

# Transition and foreign aid policies in the Visegrád countries

## A path dependent approach

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### Abstract

The paper argues that the current emerging international development policies of the Visegrád (V4) countries are heavily influenced by the certain aspects of the communist past and the transition process. Due to these influences, the V4 countries have difficulties in adapting the foreign aid practices of Western donors and this leads to the emergence of a unique Central and Eastern European development cooperation model. As an analytical background, the paper builds on the path dependency theory of transition. A certain degree of path dependence is clearly visible in V4 foreign aid policies, and the paper analyzes some aspects of this phenomenon: how these new emerging foreign aid donors select their partner countries, how much they spend on aid, how they formulate their aid delivery policies and institutions and what role the non state actors play. The main conclusions of the paper are that the legacies of the communist past have a clear influence and the V4 countries still have a long way to go in adapting their aid policies to international requirements.

**Keywords:** emerging aid donors, Visegrád countries, foreign aid, path dependency

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## **Introduction**

Since the turn of the millennium the Visegrád (V4) countries have emerged as new foreign aid donors in the international development cooperation regime. Official development assistance provided by these countries exceeded 0,08-0,13 percent of their gross national incomes in 2007. Although still far away from aid levels provided by such mature and well established donors as France, the United Kingdom or Sweden, it is undoubtedly a noteworthy achievement in such a short time after the transition from socialism.

The Visegrád countries are however not new donors in the international development regime: Czechoslovakia, Poland and Hungary all had foreign aid and technical cooperation policies with developing countries during the communist era. Hungarian technical assistance for example from the 1970's and 1980's, especially engineering expertise is still fondly remembered in parts of North-Africa and the Middle East, as well as some countries in Sub-Saharan Africa. However, during the transition period these development policies were suspended, and the Visegrád countries turned from being aid donors to aid recipients. It is not until the early 2000's that the V4 countries have restarted their international development policies, which are now heavily influenced by Western European practices.

Our paper argues that the current re-emerging international development policies of the V4 countries cannot simply imitate Western European practices on the short to medium term, as these policies are also heavily influenced by the historical and economic backgrounds of the Visegrád countries. In other words, the current international development policies of the V4 countries exhibit a certain degree of path dependency, both influenced by their communist era foreign aid policies and their earlier history, as well as certain characteristics of the transition process itself. In order to understand the persistence of these traits, the paper uses the theory of path dependant institutions and transition as an analytical framework and argues that through the interaction between the imitation of Western development policies and the legacies of the past a new, distinctly Central and Eastern European stream has emerged in international development cooperation.

The paper identifies three areas where path dependency is present to some extent in today's foreign aid policies of the V4 countries: the selection of aid recipient partner countries; aid policies, structures and aid levels; non state actors as well as social awareness of international development and poverty issues. We concentrate on the Visegrád countries because they have the most visible foreign aid policies, and they were the frontrunners in initiating economic reforms in the early 1990's (Fidrmuc – Fidrmuc- Horvath 2002).

The paper is structured as follows: the first section discusses some conceptual issues concerning path dependency in the transformation process. The second section presents the main features of past and present foreign aid policies in the V4 countries in a historical perspective. Sections three to five analyze the three aspects of current foreign aid policies mentioned above where a certain degree of path dependency is identifiable. Section six concludes the paper.

### **1. The path dependent approach to transition**

After 1989 the Central and Eastern European countries embarked on a journey of transforming their centrally planned economies dominated by state ownership and heavy regulation into market economies. Neoclassical economists at the time saw transition as a mere question of implementing policies along the lines of the Washington Consensus, as well as the sequencing and speed of these reforms (Williamson 1993). By imitating Western style capitalistic and democratic institutions, it will only be a matter of time that their economic performance will reach the levels experienced by more advanced countries. In some sense this approach is justified: it is the economies that have implemented the reforms rapidly that are the most successful today (Slovenia, Poland, the Czech Republic, etc.), the ones that have been slower, or have done less are still lagging behind (Bulgaria, Ukraine etc.). However, two questions arise. Why have some countries been much more successful in implementing reforms than others, and why is it that some institutions, policies, and practices from the communist era show remarkable persistence? Asking such questions are relevant in terms of the CEE countries' international development policies as well.

As neoclassical economics does not give us any methods for answering these questions, the paper will use a historical, institution-based approach as an analytical framework, namely the path dependent approach advocated among others by North (1997; 2005), and Stark & Bruszt (1998). Institutions in societies tend to be highly persistent, as institutional, political, social and even cultural legacies of the past will usually have long lasting influences through various channels. Even though politicians might aim to create policies and institutions based on different foreign models, they will never be able to escape the effects of the past, as these highly influence attitudes, thinking and even decision making. This however, may lead to sub-optimal solutions and hinders convergence in terms of policies and performance towards the more advanced countries. According to Stark and Bruszt (1998) however, the ongoing effect of past legacies has led to the emergence of specific Central and Eastern European institutional forms. As the effects of the past mix with reforms imposed by politicians (perhaps aimed to

imitate Western policies and institutions), they create new approaches and practices, a process which the authors call “recombinatory innovation”. These new forms are not necessarily inferior to Western policies and institutions, and in some cases can work better in the transition context.

In the CEE countries, the Communist past can have its impact felt in many areas and through many channels. Perhaps the most clear cut examples are the effects of the past on societal culture, ways of thinking, political ethics and decision making. Under communism only those had the ability to influence decisions who were members of the Communist Party. This fact naturally included the ban of opposition parties, which led to all innovative intellectuals either recruited into the party or persecuted as criminals of thought. Thus a natural successor to the established elite was very much missing; therefore some members of the old guard had to remain influential in order to allow the public administration to function during the transition period. However the main problem was the legacy of the past: “personality traits and habits of working slowly without initiative and responsibility, featherbedding, using working time for other purposes, lack of management and entrepreneurial skills (...) and, last but not least, a variety of social values, not easily compatible with capitalism” (Greskovits 2003: 223) all helped to slow down the emergence of positive effects of the transformation process.

The societies of the CEE countries are in many aspects backward and underdeveloped, influenced by 40 years of heavy state patronage. Individual responsibility is missing, most people depend on the state to solve their problems in a variety of area. According to Greskovits sizable proportions of the populations of postcommunist societies feel that they have given up much of the advantageous aspects of the old system, without having been able to redeem the promises of the new one. These perceptions of the public were reinforced by the fact that the recession related to transition was much more severe and drawn out than most politicians have anticipated and promised. It is particularly difficult to change formal and informal institutions in transition countries, when the alternatives do not get full hearted support from the general public. According to North (1997: 17), “path dependence (...) is a major factor in constraining our ability to alter performance for the better in the short run”.

In the case of foreign aid regimes in the Visegrád countries, it is quite clear that we cannot talk about the persistence of formal institutions, as these were practically abolished in the early nineties, we can however see many channels through which these institutions, as well as their more informal counterparts still affect many aspects of the new foreign aid regimes emerging in these countries after the turn of the millennium. In other words, reformulating our

main argument posed in the introduction, are emerging Central and Eastern European development policies, in the words of Stark and Bruszt, a sort of “recombinatory innovation” with distinct features that only appear in the region, or are they clear imitations of Western development policies? The remaining sections of the paper will try to answer this question by examining various aspects of the Visegrád countries’ development policies and influencing factors. First however, a short historical overview is in order on the re-emergence of these policies.

## **2. The effects of transition on foreign aid policies**

The Visegrád countries all had foreign aid policies during the Communist regimes, usually under the names of “technical and scientific cooperation” or “north-south dialog”. These policies had slightly different character than the classic project-oriented approach used by the Western donors (Baginski 2002): they consisted mainly of the supply of various equipments, experts and professional know-how, scholarships and tied-aid credit. A heavy influence of ideology can also be detected: giving aid was a symbol of the superiority of the Communist system. The aid programs at the time did not make a difference between development and military aid, and all had a significant military dimensions, which, according to various estimates reached 30-40 percent of total aid (HUN-IDA 2004). To give a picture of the extent of these foreign aid policies, the level of aid given by Hungary in the late seventies reached 0,7 percent of the country’s national income, which is an extremely high level, even though the methodologies for calculating both national incomes and aid levels in the Communist block at the time do not permit comparisons with Western donors and current aid levels.

After the end of the Cold War and the beginning of the transition process the Visegrád countries basically terminated their foreign aid policies, which was of course a rational decision given the extent of the recessions in their economies and the spikes in poverty in their societies. There were simply no resources to spare, but giving aid to developing countries would have been hard to justify to the general public as well. The people in the V4 countries soon realized that in contrast to promises of elites at the start of the transition, the marketization of the economy will most likely be protracted and painful, and they will have to endure lower living standards than in the Communist era for quite a few years. A certain degree of foreign aid was maintained by the V4 countries in the nineties, but this consisted mainly of scholarships to developing country students, ad hoc cooperation with various multilateral United Nations agencies (such as the WHO, the ILO, or the UNDP), humanitarian aid, and grants to ethnic diasporas in neighbouring countries.

With the establishment of the European Community's PHARE program, the V4 countries became aid recipients. As the transition countries, despite the transformation crisis, were on average on a much higher level of development than other aid receiving economies, the OECD Development Assistance Committee (DAC), the forum responsible for the coordination of donor efforts and international aid statistics, created a new category for the statistical measurement of aid given to these countries: official assistance (OA). The V4 countries were therefore not eligible for official development assistance (ODA) which was given to impoverished third world countries.

The first V4 country to join the 'elite club' of rich countries, the OECD, was the Czech Republic in 1995, followed by Poland and Hungary in 1996 and Slovakia in 2000. Although OECD membership does not mean automatic membership in the DAC, it did mean a certain mild international pressure on these countries to restart their international development policies. This pressure was heavily reinforced during the accession process to the European Union, even though the issues of development cooperation were spectacularly neglected during the accession negotiations (Balázs 2003).

The new foreign aid programs of the V4 countries were officially started after the turn of the Millennium. This was greatly facilitated by the technical assistance provided in the framework of the 'ODACE' program for all four countries by the Canadian International Development Agency (CIDA) and the United Nations Development Program (UNDP). CIDA was an important donor for the V4 countries during the transitions process as well. The ODACE program aimed at official institution and capacity building, and was crucial in establishing the institutional background of the re-emerging foreign aid policies.

Although the effects of the EU, the OECD and the ODACE program are undoubtedly profound on these re-emerging development policies, the effects of the Communist era's development policies and other socio-economic characteristics are still strong, especially in three areas: the selection of partner countries; aid policies, structures, aid levels; non state actors and social awareness on international development and poverty issues. We will now turn to the analysis of these factors, beginning with the issue of partner country selection.

### **3. Partner countries**

Selection of partner countries by donors is generally influenced by many factors and considerations. As international development policy is a part of foreign policy, the most important determinants are the foreign strategic objectives of the given donor country. However, many other considerations can come into play: maintaining historical (such as

former colonial) ties; economic and commercial interests; security interests or even ideology<sup>3</sup>. In practice, we see that these motivations usually override considerations for the economic effectiveness of aid: in general, it is not the countries most in need that receive the most aid resources (Alesina – Dollar 2000; Collier – Dollar 2002; Berthélemy – Tichit 2002).

What are the main foreign political interests that the V4 countries can advocate via foreign aid and are apparent through their partner country selection? As none of the V4 countries were colonial powers, historical ties cannot be a significant explanatory factor. They are all small to medium size countries and their economies are also considerably smaller than those of the older EU member states. During the Communist era, the selection of partner countries was heavily influenced by Soviet foreign policy goals and ideological considerations. The Soviet Union emphasized, that the first world is the one to blame for the current situation of developing countries, and the Communist block has no responsibility what so ever, as they were neither involved in slave trade nor colonialism. Czechoslovakia, Hungary, and Poland as satellite countries did not have sovereign foreign policies and they had to pursue the interests and goals of the Communist block. The Soviet influence was especially clear in the case of partner countries. Hungary, for example had three groups of partner countries during the communist era to which it gave various forms of foreign aid (HUN-IDA 2004: 9):

- Developing countries with clear-cut communist regimes: Mongolia, North-Korea, Vietnam, Laos, Cambodia, Cuba.
- Developing countries with heavily socialist-oriented governments: Nicaragua, Ethiopia, Mozambique, Angola, Cape Verde, South-Yemen, Afghanistan etc.
- Developing countries which declared themselves non-aligned, but their potential alliance was important for the Soviet block: Algeria, Libya, Sudan, Syria, Nigeria, Iraq, Tanzania etc.

A similar pattern for selection of partner countries can be discerned in Poland (Baginski 2002). However, some economic interests were also present in this era, as evidenced by the fact that a large portion of aid and preferential lending was tied to exports (HUN-IDA 2004). After the transition, the Soviet interests ceased to dominate foreign policies, and as mentioned before, aid policies were basically terminated, which practically led to a total secession of relations with many far flung developing countries.

Table 1 lists the current declared priority and other important partner countries of the V4 emerging donors. The table is mainly dominated by countries from the Commonwealth of

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<sup>3</sup> See Degnbol-Martinussen – Engberg-Pedersen (2003) for a detailed analysis.

Independent States (CIS) and South-Eastern Europe (mainly the former Yugoslavia), which were of course not aid recipient partners during the Communist era. A vital foreign policy interest of all V4 countries is regional stability, as they would be the first to feel the consequences of any regional conflict in the forms of increased refugee flows, decreasing trade and foreign direct investment. Increasing stability in Serbia, Kosovo, Bosnia or Belarus and the Ukraine are therefore vital. Another consideration is supporting ethnic populations in neighbouring countries: Poland supports ethnic Poles in Belarus and Ukraine, and Hungary supports the Hungarians living in the Ukraine and Serbia. The selection of these partner countries is of course a clear cut break with the foreign aid policies of the Communist past and is understandable given the V4 countries foreign policy considerations.

There is however a clear push from the side of the EU that the V4 countries should also select non-European partners as well. A certain degree of path dependency is indeed visible in the selection of these non-European partners. As shown in Table 1, it is clear that many countries that were partners in Communist times remained partners after the re-emergence of the V4 aid policies after the turn of the Millennium. Angola, Ethiopia, Mongolia, Yemen, Vietnam, Cambodia, Laos, Sudan, Mozambique are all examples of such countries. In fact, it is pretty difficult to find non-European or non-Central Asian partner countries in the list in Table 1 that were not aligned at one time or another to a lesser or greater extent to the former communist block. The only exceptions are Zambia in the case of the Czech Republic and Kenya in the case of Slovakia. Afghanistan and Iraq are possibly also exceptions, at least due to the fact that they are not recipients because of former ties, but rather due to the facts that the V4 countries are close allies of the United States in the war on terror.

The main factors behind renewing cooperation with former partners are twofold. The first reason is that the V4 countries had experts, who were experienced in these countries. However more than a decade has gone by without meaningful aid being given to the former partner countries, which means that these experts have either retired or are pursuing other lines of work, and getting them to come back to work in development cooperation is difficult. The second reason is due to the fact that according to the OECD DAC's methodology for calculating ODA, debt relief corresponding to certain criteria can be classified as ODA. As mentioned earlier, a large portion of V4 aid during the Communist era was in the form of tied preferential loans and export credits, and many of these were never repaid by the recipients. In line with international debt forgiveness efforts, the V4 countries have also undertaken negotiations for reorganizing and forgiving these debts. The largest part of Hungarian aid to Ethiopia and Iraq, for example, has been debt forgiveness (Kiss 2007). Between 2003 and 2005



the Czech Republic forgave almost 30 million dollars worth of debt to Nicaragua (Adamcová et al 2006: 27). It is therefore evident that the Communist era development policies and legacies have a lasting influence in the selection of partner countries to date.

#### **4. Aid levels and policies**

Overall global aid levels have seen a drastic decline in relation to the donor countries' gross national incomes since the early nineties (OECD 2005), which can in part be explained by the end of the Cold War and a more general aid fatigue. Since the late nineties we can notice however many marked shifts in aid practices of OECD DAC donors: aid levels are rising once again and there is an increasing emphasis on concentration of aid according to 'comparative advantages' of donors. Other approaches have also been adopted such as favouring recipients with good economic policies, increasing coordination among donors, the concepts of partnership and ownership (in other words, giving recipients more say in planning and implementing aid financed projects and programs), etc.

Nevertheless, as we can see in the case of the V4 donors, path dependency makes it difficult for them to comply with these new trends in international development cooperation. The past few years have definitely witnessed a slow but steady evolution in the foreign aid policies of the V4 countries, which was partially due to the growing levels of ODA contributions<sup>4</sup> (Table 2.). The prevailing ODA/GNI levels in 2006 are however still small compared to the more established OECD DAC member donors.

From Table 2 we can draw the conclusion that a quick increase in aid resources was definitely not a priority for the Visegrád countries. On the other hand the European Union requires that the 10 member states that joined the Community in 2004 increase their ODA/GNI levels to 0,17 percent by 2010, and 0,33 percent by 2015. It is of course highly questionable whether this will be achieved.<sup>5</sup>

The relatively small amounts spent on ODA are accompanied by many other problems that these donors face, such as lack of contacts and experience in developing countries, weak private and non governmental sectors, low government capacities etc, many of these a legacy of the Communist past. A common problem in the V4 donors is lack of transparency in

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<sup>4</sup> It must of course be noted that expenditure on aid itself does not mean that aid funds will be used effectively. Although many politicians, scholars and civil activists call for a large increase in aid levels, there is a growing body of literature that convincingly shows that a rapid increase in aid will actually do more harm than good. See for example Rajan – Subramanian 2005. Fragile states can have especially large problems in absorbing increased aid flows (Szent-Iványi 2007).

<sup>5</sup> Although it must be noted that most Western European countries are not making much of an effort either to meet their commitments (Concord 2007, 2008).

reporting data on foreign aid activity. As none of them are yet members of the OECD DAC, they do not report detailed information to the Committee, and therefore it is hard to come by comparable data.

There is increasing debate within the European Union that all donors should concentrate their aid efforts on countries and sectors where they have ‘comparative advantages’ compared to other countries, in other words they can perform the task of giving foreign aid more efficiently. This way, parallel initiatives and programs by different donors can be avoided. So far, none of the Visegrád countries have foreign aid policies which take into account what their comparative advantages compared to other donors are, and how they could increase effectiveness of aid by concentrating on them. Unfortunately the Visegrád countries do not seem to have a clear picture of what their advantages are. All countries have issued statements on aiding sectors where they believe they have comparative advantages compared to other donors. However, the list of these sectors is usually too long to be taken seriously. The Czech Republic supports the following sectors for example (Ministry of Foreign Affairs, Czech Republic 2001): good governance, prevention of migration, transportation and technical infrastructure, environmental protection, nuclear security, agriculture, education (through granting scholarships) and forest management, transfer of knowledge related to the transition process. Hungary also emphasizes its comparative advantages when justifying the sectors it supports in partner countries (Ministry of Foreign Affairs, Republic of Hungary 2007), and Poland and Slovakia also have quite long lists of their perceived comparative advantages (see Development Co-operation Poland 2007 and SlovakAid 2006). When comparing the supported sectors, the foreign aid programmes of the Visegrád countries all seem quite similar: good governance, good institutions, health care, education, improving infrastructure, and transferring the knowledge of economic transition are all present. However, it is quite hard to believe that the Visegrád countries all have comparative advantages in these fields, especially when comparing them to Western donors. The only possibility where potential comparative advantages are more or less clear is the transfer of knowledge and experience related to the transition process, which actually would be quite useful in many developing countries. This is however not reflected in aid flows: for example, in 2005 the Czech Republic only spent a mere 585 000 dollars on “transformation cooperation”, which was less than one percent of total Czech bilateral aid (Adamcová et al 2006: 26).

Therefore, in terms of potential comparative advantages, the V4 countries have a certain positive legacy from their past: the knowledge and experience related to the

transformation of the political and the economic system. However, they are yet to capitalize on it.

Other aspects of foreign aid structures and strategies are worth mentioning as well. Using programming methodologies for example is also not too wide spread. Although both the Czech Republic and Hungary have formulated country strategies in relation to some partners, these do not have a large influence on decisions (OECD 2007b) and unfortunately aid decisions remain largely ad hoc. This problem is exacerbated by fact that domestic aid structures are highly fragmented: both in the case of Hungary and the Czech Republic the Ministry of Foreign Affairs only oversees a small part of the development budget, the rest of which is under the control of line-ministries, who are in charge of project and program implementation. The Ministry of Foreign Affairs, while charged with coordination of aid efforts, in practice has little means to influence the other ministries. The aid program is also similarly fragmented in Poland, although Slovakia has made efforts for centralization. While such fragmentation of aid efforts is not unknown in Western donors either, it is definitely an aspect that decreases the efficiency of aid programs. Inefficient structures, coupled with low government capacities are partly a heritage of the Communist past, but have also arisen due to the characteristics of the transition process.

The V4 governments do not make spending on aid a priority, as funds are in need elsewhere. Development of an efficient foreign aid policy and strategy is of course a long process which involves learning as well as trial and error, so it is not surprising that countries with newly (re)established aid policies are not comparable yet to older donors. Lack of vision (such as in terms of comparative advantages) can also be attributed to this relative inexperience, however in terms of comparative advantages there is experience from the past which could, and probably should be built on.

## **5. Non State Actors and Public Support**

Non state actors, most importantly non governmental organizations (NGOs) and private companies are all integral parts of a country's foreign aid regime, and their strengths and weaknesses have important implications for the effectiveness of overall development efforts. It is quite clear however, that non state actors in V4 countries are much weaker than those in DAC member countries.

NGOs play an important role in the foreign aid policies of developed countries for at least three different reasons: first, they are implementers of development projects in the recipient countries financed by their home governments, international organizations such as the

EU or by voluntary citizen contributions. We must note that there is a wide difference between donor countries in terms of the amount of ODA they channel through NGOs: on the one hand in countries like Ireland, Denmark or the Netherlands, as high as 15-25 percent of the bilateral ODA is channelled through NGOs, while on the other hand Japan, Australia or France practically neglect them (OECD 2007a: 13). NGOs have several comparative advantages in project implementation compared to state actors: they work on the grassroots level, they can reach the parts of the population most in need, and are much more flexible (Degnbol-Martinussen – Engberg-Pedersen 2003). Second, NGOs are crucial in monitoring their own government's development policies, pointing out various problems, shortcomings and lacks in transparency, as well as lobbying for greater effectiveness. A good example of this “watchdog” role is the work of the Concord, the European Confederation of Development NGOs, as evidenced by one of their recent publications (Concord 2007; 2008). Finally, NGOs are active in raising public awareness on international development and poverty issues in their home countries, and many are engaged in development education.

NGOs in the V4 countries are currently not strong enough to fulfil any of these roles, and this is in part due their path dependent underdevelopment. Although NGO legislation in the V4 countries is similar to that of the Western countries, they are also heavily influenced by the political, economic and cultural conditions of political transformation and the former Communist systems (Regulska 1999). During the Communist era civil society organizations were virtually non-existent in the V4 countries, those that did exist were under heavy party or government control<sup>6</sup>. NGOs that existed before the Second World War in these countries were gradually eliminated or taken over by the state. Citizens were heavily discouraged from any social initiatives or other civil activities, and were basically “banished” to their private lives. After the transition process civil society started to re-emerge, but it is definitely a slow process, as people are not used to taking part in community initiatives.

The strongest development NGOs in the V4 countries have religious backgrounds. Churches were permitted to undertake certain relief work in the communist era, and after the transition this domestic activity started to expand. In the mid-nineties their relief work started to acquire an international dimension. Hungarian church NGOs for example started to venture to neighbouring countries to provide aid and relief to ethnic Hungarians and refugees of the Yugoslavian conflict. Since then some organizations such as the Hungarian Interchurch Aid or the Hungarian Baptist Aid have acquired quite a substantial international presence, especially

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<sup>6</sup> Examples include local Red Cross Committees, women's and youth associations, trade unions etc.

in the Balkans and Central and Southern Asia, including taking part in relief efforts in Afghanistan. In the Czech Republic Caritas CR is one of the largest development and humanitarian NGOs, which also started its international work in the Balkans as well as in Ukraine and Moldavia, but since the 2005 South East Asian tsunami it has extended its presence to countries like Indonesia and Sri Lanka. Poland, a country where the Catholic Church is particularly strong and influential also has powerful religious NGOs involved in foreign aid.

However, the activity of these large religious NGOs is rather the exception than the general rule. The effects of the Communist era are still strong and development NGOs in the V4 countries still have a long way to go. In terms of sheer size and financial status, V4 NGOs are weak when compared to NGOs from more established aid donor countries. V4 NGOs are also heavily dependent on government funding. It is difficult for them to raise other funds and donations, as public support for and awareness of development aid is low in the Visegrád countries.<sup>7</sup> Even though the living standards in the region are much higher than in Sub-Saharan Africa for example, most people do not understand why their country has to become a donor. One of the reasons for this may be that although Visegrád countries were only aid recipients for a few years, residents of these countries still think that they are very much dependent on foreign aid (Vári 2007). Governments have undertaken efforts to raise awareness. Slovakia for example has taken some steps to try and educate the general public about the living conditions and poverty in developing countries. An effort has also been made to educate children from as early as possible and for this reason schools have received films on development topics<sup>8</sup> (SlovakAid 2006).

NGOs from the V4 countries are also disadvantaged compared to NGOs from Western European countries in the case of grant tenders financed from the European Union's budget or the European Development Fund, as they do not have the required experience in developing countries, nor the required financial stability. Advocacy platforms for NGOs were created in all the V4 countries: FoRS in the Czech Republic, HAND in Hungary, MVRO in Slovakia and the Zagranica Groups in Poland to further the special interests of development NGOs towards

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<sup>7</sup> A 2005 Eurobarometer survey showed that in the Czech Republic, Slovakia and Hungary only about a third of the population thought it was 'very important' for their governments to help developing countries, compared to the 53 percent EU-25 average. A significant portion of the populations of the V4 countries have no knowledge about the fact that their country is a foreign aid donor, ranging from 19 percent in Hungary to 47 percent in Poland. In Hungary only 11 percent of the population thought that the government devotes too little resources to development, compared to the EU-25 average of 33 percent. For more details see Eurobarometer 2005.

<sup>8</sup> Altogether 175 thousand euros have been spent on this subject in Slovakia in 2005 (SlovakAid 2006).

home governments as well as international organizations like the European Union, but they have not been able to negotiate positive discrimination for their members on a European level.

The second important group among non state actors are private businesses, which also play a role in the foreign aid regime of a given donor, especially as contractors in implementing projects financed by foreign aid. After the regime change of 1989 the Visegrád countries started off on one of the most contentious issues they had to face: privatization. Selling off government property had several aspects, since prices, wages, financial and asset markets all had to be freed from various entry and price-setting barriers. The Visegrád countries opened up their internal markets to international trade and capital flows at differing speed, but the long term trend was the same: reorientation of trade from soft (and declining) CMEA markets to OECD and EU markets, and privatization of huge formerly government owned factories and businesses (Csaba 2003). At the time of privatization there was a commonly held perception that by allowing foreign companies to take charge of domestic production, the negative legacies of the communist era (e.g. inefficiency, low level of productivity, uncompetitive behaviour etc.) will be a thing of the past in ten years time. Unfortunately, this led to the disappearance of large, domestically owned companies and a certain dualization of the economies: the coexistence of a competitive, foreign owned sector dominated by large companies, and a weak, domestic owned sector composed of small and medium enterprise. These problems have not been sorted out since and they effect the foreign aid policies and practices of the Visegrád countries to this day.

As most of the domestic businesses are small, it is quite evident that their foreign presence is limited. Even if they do operate abroad, they have business ties in the neighbouring, mainly EU member countries and not in Sub-Saharan Africa or other developing regions. Therefore, they are not in a position to effectively take part in development tenders financed by international organizations such as the EU or the World Bank. But it is not only a lack of capital, but also a lack expertise and vision to see the opportunities which could be gained by effectively joining the “aid business” Companies tend to have much shorter term strategies in the V4 countries as well.

The weakness of NGO’s and private companies in the V4 countries is a legacy of the Communist past which’s effects can be felt to this day in many areas. As both NGO’s and private companies are important actors in foreign aid, there weakness sets severe limitations for the effectiveness of emerging development policies in the region.

## **Conclusions**

We have argued that current emerging foreign aid policies of the V4 countries cannot be analyzed without their contexts, which are heavily influenced by the legacy of the Communist past. Emerging developing policies, though trying to implement Western practices, are constrained by several regional-specific factors, many of them due to past history. We have shown how the Communist past, the transition process and current socio-economic conditions, also in part a result of Communism, all play an influence on current foreign aid policies in the region.

There is definitely a curious interaction between the adaptation of Western models and past legacies which has created distinctly Central and Eastern European international development policies. It is of course not clear how persistent this unique foreign aid model will be. Will these path dependent traits whither in time and will V4 development policies converge to Western European practices, or will this unique configuration be more persistent? Such questions may form the basis for later analysis.

We have argued that not all aspects of the Communist heritage are necessarily negative, and they can provide a certain comparative advantage to the V4 countries. Rather than forget the legacy of the Communist past, as many countries have tried, it should perhaps be more appropriately considered an asset on which they should build. The Visegrád countries should focus their efforts on countries which they understand e.g. other former communist or transition countries, which they can help by supplying experience from their own transformation process, by helping to adopt the *acquis communautaire* in the countries which are on the road to joining the European Union. For those countries which do not have an EU perspective, the Visegrád countries should try and influence the common European Development Policy in order to create some sort of external anchors to facilitate the institutional change in these countries.

In rhetoric, the V4 countries are already engaged in transferring their knowledge related to transition and institution building, but perhaps they should focus more on this area, as this is where they have true comparative advantages compared to OECD DAC member donors.

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## Tables

**Table 1.** Declared priority and other important partner countries of the Visegrád countries in 2006.

Czech Republic	Hungary	Poland	Slovakia
Afghanistan	Afghanistan	Afghanistan	Afghanistan
Angola	Bosnia and Herzegovina	Angola	Albania
Bosnia and Herzegovina	Cambodia	Belarus	Belarus
Iraq	China	Georgia	Bosnia and Herzegovina
Moldova	Ethiopia	Iraq	FYR Macedonia
Mongolia	FYR Macedonia	Moldova	Kazakhstan
Serbia	Iraq	Palestine Authority	Kenya
Vietnam	Kyrgyzstan	Ukraine	Kyrgyzstan
Yemen	Laos	Vietnam	Mongolia
Zambia	Moldova	Africa*	Mozambique
	Mongolia	Asia**	Serbia
	Palestine Authority		Sudan
	Serbia		Tajikistan
	Ukraine		Ukraine
	Vietnam		Uzbekistan
	Yemen		

Sources: Adamcova et al 2006; Kiss 2007; Development Co-operation Poland 2006; SlovakAid 2006

\* Small grant fund including various African countries

\*\* Small grant fund including various Asian countries

**Table 2.** ODA/GNI levels in the V4 countries 2002-2006

	2002	2003	2004	2005	2006
Czech Republic	0,07	0,10	0,11	0,11	0,12
Hungary	..	0,03	0,06	0,11	0,13
Poland	..	0,01	0,05	0,07	0,09
Slovakia	0,02	0,05	0,07	0,12	0,10

Source: OECD Development Database on Aid