

DEVELOPMENT CO-OPERATION DIRECTORATE

SPECIAL REVIEW OF THE CZECH REPUBLIC

26-27 April 2007 in Prague

The Special Review of the aid programme of the Czech Republic was requested by the Czech Ministry of Foreign Affairs, and was undertaken with the agreement of the DAC. Germany and the United States served as Examiners for the review which took place from October to December 2006.

This report is being submitted to the DAC for information. The Czech Government will host a round-table on 26-27 April 2007 in Prague with the purpose of discussing among stakeholders how best to respond to the recommendations in the report when reforming the Czech aid structure. The Czech authorities have suggested that the DAC be represented by the two Examiners as well as by Austria and Canada, the two sponsors of the Review. The contributions of the sponsors, the Czech government and the examiners are gratefully acknowledged.

The Czech Delegation will brief the DAC on the outcomes of the Review and the round-table at the DAC meeting in May.

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ACRONYMS

DAC	Development Assistance Committee
DDCHA	Department for Development Co-operation and Humanitarian Aid
EU	European Union
GHD	Good Humanitarian Donorship
GNI	Gross national income
IDC	International Development Co-operation
IIR	Institute of International Relations
LDCs	Least developed countries
LMICs	Lower middle income group
MDG	Millennium Development Goal
MENV	Ministry of the Environment
MFA	Ministry of Foreign Affairs
MIT	Ministry of Industry and Trade
NGO	Non-governmental organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OLIC	Other low income country
UNDP	United Nations Development Programme
WTO	World Trade Organisation

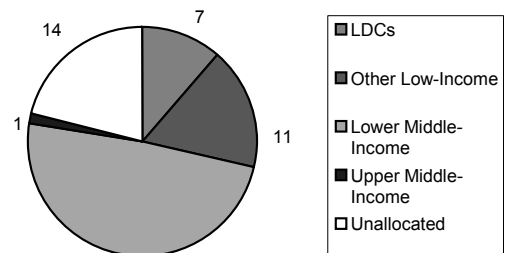
The Czech Republic's Aid at a Glance

Czech Republic

Net ODA	2004	2005	Change 2004/05
Current (USD m)	108	135	24.9%
Constant (2004 USD m)	108	126	16.2%
In Koruny (million)	2 779	3 237	16.5%
ODA/GNI	0.11%	0.11%	
Bilateral share	59%	48%	

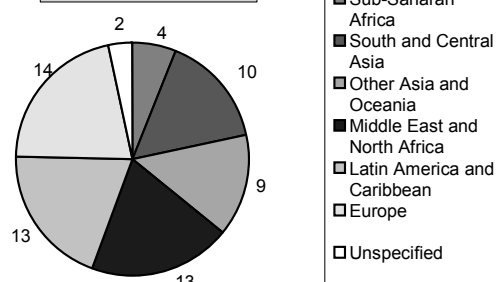
Gross Bilateral ODA, 2004-05 average, unless otherwise shown

By Income Group (USD m)



Top Ten Recipients of Gross ODA (USD million)	
1 Iraq	11
2 Serbia & Montenegro	7
3 Afghanistan	4
4 Mongolia	3
5 Ukraine	2
6 Viet Nam	2
7 China	2
8 Pakistan	2
9 Bosnia and Herzegovina	1
10 Georgia	1

By Region (USD m)



By Sector

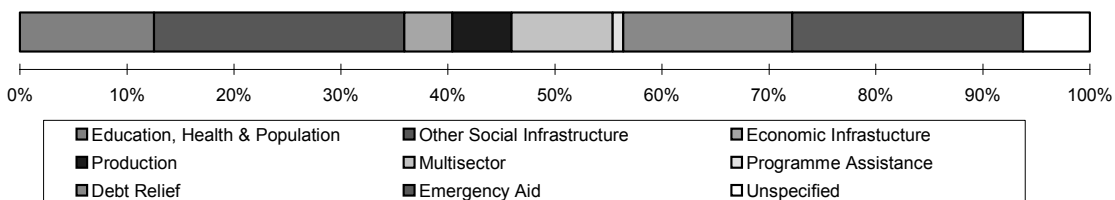


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EXECUTIVE SUMMARY

At the request of the Czech Ministry of Foreign Affairs (MFA), the OECD Development Assistance Committee (DAC) agreed in May 2006 to conduct a Special Review of Czech international development co-operation. The Review's main objective is to contribute good practice and lessons learned to the Czech authorities' internal dialogue on the reform of their foreign assistance at a time of important legal and institutional changes. The review should also provide interesting insights for the ongoing discussions between DAC and non-DAC members on their development co-operation.

The Czech Ministry of Foreign Affairs forwarded its Memorandum on Czech international development co-operation to the DAC Secretariat in October 2006. On the basis of agreed terms of reference for the Special Review, a DAC Peer Review Team composed of the German and United States Representatives to the DAC and two staff from the OECD/DCD Peer and Evaluation Division went to Prague 6 to 9 November. The team consulted officials from the Czech Ministry of Foreign Affairs, from the International Co-operation Departments of eight line ministries and from the Ministry of Finance. The team also met with Members of Parliament's Foreign Affairs Committee and representatives of selected non-governmental organisations (NGOs) and the private sector. This report addresses the team's findings and observations on Czech international development co-operation as they emerged from those consultations.

The report is organized around four major sections: Section I describes the context for Czech development co-operation with a focus on principles, objectives and public awareness. Section II examines aid volume, channels and allocations. The organisation and management of Czech development co-operation are discussed in Section III. Section IV introduces steps for making Czech aid more effective at field level. Each section ends with suggested actions for the Czech Government to consider in its reform process.

Principles, objectives and public awareness of Czech development co-operation

The *Principles for Providing Foreign Aid* and the objectives contained in the *Concept of the International Development of the Czech Republic 2002-2007* illustrate the extent to which the Czech Republic recognizes development co-operation as a policy area in its own right. All stakeholders desire to see the Czech Republic become a respected, effective donor and recognize that this will require significant changes. The proposed reform of Czech development co-operation are designed to do that and merit full implementation, starting with finalizing agreement within the government and approval by parliament of the new draft law on foreign assistance.

The Czech authorities should seize the opportunity of the next round of discussions leading to the drafting of the 2008-2012 Concept to become a more strategic donor, based on priority allocation of Czech bilateral aid across countries, channels and sectors and situating Czech aid within the context of the Paris Declaration on Aid Effectiveness.

To build public awareness and ownership of the official aid programme, the government should stress the achievements the Czech Republic can rightfully claim through its ODA programme. It should pursue the idea of a forum for debating major development co-operation challenges with informed voices from civil society, academia and the private sector; and intervene pro-actively to ensure that the public receives balanced information on development co-operation, including through annual reports and evaluations.

ODA volume, channels and allocations

The Czech Republic has consistently and steadily increased its ODA between 2000 and 2005 from USD 16 million to USD 135 million. This represents 0.11% of Gross National Income (GNI). The increase in 2005 is due primarily to the Czech contribution to the EU development budget and humanitarian assistance for Asia.

To improve the predictability of aid and the strategic allocation of Czech bilateral assistance, the government should establish a clear plan and timetable for reaching the commitment of the new EU members to contribute at least 0.17% of GNI to development assistance by 2010, rising to 0.33% in 2015. As total ODA increases, it should give due consideration to maintaining a credible level of bilateral ODA to priority countries. The authorities should also identify and use broader development criteria leading to a more balanced list of priority countries.

Finally, the Czech Government should take the opportunity of the next Concept for international development co-operation to reduce the number of priority countries to enhance Czech ODA's development impact. It should reassess its sectoral and thematic orientation with a view to concentrating on areas for which the Czech Republic has a clear comparative advantage and value added.

Organisation and management of Czech bilateral development co-operation

The Ministry of Foreign Affairs' ability to fulfil its role as the supreme co-ordinating body for development co-operation is currently undermined by the dispersion of aid over nine line ministries, each with its own portfolio of projects and corresponding budget. To effectively address those deficiencies and improve the effectiveness of Czech bilateral aid, the ministry should have sole responsibility over development co-operation policy, management and implementation, including control over a unified bilateral development budget.

The proposal to transform the Development Centre into a new implementation agency, under the supervision of the ministry's Department for Development Co-operation and Humanitarian Assistance (DDCHA), should be adopted. To fulfil its broadened mandate the Department will need a critical mass of policy and technical development co-operation expertise. The Department should be enlarged and upgraded to a Section overseen by a Director General under the current Deputy Minister. The strengthened Department would become a more credible player on the international development scene capable of engaging more actively with other bilateral and multilateral donors in priority countries.

The proposed institutional reform of the Czech bilateral aid system entails significant challenges for the Ministry of Foreign Affairs. These include: clarifying the role and responsibilities of the line ministries in such a way as to draw on their wealth of expertise; integrating the Transformation Co-operation Unit and other dispersed development entities and functions into the Development Co-operation and Humanitarian Aid Department for a more consolidated development authority within MFA; establishing clear lines of command between that Department and the proposed new implementation agency; and staffing Czech Embassies in priority countries with appropriate development co-operation resources. To make Czech aid more predictable, multi-year budgets should be adopted as opposed to current single-year appropriations.

Finally, the Czech authorities should explore the range of acceptable instruments for involving the private sector in development co-operation, including private-public partnerships, trade capacity building, investment guarantees and risk insurance schemes, while discontinuing the practice of using ODA to promote Czech industry, trade and investment for commercial reasons.

Making Czech aid more effective at field level

The Czech Government signed the Paris Declaration on Aid Effectiveness and the EU Consensus on Development Co-operation. As for other donors, it is legally restricted from using partner countries' procurement systems and from engaging in budget support. Despite these constraints, the Czech authorities could take steps to implement the commitments contained in the Declaration. For example, the authorities could align development co-operation projects with existing national and sectoral strategies in close co-ordination with other donors whenever possible. They could experiment with joint country or sector needs assessments and analysis, monitoring and evaluation. Thirdly, they could make effective use of existing technical co-operation capacities and ensure that technical co-operation is genuinely co-ordinated with that of other donors around country-led approaches. Finally Czech practitioners of development co-operation should start collecting sound data on development outputs and outcomes jointly with other donors in order to develop indicators for monitoring results in specific sectors or themes. Simultaneously, Czech evaluation culture should be upgraded. All the above actions would support the Czech Republic's commitment to improve international aid effectiveness.

DEVELOPMENT CO-OPERATION PROGRAMME OF THE CZECH REPUBLIC

1. Context for Czech International Development Co-operation

1. Since the Velvet Revolution in 1989, the Czech Government has made the integration into Western institutions one of its chief foreign policy objectives. The country was the first transition country in Central and Eastern Europe to re-introduce a programme of international development co-operation in the 1990s and to join the Organisation for Economic Co-operation and Development (OECD) in 1995. The Czech Republic became a member of the North Atlantic Treaty Organization in March, 1999. In 2000, the Czech Government fully embraced the international development goals endorsed by the UN Millennium Summit. It supported integrating the developing world more fully into the global economy at the Doha Conference in 2001. In addition, the government adopted the Monterrey Consensus on financing for development as well as the Paris Declaration, the EU Consensus on Development Co-operation and the Good Humanitarian Donorship.

2. The Czech Republic became a European Union (EU) member in 2004 and will hold the EU Presidency during the first half of 2009. The Government is fully committed to meeting the obligations arising from membership in the EU and the OECD. The Special Review is but one more step to fully integrate into the international development community, with a view to attaining full DAC membership.

1.1 Principles and objectives of Czech development co-operation

3. The *Principles for Providing Foreign Aid*, updated in 2004, set broad goals and criteria for supporting developing countries. The principles emphasize (i) partnership, *i.e.*, partner country governments are responsible for their development and donors' policies must fully reflect their requirement; (ii) aid effectiveness: *i.e.* the organisation and financial provision of aid must be more efficient, including through better monitoring and independent evaluations; and (iii) transparency, *i.e.* keeping the Czech public informed about the programmes, projects and results of Czech foreign aid contributes to increasing public support for development co-operation. The principles were followed by a series of Government resolutions which led to the adoption of key policy documents for Czech international development co-operation.¹

4. Among the policy documents, the *Concept of the International Development Cooperation of the Czech Republic for 2002-2007* stands out as a significant statement making poverty reduction and sustainable development in less developed parts of the world major foreign aid objectives. The Concept advocates a multidimensional approach to poverty reduction taking into account economic, social and environmental factors. Other Czech foreign aid objectives include economic and industrial development, the integration of developing countries into the global economy, agricultural development, the promotion of and support to democracy, human rights and good governance, migration control, environmental protection and post-conflict reconstruction. Foreign aid is also mentioned as a tool for opening new markets for Czech exports and providing job opportunities for Czech private enterprises and individuals.

1. Major policy documents are: *The Principles of International Development Cooperation upon the Czech Republic's Accession to the EU* (2004); *Outlooks of Medium-Term Financing until the Year 2008 in 2005*; *Criteria of Selection and Financing of Bilateral Projects on International Development Cooperation of the Czech Republic* (2005); and *International Development Cooperation in 2006* (2006).

5. Both the Principles and the 2002-2007 Concept illustrate the extent to which the Czech Republic recognizes development co-operation as a policy area in its own right as well as the Government's compliance with internationally-agreed goals and recommendations. The objectives of Czech international development co-operation tend to cover many areas, potentially leading to the dispersion of Czech aid across numerous sectors and themes. The authorities should maintain clear sight of the sectors in which Czech development aid is most relevant and effective based on assessed needs as well as on Czech comparative advantages. The Government should seize the opportunity of the next Concept document (2008-2012) to situate Czech international development co-operation within the context of the Paris Declaration on Aid Effectiveness, to reinforce the development orientation of Czech aid as well as to rethink the strategic allocation of Czech bilateral aid across countries, channels and sectors. The Concept should also be explicit about ODA prospects beyond 2009. To generate constructive ideas as well as feedback on the proposed new concept for 2008-2012, the authorities could organize a debate involving major actors of Czech development co-operation.

1.2. Building-up public awareness and ownership of the official aid programme

6. In a 2004 public opinion survey, 60% of respondents were aware that the Czech Republic was engaged in delivering aid to less developed countries but only 7% believed that the Government had, or needed to have, a development co-operation programme. Closer scrutiny of public interest in and knowledge of foreign aid reveals that the Czech public tends to confuse development co-operation and humanitarian aid. In effect, development co-operation only plays a marginal role in political debates and in the programmes of political parties. Building-up public awareness and ownership of the official aid programme is a challenge for the Czech Government, particularly if it wants to achieve the ODA/GNI targets which it agreed to within the framework of the EU scaling up commitment.

7. The Ministry of Foreign Affairs (MFA) has significantly increased the number and scale of its activities in favour of public information and education since 2003 with support from Czech NGOs. The ministry supported the local version of the Global Call to Action against Poverty campaign in 2005 to correspond with the G8 Summit, the UN World Summit where the process of implementation of MDGs was reviewed, and the WTO Ministerial Conference. The ministry launched a website as a tool for public education and financed events on specific topics such as human rights. As of 2007, global and multicultural issues will be compulsory in schools curriculum. The authorities should continue targeting the general public through media and cultural events, press releases, national exhibitions and thematic conferences. They could sponsor special awards for journalists and television producers as well as school competitions or similar events.

8. To generate greater public support for and understanding of bilateral co-operation the authorities should regularly report on how Czech development assistance contributes to improving the well-being of poor countries' citizens, including through the publication of annual reports and evaluation results. In addition, MFA should show the benefits as well as the constraints associated with the different but complementary forms of aid provided through Czech governmental and non-governmental channels. The Czech Government could also emulate other donors who have a long experience of establishing partnerships between municipalities and join the Service-Agency Communities in One World linking environment communities.²

2. The Service-Agency Communities in One World supports the exchange of experience and networking of all those committed to development policy and co-operation. It has been designed to be a contact point and service provider for municipal administrations and NGOs, public affairs institutions, the media and decision-makers and voluntary activists and interested individuals. More information available on www_service-one-world.com.

9. To promote a long-term dialogue on development co-operation with the Czech public administration and policy makers, a specific strategy targeting these groups as well as additional resources for communication/information purposes may be needed. Failing this, support for development co-operation may not grow substantially in the Czech Republic. Lastly, MFA should open up to other informed voices, *e.g.* civil society, academia and the private sector, pursuing the idea of a forum for debating major development co-operation challenges.

1.3. Recommendations

- The Concept for International Development Co-operation 2008-2012 should situate Czech foreign assistance within the context of the Paris Declaration, reinforce the development orientation of Czech bilateral aid and reconsider the strategic allocation of Czech bilateral aid across countries, channels and sectors. The new Concept should also be explicit about future ODA prospects in line with the EU targets for new member countries.
- The Ministry of Foreign Affairs should inform the Czech public on the achievements the Czech Republic can rightfully claim through its ODA programme. It should intervene pro-actively to ensure that the public receives balanced information on development co-operation, including through annual reports and evaluations. This will help generate support for reaching the EU ODA/GNI targets.
- The Government should pursue the idea of a forum for debating major development co-operation challenges with informed voices from civil society, academia and the private sector.

2. ODA volume, channels and allocations

2.1. Scaling up aid to meet EU targets

10. Czech ODA has grown consistently and steadily between 2000 and 2005, from USD 16 million to USD 135 million (Table 1). This amount represented 0.11% of Gross National Income (GNI) compared to 0.032% in 2000. The 2005 increase - 10% in real terms - is due primarily to the Czech contribution in 2004 to the EC development budget (USD 62 million) and to humanitarian assistance for Asia. All Czech assistance is provided in the form of grants since 2000.

11. The Czech Government intends to raise its ODA to USD 223 million by the end of 2009 but does not have a plan for meeting its EU commitment to contribute at least 0.17% of GNI to development assistance by 2010, rising to 0.33% in 2015. To fulfil its commitment to scaling up ODA, it should prepare a plan and a timetable for meeting the EU targets. This would contribute to improving both the predictability of Czech aid and the strategic allocation of funds across priority countries, sectors and aid instruments.

12. The context for increasing ODA is currently favourable in the Czech Republic: Annual economic growth is running at 6% and prospects for 2007 and beyond look good. Members of Parliament's Foreign Affairs Committee and representatives of civil society have indicated their support for raising ODA levels to help achieve the Millennium Development Goals. The Government should seize the opportunity of a favourable environment to set medium-term targets which are both realistic and ambitious, in line with its EU commitment.

2.2. Declining share of bilateral ODA

13. Czech bilateral assistance grew between 2000 and 2003 as a proportion of total ODA, peaking at USD 80 million that year (Table 1). However, bilateral disbursements started to decline in 2004 as a share of total disbursements, reaching USD 64 million or 47.7% of total ODA in 2005. By contrast, multilateral disbursement represented USD 71 million or 52.3% of total ODA. The United Nations (since 2002) and the EU (since 2004) have absorbed the largest share of multilateral ODA in the form of fixed contributions and earmarks for specific projects involving Czech technical co-operation. The medium-term outlook for Czech ODA confirms that the bilateral share of ODA is likely to further decline, reaching 32% of total ODA in 2009.³

Table 1. Share of bilateral and multilateral ODA, 2000-2005

(USD million)

	2000	2001	2002	2003	2004	2005
Bilateral ODA	6	15	31	80	63	64
Multilateral ODA	10	12	14	10	45	71
TOTAL ODA	16	26	45	91	108	135

Source: OECD

2.3. Maintaining a credible level of bilateral ODA to priority countries

14. Czech bilateral aid is currently spread among 35 countries (excluding scholarships), down from 45 in 2003. In 2005, the Czech Government decided to distribute ODA in the proportion of 75% to priority countries and 25% to non-priority countries and approved five-year development co-operation plans with eight priority countries: Angola, Bosnia and Herzegovina, Moldova, Mongolia, Serbia and Montenegro, Vietnam, Yemen and Zambia.⁴ Afghanistan and Iraq are categorized as mid-term priority countries. As total ODA increases, due consideration must be given to maintaining a credible level of bilateral ODA to priority countries to encourage aid concentration and larger interventions that are likely to have more impact than small, isolated ones. This is a trend which a number of DAC donors are already following.

15. In principle, country selection is based on the country's Gross Domestic Product, corruption index and ability to receive assistance; on whether the Czech Republic has an existing development strategy in that country; on the number of citizens who studied in the Czech Republic and on whether the priority country hosts a Czech Embassy. In practice, countries are selected on the basis of needs, historical ties and Czech strategic interests. One priority country – Zambia – does not have a Czech Embassy. The authorities should identify and use broader development criteria leading to a better defined list of priority countries. Such criteria might include country needs and performance, Czech comparative advantage, potential impact and presence of other donors.

16. Although the majority of recipients of Czech bilateral ODA are South Eastern and Eastern European countries, since 2003 Iraq and Afghanistan have received the most aid - USD 56.62 million and

3. Czech Ministry of Foreign Affairs (2006), *International Development Cooperation of the Czech Republic – Memorandum for OECD/DAC*, Prague, 2 October 2006. p. 24

4. Since then, Montenegro has become independent and counts as a separate country, increasing Czech priority countries to nine.

USD 12.19 million respectively in 2003 and 2004 combined - mostly for peacekeeping, economic reconstruction and social transformation activities. Other major recipients during that period were Serbia and Montenegro (USD 11 million) and the Ukraine (USD 5.59 million). Together with Iraq these two countries remained top recipients of Czech bilateral ODA in 2005. Asia is another important region for Czech bilateral aid, mostly as a result of disbursements to China, India, Mongolia and Viet Nam. Sub-Saharan Africa and Latin America receive less aid than other regions. Budget allocations to the eight priority countries from 2006 to 2008 (Table 2), point to Vietnam's ranking as the 4th recipient of Czech bilateral aid, mostly for activities related to industrial development. With less than USD 1 million per year, Zambia is last on the list.

17. As a result of the territorial distribution of Czech bilateral ODA, the majority of recipients are in the lower middle income group (LMICs). Least developed countries (LDCs) and other low income countries (OLICs) received 7.3% and 12.5% of ODA respectively in 2004-2005. To keep with its foreign aid goal of "poverty reduction and sustainable development in less developed parts of the world", Czech bilateral aid should strengthen its development co-operation objectives and set up appropriate systems for measuring results against those objectives.

Table 2. Priority countries and budget allocations for development co-operation (USD thousand)

PRIORITY COUNTRIES				Total
	2006	2007	2008	2006-2008
Serbia and Montenegro	1843	4134	4209	10186
Bosnia and Herzegovina	1315	2932	3584	7831
Moldova	913	1373	1552	6220
Vietnam	935	1862	2067	4864
Mongolia	1239	2224	2757	4220
Yemen	629	1298	1385	3312
Angola	638	1132	1399	3169
Zambia	331	918	918	2167

Source: Czech Government (2006), International Development Co-operation of the Czech Republic

2.4 Addressing aid fragmentation across sectors and themes

18. Peace-building and reconstruction activities have prevailed over other activities financed with Czech bilateral ODA between 2000 and 2006 (Table 3). Strong variations in aid allocations during this period illustrate the lack of a reliable trend in any one sector or theme, except for technical co-operation. Furthermore, as aid volumes allocated to each sector or theme have been fairly modest, one may conclude that in the past six years Czech aid has been rather thinly distributed amongst numerous small activities. The financial outlook until 2009 illustrates that bilateral co-operation will be predominantly in the form of development projects, aid to refugees, debt relief and scholarships.

Table 3. Sectoral allocation from 2000 to 2006

Sector/theme	Amount (USD million)
Special programmes (inc. peace building)	6 856
Education, health, population	5 711
Investment aid	4 746
Emergency aid	4 731
Technical co-operation (inc. scholarships)	4 371
Multisector	4 219
Debt relief	4 072
Other social infrastructure	3 558
Refugees	2 870

Source: Czech Ministry of Foreign Affairs (2006), *International Development Cooperation of the Czech Republic - Memorandum for OECD/DAC*

19. In 2005, the share of individual sectors in bilateral ODA was: 29% for environment, 24% for industrial development, 12% for agriculture, 12% for education, 7% for development education, and 7% for migration. The remainder was split between social development (3%), healthcare (3%) and co-ordination (3%) (MFA, 2006⁵). Administrative costs are stable at around 6% of Czech bilateral ODA, slightly higher than the 2005 DAC average of 5%. The dispersion of Czech bilateral aid across sectors reflects to a large extent the demand for projects coming from the line ministries involved in development co-operation (Table 4). The Czech Government should take the opportunity of the next Concept for international development co-operation to become more strategic in its aid allocation: It should not only revise the list of priority countries with a view to reducing that list by two or three countries, but also reassess its sectoral and thematic orientation with a view to concentrating on those for which the Czech Republic has a clear comparative advantage and value added. This would contribute to increasing the Czech Republic's significance as a donor and help increase the development impact of Czech aid.

2.5. The special case of scholarships

20. A significant portion of Czech ODA allocated to education (over USD 9 million between 2003 and 2005) is in the form of scholarships at public universities for citizens of developing countries (MFA, 2006).⁶ Every year, approximately 800 students benefit from those scholarships. The Ministry of Foreign Affairs grants 250 scholarships annually to approximately 70 countries. Out of those, 180 target undergraduate and graduate students and 70 post graduate students. Scholarship holders come predominantly from Asia followed by sub-Saharan Africa, Eastern and Southern Europe. They are trained in the Czech language the first year in order to be able to pursue the university programme the following years.

21. Bringing foreign students to the Czech Republic to study can be costly. The Czech Government should ensure that this is the most effective way to gain education. Scholarship schemes geared towards the needs of individuals from developing countries should be explicitly linked to development objectives. A system for keeping track of scholarship holders who have returned to their home country could be set up with assistance from Czech Embassies to improve follow-up. Consideration could be given to helping

5. Czech Ministry of Foreign Affairs (2006), *International Development Cooperation of the Czech Republic – Memorandum for OECD/DAC*, Prague, 2 October 2006. p. 24

6. Ibid.

returned students set up alumni associations that can provide services to members. Considering the needs of partner countries in education at all levels, the questionable development benefits of scholarships and the potential negative effect of brain-drain on poor countries' development, the Czech authorities should carefully reflect on how education can be addressed from a systemic and development-oriented perspective, particularly in its priority countries. They are encouraged to use national education strategies as a basis for responding to local needs, including but not exclusively with scholarships, and to ensure that activities linked to education complement other donors' efforts in the same sector. Many DAC members are giving scholarships for third country and in-country training which the Czech Government might wish to emulate.

2.6. Recommendations

- To improve the predictability of aid and facilitate a more strategic allocation of bilateral assistance, the Czech Government should establish a plan and timetable for reaching the EU ODA targets of 0.17% of GNI by 2010 and 0.33% by 2015.
- As total ODA increases, the Czech authorities should give due consideration to maintaining a credible level of bilateral ODA to priority countries to encourage aid concentration and larger interventions. They should identify and use broader development criteria leading to a more balanced list of priority countries.
- The Czech Government should take the opportunity of the next Concept for international development co-operation to become more strategic in its aid allocation. It should further reduce the number of priority countries and reassess its sectoral and thematic orientation with a view to concentrating on areas for which the Czech Republic has a clear comparative advantage and value added.

3. Organisation and management of Czech development co-operation

3.1. Giving the Ministry of Foreign Affairs the lead role in development co-operation

22. The Ministry of Foreign Affairs is the supreme co-ordinating body for development co-operation under the Competence Act (No. 2/1969). However, MFA's ability to fulfil its role is undermined by the dispersion of development co-operation over nine line ministries, each with its own portfolio of projects and corresponding budget. Some ministries have multiple objectives aside from promoting development, are larger and have more political weight than MFA. Under those circumstances inter-ministerial co-operation is weak, synergies across development activities are difficult to exploit and the aid system lacks strategic focus and transparency.

23. To effectively address those deficiencies and improve the effectiveness of Czech aid, MFA drafted a law in 2006 proposing to consolidate aid policy, management and implementation under its authority with support from an agency to be set up under the supervision of its Department for Development Co-operation and Humanitarian Aid (DDCHA). The DAC recommends that the DDCHA not only have responsibility for bilateral development co-operation policy, management and implementation, but also that it have control over a unified bilateral development budget. To fulfil its broadened mandate, DDCHA would need a critical mass of policy and technical development co-operation expertise, including in priority countries. The Department should be enlarged and upgraded to a Section overseen by a Director General under the current Deputy Minister. A strengthened DDCHA would become a more credible player on the international development scene capable of engaging more actively with other bilateral and multilateral donors in priority countries

24. The majority of Government ministries involved in development co-operation including the Ministry of Finance, civil society organisations and Members of Parliament's Foreign Affairs Committee agree that the proposed law would be a positive development for Czech foreign aid. At the time this report was being drafted the law was still under consideration within Government. Views differ on the extent of the reform and the best way to implement it. A key issue concerns addressing the interests and clarifying the role of the line ministries, in particular the Ministry of Interior (MI), the Ministry of Environment (MENV) and the Ministry of Industry and Trade (MIT) which have reservations about the reform to varying degrees. Other ministries are receptive to the reform and prepared to go along with its implications. Because of the political uncertainties that currently prevail in the Czech Republic the draft law may not be presented to Parliament before mid-2007.

3.2. Meeting the challenges of the reform agenda

3.2.1. Clarifying the line ministries' place and role

25. Table 4 presents the distribution of Czech bilateral aid between MFA and main line ministries. The Ministry of Environment stands out as the administration with the largest share of bilateral ODA, the largest number of projects and the largest number of staff involved in development co-operation. The Ministry of Industry and Trade comes second in terms of share of bilateral ODA. The MFA, which is responsible for development co-operation, controls less than 10% of the bilateral budget for development co-operation. Hence the ministry's mission to elaborate a coherent foreign aid policy that takes into account international good practice and commitments is very difficult. Responsibility for development policy can only be effectively fulfilled if it is complemented with financial responsibility as well. This applies to any area of government policy, not just development co-operation.

26. In the proposed consolidated framework for Czech bilateral aid, MFA's major challenge is to clarify the place and role of the line ministries and to find effective ways to draw on their wealth of expertise. Currently each ministry is responsible for project implementation, monitoring and evaluation and the efficient spending of funds allocated yearly by the Ministry of Finance. One option would be to sign collaborative agreements allowing selected line ministries to supply services under a specific scope of work. Those ministries could be invited to participate in policy formulation at specific points in the programming process as well as in project monitoring and evaluation. Another complementary option would be to set up inter-departmental committees either on a semi-permanent basis or in response to requests for advice or contribution on important topics as they emerge, e.g. aid for trade, climate change or the migration-development nexus. MFA is encouraged to reflect on the most effective way to establish a mechanism for inter-ministerial exchanges, providing guidance as necessary as well as sufficient resources to support such a mechanism. In addition to supporting co-ordination among ministries, the mechanism could also promote policy coherence for development among Czech public institutions, particularly the Ministry of industry and Trade, the Ministry of Interior and the Ministry of Environment. With time and in line with the commitment on policy coherence made within the context of the European Consensus, a statement on policy coherence for development from Government could serve as a framework to prioritise the agenda, to focus interdepartmental attention and to strengthen synergies among policies.

Table 4. Distribution of Czech bilateral aid

Ministries of the Czech Republic	Involvement in Priority countries (Country Strategy Papers 2006-10)	No. of projects implemented in 2005	Share of bilateral ODA	No. of staff for development co-operation (full and part time)*
Foreign Affairs	N/A	21	9.5%	12+2
Agriculture	Angola, Bosnia and Herzegovina, Mongolia, Vietnam, Yemen	16	12.3%	2+4
Education, Youth and Sport	Angola, Moldova	9	12.1%	0+6
Environment	Moldova, Mongolia, Serbia, Vietnam	34	30%	4+2
Health	Serbia, Zambia	5	2.9%	0+2
Industry and Trade	Bosnia-Herzegovina, Mongolia, Serbia, Vietnam, Yemen	12	23.5%	1+4
Interior	Moldova	12	6.8%	0+1
Labour and Social Affairs	Mongolia, Serbia, Vietnam	4	2.8%	1+3
Transport	Bosnia-Herzegovina, Serbia	1	0.1%	0+2

1. Estimates based on a 2006 study mandated by the Ministry of Foreign Affairs.

Source: Czech Ministry of Foreign Affairs

27. The DAC Review Team noted that the Ministry of Industry and Trade mixed commercial and development objectives in a way that is incompatible with DAC standards for the use of development co-operation funds. While the DAC recognizes a legitimate role for the private sector in development co-operation, a clear distinction should be made between Czech trade and investment promotion activities and development co-operation projects using ODA budget. MFA and MIT could explore different options for involving the private sector in development co-operation, e.g. through public-private alliances, trade capacity building activities, investment guarantees and risk insurance schemes. The rather small size of the Czech private sector makes it difficult for entrepreneurs to compete effectively for procurement under the rules of the European Commission. They could establish networks, find niches and enter into consortia to enlarge their market power.

3.2.2. Consolidating the Ministry of Foreign Affairs' bilateral development co-operation programme

28. The Ministry of Foreign Affairs needs to set an example by consolidating its own development assistance programme and budget and to align its human resources accordingly. Created in 2003, the Development Co-operation and Humanitarian Aid Department falls under a Deputy Minister who is also responsible for the Territorial Sector of Non-European Countries. That department formulates policy, plans ODA. It prepares country strategy papers and annual development plans, negotiates co-operation agreements with partner countries and co-ordinates development activities with the EU, OECD and other international institutions. DDCHA also shares the co-ordination of Czech humanitarian aid with the Interior Ministry.

29. The Transformation Co-operation Unit, whose portfolio used to be covered by DDCHA and is now an independent unit reporting directly to another Deputy Minister within MFA, should be brought

back under that department. The unit has its own budget and foreign policy goals - mostly human rights, democratic governance and social transformation in Belarus, Bosnia and Herzegovina, Cuba, Georgia, Iraq, Moldova, Myanmar, Serbia and Montenegro and Ukraine. In 2005 its budget amounted to USD 585,000. Failing its reintegration into DDCHA the unit's objectives and activities will remain isolated from MFA's broader development co-operation goals, synergies across sectors and themes will not be exploited and MFA will fail to achieve internal policy coherence.

3.2.3. *Clarifying the role and line of command of the implementation agency*

30. Another task of the Ministry of Foreign Affairs is to clarify the role and line of command of the implementation agency which it proposes to establish under the supervision of DDCHA. The Development Centre of the Institute of International Relations (IIR), which was originally established in 2001 as a UNDP-financed project and is now financed by the MFA as an IIR project, should form the nucleus of the new agency with its core human resources (9 staff). Appropriate incentives should be used to maintain that core of professionals and to ensure the continuity of development co-operation activities.

31. The Centre currently acts as MFA's advisory body and helps fulfil many functions in development co-operation. It contributes to the drafting of policy documents, provides technical advice to and trains implementing partners (NGOs, line ministries, academia and private firms) and conducts awareness raising activities in collaboration with Czech NGOs. In addition, the Centre participates in financial planning and country programming and screens, monitors and evaluates projects together with MFA and line ministries. It recently produced a Project Cycle Management Manual for the use of officials from line ministries, Czech Embassies and implementing organisations. Many of its activities tend to duplicate DDCHA's own.

32. In the new aid system the division of labour between DDCHA and the new agency should be well established. The department should focus on policy and strategy while the agency should be significantly involved in consultations with priority countries, needs assessments through field visits, surveys and interviews, monitoring and evaluation. In time the implementing agency could, *inter alia*, centralize procurement, manage grants to civil society organisations and prepare partnership agreements with co-operating line ministries. To improve MFA's evaluation culture, the agency could contribute to the elaboration of an evaluation strategy with an action programme following the *DAC Principles for Evaluation and Development Assistance*. With time evaluation should evolve into an independent function within MFA. This would constitute a positive indication that the Czech authorities are prepared to respond to public demand for results.

33. While it already has some capacity, the Centre needs to broaden its range of technical development co-operation expertise to become efficient as MFA's implementing arm. One option might be to increase human resources by inviting development co-operation staff from key line ministries to compete for expert positions or to be seconded or transferred under temporary assignment. Three or four main line ministries might be identified as key partners for development co-operation programmes building on existing programmes. MFA will need to decide on the conditions under which staff from the Development Centre can be retained in the agency and available skills complemented with additional human resources. A transition plan might be useful in this respect. In any case staff transfers and secondments within the Czech public administration should be encouraged.

3.2.4. *Staffing embassies with development co-operation personnel*

34. Another challenge of the reform agenda is to ensure that MFA's perspectives on development are not solely drawn from sector specialists or technical staff from DDCHA or the line ministries but that they also come from field realities. Having skilled development co-operation personnel within Czech Embassies

in priority countries is essential in this respect. Presently, development co-operation is covered by commercial attachés selected by a joint commission representing both MFA and MIT. Most attachés are career diplomats with no knowledge of development co-operation. They receive instructions from MIT and answer to the Ambassador or Head of Mission and to their supervisor in that ministry.

35. To make the Czech Republic a more effective development co-operation partner capable of engaging more actively with other donors in its priority countries, the Czech Government should staff Embassies with appropriate development co-operation personnel. One option would be to contract professionals from partner countries (possibly returning scholarship students) either full time or part time, as other DAC donors often do. Another option could be to punctually assign or second technical staff and/or sector specialists (*e.g.* from the new implementation agency and/or line ministries) to the field at critical points in time, for example during the preparation of the country programme. Should the experience in Moldova with one UNDP staff working as a part time employee in the Czech Embassy be conclusive, this approach could be emulated in other priority countries. The Czech Government may also consider relying on development co-operation staff from Czech Embassies for tracking the effectiveness of aid channelled through the multilateral institutions which it funds. In principle, the level of human resources for development co-operation in priority countries should be commensurate with the volume of ODA going to that country.

36. The Ministry of Foreign Affairs could rely on the Diplomatic Academy to train future diplomats in development co-operation and ensure that trainees are posted in Czech Embassies as development co-operation specialists. The Czech Republic could also seek support from the European Commission or EU member states to organize specialised development co-operation training. MFA could also occasionally invite experts to introduce specific material to staff: *e.g.* on approaches to implementing the aid effectiveness agenda, gender equity and poverty reduction, microfinance, etc.

3.2.5. *Consolidating the budget under MFA and adopting a multi-year framework*

37. The annual budgetary process for bilateral development co-operation is not efficient and lacks transparency mostly because it involves ten ministries, each with its own portfolio of projects. This makes it practically impossible for the Czech Government to implement a strategic, coherent and co-ordinated development co-operation programme. Secondly, the budgetary cycle clashes with the longer term nature of development co-operation activities and is generally not adapted to the demands of the aid effectiveness agenda calling for aid predictability, longer time frames and harmonised donor practices. To reduce transaction costs and improve the transparency and efficiency of the budgetary process, the bilateral budget for development co-operation should be consolidated in MFA and the ministry should decide where and how to allocate funds based on development objectives agreed with partner country governments. Life-of-projects funding (*i.e.* 3-5 year funding envelopes) should be considered as opposed to the current single-year incremental budget allocation. Multi-year funding can also provide the basis for a predictable path for the expected further expansion of Czech ODA.

3.3. *Other actors of Czech development co-operation*

38. Most Czech projects are implemented through private sector firms, NGOs and universities. Since the *Criteria of Selection and Financing of Bilateral Development Cooperation Projects* were produced in October 2005, public tendering has become the norm for Czech bilateral projects. As there is little, if any, expertise in this area within most line ministries, the Development Centre is often solicited to assist with tendering goods and services for development projects.

39. The private sector receives the largest share of Czech bilateral ODA: 53% in 2005 for implementing 37% of the total number of bilateral projects. Czech private firms deliver technology and

provide technical assistance primarily in environmental protection (geological surveying, forest management, waste management), industrial development and transport. Czech NGOs play the second largest role behind the private sector. In 2005, their ODA share for projects with international and national coverage amounted to 25% and they implemented 36% of the total number of bilateral projects. Czech universities come in third position with 8% of bilateral funding and 10% of bilateral projects (MFA, 2006).⁷

40. Building on their long standing experience NGOs play many roles in Czech development co-operation. With MFA grants (EUR 335,000 in 2006), they primarily distribute Czech humanitarian aid and act as partners for activities in development education. They conduct awareness raising activities from the grassroots up to the level of decision makers, implement some Czech projects and manage volunteer programmes for Czech nationals. Created in 2003, the Forum on Development Cooperation is a platform of approximately 30 NGOs. The Forum supports the reform agenda proposed by the MFA but calls for greater transparency of the Czech bilateral aid system, an increased focus on results and on least developed countries, and sectoral and thematic concentration.

41. Czech NGOs enjoy good relations with MFA, line ministries and the Development Centre. They should be consulted systematically, *e.g.* on country programming, ways of achieving the Millennium Development Goals in the context of increased ODA and for implementing the aid effectiveness agenda. Private sector funding to development NGOs should be encouraged and legalized. Compared to other European NGOs with a long standing relation with the EU, Czech NGOs are in a weak position. They need support from MFA to build capacity to access EU funding and to compete successfully for EU-financed projects, linking up with larger bidders for EU contracts. Czech NGOs should also establish networks, find niches and enter into Czech consortia to enlarge their market power

3.4. *Recommendations*

- To improve the effectiveness, coherence and impact of Czech development co-operation, the Czech Ministry of Foreign Affairs should have sole authority over development co-operation policy, management and implementation. The bilateral budget for development co-operation should be consolidated within that ministry which should decide where and how to allocate funds based on development objectives agreed with partner country governments.
- The reform of the Czech bilateral aid system calls for a number of significant institutional changes. These include: clarifying the role and responsibilities of the line ministries in such a way as to draw on their wealth of expertise; integrating the Transformation Co-operation Unit and other dispersed development entities and functions into the Development Co-operation and Humanitarian Aid Department; establishing clear lines of command between that Department and the proposed new implementation agency; and staffing Czech Embassies in priority countries with appropriate development co-operation resources.
- The Czech authorities should explore the range of acceptable instruments for involving the private sector in development co-operation including private-public partnerships, trade capacity building, investment guarantees and risk insurance schemes. Czech trade and investment promotion activities should be distinguished from development co-operation projects using ODA budget.

7. Czech Ministry of Foreign Affairs (2006), *International Development Cooperation of the Czech Republic – Memorandum for OECD/DAC*, Prague, 2 October 2006. p. 12.

- To make Czech aid more predictable, multi-year budgets should be adopted as opposed to current single-year appropriations. To facilitate project implementation, life of project funding should be considered instead of annual incremental appropriations.

4. Making Czech aid more effective at field level

42. The Czech Government signed the Paris Declaration and the EU Consensus on Development Co-operation. It supports harmonization and alignment, mutual accountability and management for results and views aid effectiveness mostly from the point of view of the organisation and financial provision of aid. The DAC understands aid effectiveness as the relations between the community of donors and partner countries, with important implications for the way in which donors relate not only to each other at field level but also to partner countries' national plans, strategies, institutions and systems.

43. As for other DAC donors' the Czech Government is legally restricted from using partner countries' procurement systems and from engaging in budget support.⁸ Its overall aid volume is relatively modest and some of its aid practices (*e.g.* the use of small isolated projects) work against meeting the commitments made in Paris. Notwithstanding those constraints, there are some simple steps which the authorities could take to implement at least some of those commitments. As a start, the Czech authorities should deliver consistent messages to their constituency on the importance of the aid effectiveness agenda for obtaining sustainable development results as well as acknowledge the costs and benefits of removing obstacles to that agenda. Overtime, incentives to reward staff against progress made on delivering development outcomes and combined project outputs rather than delivering individual project inputs should be provided. Methodological innovations could result in better linkages between development objectives, inputs, outputs and outcomes.

4.1. Options for country programming and effective aid delivery

44. In June 2005, the Czech Government approved five-year development co-operation programmes with eight priority countries. Country Strategy Papers (CSP) tend to reflect the line ministries' priority list of projects rather than local needs even though some consultations did take place at field level during the programming process. These consultations involved the Czech Embassy represented in that country to varying degrees. The next round of country programmes could be more strategic in choosing programmes, more explicit about the different actors/partners involved in Czech development co-operation in each priority country and look to strengthen the synergies between Czech activities and that of other donors. They might also include lessons learned from the previous five-year development programme.

45. Once agreed, Country Strategy Papers are administered by relevant MFA Departments and co-ordinated by DDCHA with support from Czech Embassies and/or the Development Centre. The main responsibility for implementing project portfolios lies with line ministries using NGOs and/or private firms and universities as executing agents. The transaction costs incurred in managing the country programmes could be minimized and Czech development co-operation be more demand-driven if development co-operation staff were assigned full or part time in each Embassy to serve as the operational focal point for Czech development co-operation. When MFA's implementation agency is in place and running, one may expect that projects will also be monitored and evaluated more regularly.

46. Experience suggests that aid that is well aligned with partner countries' development strategies, institutions and procedures, makes a bigger contribution to development than aid which is donor-driven and fragmented. When programming bilateral aid Czech practitioners should ensure that the desire to make

8. See for example DCD/DAC(200656/REV1, *Report on implementing and monitoring the Paris Declaration*, dated 23 November 2006.

development co-operation visible is balanced against the necessity to align with partner countries' national development plans and sector strategies; and that small and isolated projects are substituted with fewer, demand-driven activities that can fit into larger programmes or sectors and be co-ordinated with other donors' activities in the same sectors. When preparing country programmes, the Czech authorities should agree with priority countries on one or two sectors where a Czech contribution can add value, keeping in mind the needs expressed by local partners as well as other donors' engagements. MFA should be leading the entire process.

47. There is scope within programme and sector-based approaches for Czech practitioners to find niches and to build recognition in specific areas of Czech comparative advantage, *e.g.* transformation to a market economy and pollution control. Simultaneously Czech development co-operation should start experimenting with common arrangements with other donors, *e.g.* for conducting country or sector needs assessments and analysis and for monitoring and evaluating projects. In some priority countries, particularly where capacity within the Embassy is limited, Czech development co-operation could transit towards a more co-ordinated approach using delegated co-operation or silent partnerships with like-minded donors. Another option is to use multilateral agencies to provide assistance for specific tasks such as staff recruitment, procurement and training. When doing technical co-operation activities, Czech practitioners should make effective use of existing capacities and ensure that technical co-operation is genuinely co-ordinated with that of other donors around country-led approaches. Whenever feasible the Czech Republic is encouraged to collaborate with other emerging donors to save costs and increase development impact.

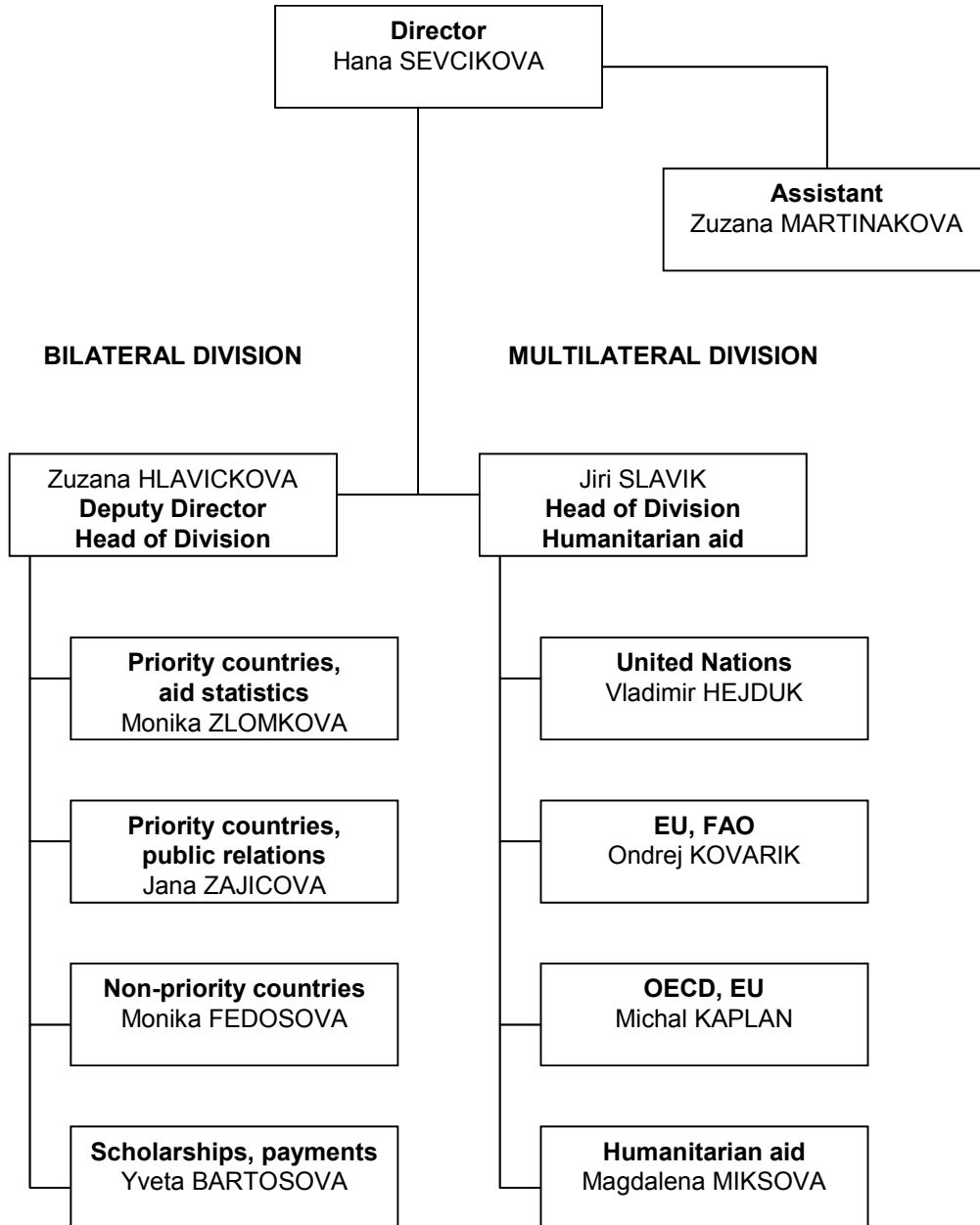
48. Finally, the Czech Republic should progressively move towards cost-effective, results-oriented reporting. In order to do so, Czech practitioners could begin with collecting sound data on development outputs and outcomes jointly with other donors in order to develop indicators for monitoring results in specific sectors. Information on results should be used to feed decision-makers on lessons learned and good practice. All the above actions would support the commitment made by the Czech Republic to implement the Paris Declaration on Aid Effectiveness. Simultaneously, Czech evaluation culture should be upgraded.

4.2. Recommendations

- The Czech Government should begin implementing a number of commitments contained in the Paris Declaration in its priority countries. For example, it should:
 - Align its development co-operation projects with existing national and sectoral strategies in close co-ordination with other donors whenever possible.
 - Experiment with joint country or sector needs assessments and analysis, joint monitoring and evaluation.
 - Make effective use of existing technical co-operation capacities and ensure that technical co-operation is genuinely co-ordinated with that of other donors around country-led approaches.
- Additionally, Czech practitioners of development co-operation should start collecting sound data on development outcomes and project outputs jointly with other donors in order to develop indicators for monitoring results in specific sectors or themes.
- Czech evaluation culture should be upgraded.

ANNEX A

Organisation Chart 1: Dept. of Development Co-operation & Humanitarian Aid



Organisation Chart 2: International Development Cooperation

