. Age of respondents varied between 30 and 80 years, majority of respondents were women (22). The requirement for age (respondent had to be older than 40 years) was only applied in the case of people who migrated (they had to be old enough to remember the disaster that occurred 21 years ago). In the case of people who did not migrate the requirement for age was not applied. Due to the small number of the

respondents, the results of the field research may not be generalized. But despite this fact, the results are interesting and valuable for the future research in issues dealing with environmental displacement.

The interviews took places in 6 localities, one in the 'clean area' and five in the 'contaminated area'. The only location that was set at beginning of the field research was the capital city of Minsk, habitat of the environmental migrants due to the Chernobyl accident. The other five localities were chosen after the interviews in Minsk were made. It was done so in order to compare the answers of environmental migrants in Minsk with answers of people who remained living in the contaminated area. Thus, each of the chosen locations in the contaminated area used to be 'home' for part of the environmental migrants in Minsk. The localities of the research are described in the following table (Table 6.2).

Table 6.2: Research localities in radioactivity contaminated areas in Belarus

Residential area **Malinovka in Minsk**, the capital of Belarus, represents the 'clean' zone. 16 environmental migrants were interviewed here.
Town of **Bragin, Cecersk, Narovlje, Savici** and **Cechy** lie in the contaminated region, Gomel oblast province. Bragin, Cecersk, Narovlje are the county capitals while Savici and Cechy are small villages with few inhabitants. 16 people were interviewed here.

According to authors research outcomes, the respondents were offered by the government few possibilities where to resettle. As places of resettlement government chose large Belarusian cities like Minsk or Brest. The respondents usually chose the 'new' home according to family tights or because there was no other choice where to resettle.

- Woman, 73 years, resettled to Minsk from town of Bragin: *"...my daughter lived in Minsk, that's why I moved to Minsk."*
- Woman, 78 years, resettled to Minsk from town of Narovlje: *"Son lives here and also granddaughters are here (in Minsk) …but I wanted to go to Brest (where my daughter lives), but there were no apartments …"*
- Man, 65 years, resettled to Minsk from town of Narovlje: *"... people tend to move after their children."*
- Woman, 69 years, resettled to Minsk from village of Strelicevo: *"They (government) offered Minsk, that there are new apartments here..."*

The research results showed that the environmental migrants agree that their present quality of life is better than before the disaster. It can be assumed that it is mainly due to their new place of habitat, the capital Minsk. The big city represents the greater number of opportunities of well-paid and steady jobs, as well other features that big cities can offer.

- Woman, 48 years, resettled to Minsk from the village of Uhly: *"It was no problem to find job in Minsk ... I think that it is better in Minks... of course it is better in Minsk .... I live bettter here, I have bigger salary."*
- Woman, 80 years, resettled to Minsk from the village of Cechy: *"I think that is better (here in Minsk)."*

- Man, 37 years, resettled to Minsk from the town of Cecersk: *"A good job (here), there was no problems with finding the job."*

Beyond the mentioned statements, there are also the predications of people who are still living in contaminated areas and they subjectively do fell no health problems dealing with Chernobyl nuclear disaster. They usually believe to Belarusian central government which promise economic support to people staying in the areas and make sure that area and local agricultural products are 'clear' and 'safe'. Some of the respondents have doubts about the correctness of governmental information.

- Man, 70 years, living in town of Cecersk: *"You know, they (the government) constructed the instruments (for measuring the radiation) so that they will show only the right numbers."*
- Woman, 36 years, living in town of Cecersk: *"They told us how big is the radiation … but here is not bad radiation … not a big one (the radiation)."*
- Woman, 45 years, living in town of Cecersk: *"Today people got used to it (to radiation)."*

In the context these statements of migrants living in Minsk are interesting because most of them indicate some health problems relate with the nuclear disaster.

- Woman, 73 years, resettled to Minsk from town of Bragin: *"Yes, (we have) problems with thyroid gland."*
- Women, 50 years, resettled to Minsk from town of Cecersk: *"(We have) problems with thyroid gland, we are often sick ... and the children are sick."*
- Woman, 54 years, resettled to Minsk from town of Cecersk*: "Many people died because of oncology problems, many young and children."*

In the rural, radioactivity contaminated areas, the authors of the chapter did not see so many outcomes of the foreign aid or any offices of the organizations, the inhabitants rather mentioned the real or promised governmental support. One informant-expert[59] confirmed us that governmental officers, time to time, visit the contaminated areas and promised the people who are living there direct governmental support. The expert mentioned the example of promises of Belarusian Ministry of Agriculture during one 'mission' to the affected areas near the Chernobyl's 30 kilometers zone few years ago:

> *"If you stay here, the government will support you and bring you the tractors for soil cultivation. The soil here is definitely clear and healthy."*

However, during the authors' visit of the area, the evidence was received that the official measurement of the radioactive contamination were incorrect. The independent measurement of the son of one inhabitant from the Cechy

[59] In the context we strictly keep anonymity of the informants-experts because of the sensitiveness of the issue for the Belarus authoritative and undemocratic government.

village, who happens to work in the power plant in Russia and thus has own the dosimeter, showed that the official data were overstayed three or four times, depending on the locality in the village or its surroundings.

Within the context of the questions dealing with main needs and possible assistance, some respondents expressed the request for better control of foodstuffs, milk, and other sources. Other respondents stressed their personal economic problems, including the unemployment issue.

- Woman, 72 years, resettled to Minsk from town of Cecersk: *"It is necessary to control the foodstuffs, so many people died in connections with the oncology problems, many of them were young women and children ..."*
- Woman, 36 years, living in town of Cecersk: *"It is problem to find the job in my profession [she is cook]."*

To conclude, the reason to resettle was the Chernobyl accident and contamination of land, forests and their houses, but it seems that it was strongly followed by the economic pull factors. The respondent in Minsk stated that social and economic conditions are also better. The main reason may be caused by the fact that all the interviewed environmental migrants, except one, were resettled within the government resettlement program. This program ensured the migrants, for example, with proper housing, jobs, education and limited health service. Thus, their economic and social situation improved, excluding their health condition. Some of them felt also uprooted from their habitats of origin.

In comparison with the quality of life of people who did not migrate from the contaminated areas, the environmental migrants' quality of life is also better and we recorded some inclination to envy that their neighbors made the best opportunity to move from the affected areas to cities, especially to Minsk. In addition, the quality of life in contaminated areas seems to be mainly influenced by the fall of the Soviet Union and present bad economic situation of the country than by the consequences of the Chernobyl accident. However these two reasons are interrelated – the bad economic situation has particular roots just in the Chernobyl accident. The main reason for staying in the contaminated area was identified mainly as the family reason. It means that people did not want migrate without the family relatives and thus rather stayed than migrated. Also, a very strong personal relationship to the place of habitat was identified as reason for staying in the contaminated areas.

The humanitarian and development activities in the radioactive contaminated areas are insufficient, according the interviewed respondents. The authors of the chapter see main problem in the lack of information and health consequences of living in the areas. International (foreign) and local organizations have limited opportunities for the field work in the areas and the people, who live there, are entirely dependent on the official information of governmental institutions.

Within the context the authors registered the example of the environmental non-government organization which had to refuse the money from abroad

designated for its information effort in the rural areas. In this approach, the conclusion of the report by The CHERNOBYL FORUM[60] (2006: 54) is not too surprising; it recommends to the governments of all three affected countries that they need to clarify to the public, with the assistance of credible international agencies, that many areas previously considered to be at risk were in fact safe for habitation and cultivation. Furthermore, the report also recommends that any new information strategy should embrace as comprehensive approach to promote healthy lifestyles and not simply focus on radiation hazards. Health education aiming at reducing internal and external radiation should be just one part of health promotion policies and interventions that aim at reducing the main causes of disease and rising mortality that affect Belarus, Russia and Ukraine (CHERNOBYL FORUM, 2006: 53). Similarly the reports pays attention to the far smaller areas with higher levels of contamination which require a different strategy focusing on greater monitoring, provision of health and social services, and other assistance (CHERNOBYL FORUM, 2006: 54).

Another serious problem is the 'import' of agricultural and other products from the contaminated regions to other parts of the Belarus. There is not safety whether the products are truly 'clear' or decontaminated.

6.5 Conclusion

The chapter has concerned the concept of environmental migration in general, but it also brought the first results of the field research conducted in the Belarus that dealt with environmentally-induced migration due to Chernobyl nuclear disaster in the region. The first part of the chapter identifies different approaches to the environmentally-induced migration and defines the phenomenon. Scholar literature, dealing with the issue, is divided into advocates and critics of the approach. However, we can identify that most of the critics concentrate their attention to term of 'environmental refugee', or they understand environmental migration issue through only category and do not take into account with different causes of the kind of migration. Nevertheless we can discuss about some impugnable environmental reasons for migration such as the 'myth of desertification' (BLACK, 2001), however there are some evidence that environmental factors play dominant role in decision-making process relates with migration. One of the cases is migration flow caused by Chernobyl nuclear disaster in 1986.

[60] The Chernobyl Forum is an initiative of the International Atomic Energy Agency (IAEA), in cooperation with the World Health Organization (WHO), United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), United Nations Environment Programme (UNEP), United Nations Office for the Coordination of Humanitarian Affairs (UN-OCHA), United Nations Scientific Committee on the Effects of Atomic Radiation (UNSCEAR), the World Bank and the governments of Belarus, the Russian Federation and Ukraine. The Forum was created as a contribution to the United Nations' ten-year strategy for Chernobyl, launched in 2002 with the publication of Human Consequences of the Chernobyl Nuclear Accident – A Strategy for Recovery (CHERNOBYL FORUM, 2006:9).

The authors present the part of the outcomes of their field research in the Belarus dealing with comparison of the present social and economic conditions of the environmental migrants with the conditions before the disaster. The present economic and social situation of environmental migrants was also compared with the situation of people who did not migrate from the contaminated areas. As a result, the environmental migrants in the capital Minsk were interviewed, along with the people from the Gomel oblast province. The humanitarian and development assistance consequences were identified as well. The first outcomes of field research show that present quality of life of environmental migrants currently living in Minsk is better in both ways – respectively to the time before the accident and also in comparison with living condition in the contaminated areas. As the main reason for the displacement was identified the health risks caused by surface contamination of the radioactive pollutants released because of the nuclear power plant accident in Chernobyl.

There are two categories of environmental migrants, according to above mentioned classification. Whereas the first flows of migrants, who were displaced from most affected areas near the Chernobyl (official 30 kilometers zone) relatively immediately after the accident in 1986, come under the 'rapid-onset environmental displacees' sub-category, the second group of migrants, who have been taking the advantage of Belarusian government offering the relocation from affected areas to selected cities in the country during 1989-1990 are classified as 'slow-onset environmental displacees' sub-category.

The research also proved that economic and environmental reasons for migration are interlinked and ought to be taken jointly. It is generally observed that the environmental problems in a region are followed up by the socioeconomic problems in the same region. The case of Chernobyl migration supports this thesis. According to the WORLD BANK (2002 b), present primary causes that forces people to migrate from contaminated areas are, above all, the unemployment and poverty, however the environmental degradation is perceived as the secondary possible reason.

The humanitarian and development activities of foreign or international agencies are limited by the Belarusian government, even if the inhabitants from the contaminated areas expressed the demand for bigger assistance during the interviews. Among the most important needs were identified the information deal with level of radiation in the contaminated areas and its health consequences for people living there and their agricultural and other economic production here.

Chapter Seven
The Official Development Assistance on the Crossroad?

Robert Stojanov

The Official Development Assistant (ODA) has been big phenomenon for more than half century and one of the most important development intervention tool. However the critical voices towards the effectiveness of the ODA have become more intensive during the last two decades. They focus on, above all, inexpressive results in poverty alleviation, in particular in Least Development Countries, during the last fifty years. At the approach we can claim that the official development assistance is 'on the crossroad' looking for some possible ways for the greater effectiveness.

The authors could choose and describe only several themes in details, dealing with the broad issue of the ODA. These topics include introduction to the official development assistance and poverty alleviation linkages; the complicated relations between development assistance and security; the effectiveness of the ODA; the debt relief showed in the Czech Republic case study; and special case of development and humanitarian aid provided to victims of Chernobyl disaster. The authors of the publication believe that their work contribute to relatively new research relates with the development studies in Central and East Europe, and also advance of the issue. Similarly, in majority scholar discussions relates with the topic of the ODA are currently presented as the increasing/dropping budget delivered to the ODA programmes issue without another linkages or consequences. That is why the authors of the book tried to highlight another issues with the aspiration to prompt a broader debate among the scientists, students and scholars public.

As was mentioned above, the main purpose to establish the ODA was poverty reduction in developing countries, especially in Least Developed Countries. Nevertheless the success of poverty alleviation on the global level, is based, above all, on huge economic growth in China and partly also in India in last two decades, and it is definitely apparent that providing the Official Development Assistance does not play any significant role in the poverty alleviation on the global level. The introduction chapter very briefly presents selected critical opinions based on the practical experiences of their authors, some statistical surveys or any theoretical approaches, such as critical low effectiveness of the ODA results; some errors which are really paid by developing countries; increasing aid

dependency of economically poor countries; clear pragmatics which cause that ODA is tool for foreign policy and business advocacy; and connection with threats related to bureaucratic misuse and corruption; negative impacts on local economies. In the context we must state that there is not any discussion about the fundamental and very important argument of some scholars who draw attention to the fact that aid clearly serves to promote a development model conforming to the dominant world view of the developed countries (for more details see THÉRIEN, LLOYD, 2000).

Based on the mentioned problems, it would seem that another development tools such as foreign development investment with a long-term productivity, any international trade benefits, or migrants' remittances as a significant private source of income represent an interesting possibility for a better economic development of economically poor countries. At this approach many scholars suppose that remittances may substantially contribute to alleviate the degree of poverty in developing countries, however it is not possible to perceive remittances as a panacea for development of developing countries.

The linkages between the security and development is not definitely new issue, it has long roots and tradition, however some environmental problems, including the long-term consequences of climate change, have brought new challenges. Nevertheless the development capacity building links with particular security situation in the region, as well as the development or underdevelopment and its implications have important impact on security situation. There is significant interdependence between these phenomenons and it raises the increased concern of policy-decision makers. From 1990s we can observe the clear signs of merging the development and security, calling for the new role of the humanitarian and development assistance in the conflict or post-conflict regions. In the context the aid in these areas has a greater legitimate objectives then just the poverty reduction. It means that the development aid could bear the conflict transformative functions involving the divided societies in the development projects which focus on the long-term peace building processes and structural changes.

The efficiency of the ODA is definitely big issue and the chapter, dealing with the topic, offers the fundamental information for future research and practical realization of the ODA providing from the side of Central and East Europe countries. However when we try to find out the real effects of development aid we hit the ceiling given by the abilities of methods we possess. Despite the considerable progress in both econometric modelling and economic theory and empirical research in general, in the area of foreign aid, our outcomes are still far from complete.

There are many theoretical and empirical mechanisms which influence the quality and final results of the ODA programmes, however we identified that quality of policies and institutions of the recipient countries were the most important one. Even if it is impossible to form any absolute conclusion about aid's effectiveness in the context, we can try to formulate policy recommendations on how to strengthen the positive merit aid contains. The possible ways how to achieve this challenge rests in the area of good governance, any institutional

changes, rational selection of criteria for the ODA providing, increase of multi-donor cooperation, improve project outcomes planning, monitoring and transparency of particular ODA programmes, decrease administrative costs of aid, eliminate aid tying and carefully choose the form of assistance providing.

We have to underline that many of the mentioned recommendations are prime responsibility of the policy-makers from the recipient countries, even if there is the possible rub because China, as a new great and competitive donor is on-stage. At the present time is clear that China creates a new way of international cooperation that is an alternative to western developmental policies, because it is not interested in the issue of 'good governance', 'democratization policy' or the human rights issue, etc. For the Chinese government are most important economic facilities for the aid providing towards the developing countries, and only one political criterion – the question of official recognition of the Chinese Republic on Taiwan from the side of the recipient state.

It is really hard to say what type of strategy could be effective against the Chinese approach, however the greater ODA efficiency from the side of DAC/OECD members is generally way how to be successful in the competition. Moreover we can expect coming of new growing donors such India, South Africa, Brazil or some 'oil countries' in the near future, however on the regional level firstly.

The particular role in the 'development aid conflict' will play a relatively new donors from the Central Europe, that have slowly increased the budget delivered to the official development assistance. However it is generally positive course, the extent of the budget does not reply to commitments of European Union members. Further, we identified many challenges for the future. First of critical points is not lack of regular in-depth measurement of the ODA programmes efficiency. The Czech Republic started with that evaluation of some development projects a few years ago, but this process is not regular and in-depth, the majority of results are not public, and it relates with selected projects only. Another Central European countries do not have any evaluation system currently.

The next issue dealing with the critical point is unclear solution of debt relief towards the developing countries, as we generally described on the example of the Czech Republic. Moreover, there is still lack of relevant data, some unclear information and unwillingness of governmental authorities to share the information among the scholarly public, non-government organizations or academic institutions. Similarly, any debate does not exist between public and governmental authorities relates with debt relief, about the possible strategies how can we solve the issue.

Similarly, on the global level, we see the fact that many commitments within the frame of the Millennium Development Goals are most probably not going to materialize within the set period, we conceive that the national leaders are probably not taking their promises seriously. In the context we want to pay attention to complexity of poverty phenomenon, and at the same time caution against 'only' removing people from a category of 'extreme poverty' (income of less than 1 USD a day) to a category of 'poverty' (income of less than 2 USD a

day). This progress is definitely important on the individual level, however it does not change much from a long term and systematic point of view. We have to deeper and more critically reconsider the current paradigm of the ODA and whole development policy within its economic and environmental limits.

Nevertheless, the ODA has a general positive impact on the grassroots level where it can improve situation of a regional community or society. Significant progress can also be registered in the case of systematic and consistent efforts in particular development areas such as inoculation, eradication of malaria, provision of antiretroviral drugs, better and cheaper access to health and education for the poor etc. This is the case especially when these efforts are coordinated be a single agency and the danger of donor fragmentation and overlap is thus reduced (e.g. WHO, UNESCO). Similarly laudable progress can be investments into infrastructure, food and other security programmes for the poor.

The case of environmental migrants in the Belarus Republic, as the victims of the Chernobyl disaster, shows the example of presume on humanitarian and development aid at the hands of state establishment in the country. It is apparent that these people need any assistance and international organizations or foreign agencies try to offer it them. Among the most important needs were identified the information deal with level of radiation in the contaminated areas and its health consequences for people living there and their agricultural and other economic production here. Nevertheless the Belarus authoritative regime is probably afraid about the possible capacity building of independent civil society through the working of foreign and international organizations.

Finally, it is evident, that this book cannot offer the comprehensive information deals with the all mentioned issues. The one of the main purpose of the publication is call attention to broad dimensions of the official development assistance providing, no matter whether they are negative or positive. The authors believe that publication contribute to the broad scholar discussion and positive progress of development policy in Central and East European countries in near future.

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