

POLISH DEVELOPMENT COOPERATION 2018

THE SUMMARY OF GRUPA ZAGRANICA REPORT

The report Polish Development Cooperation 2018 is 11. edition of Grupa Zagranica annual publication which focuses on the qualitative and quantitative analysis of the actions undertaken by the Polish

administration responsible for the implementation of the development cooperation policy. This summary provides an analysis of the statistics of Polish Official Development Assistance (including humanitarian aid) for 2017.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA) refers to funds granted by governments of highly developed countries to developing countries in the form of donations and loans, with the aim to support the economic development and prosperity of the latter.

HUMANITARIAN AID is defined as actions undertaken in order to save and protect lives of people affected by the consequences of natural or man-made disasters and to ensure their dignity is respected. These are above all short-term interventions in which the long-term goals of development co-operation are taken into account whenever possible as well as support pledged to people affected by protracted crises and measures taken in order to prevent disasters and limit the damages they cause.



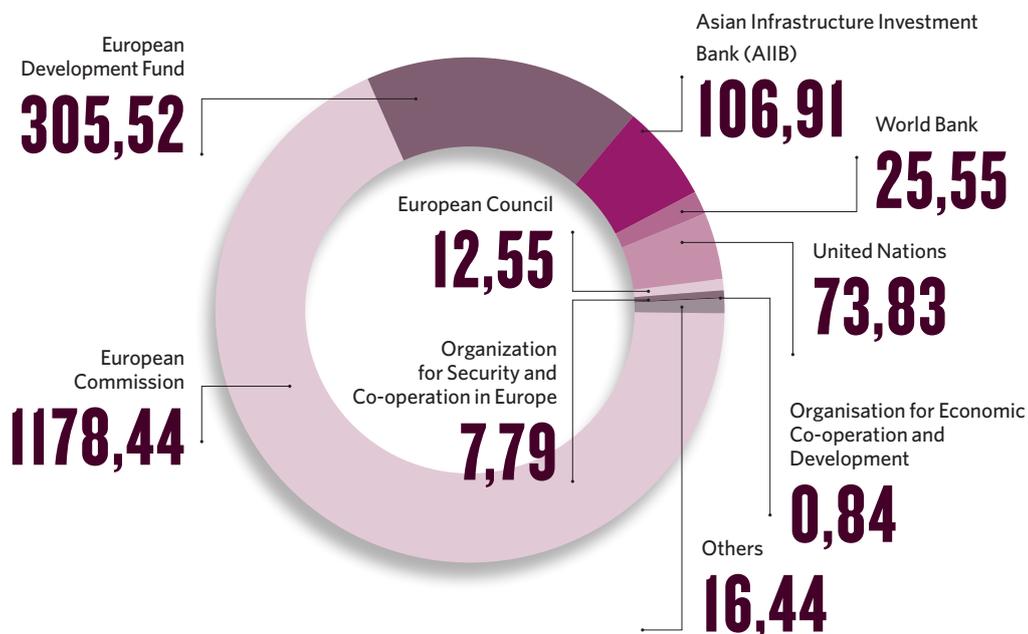
Poland's involvement in development cooperation actions in 2017 - statistics

Polish Official Development Assistance (ODA) in 2017 totaled PLN 2.55 billion. The ratio of the national ODA to the gross national income (GNI) was at 0.13%, which constitutes a slight drop compared to 0.15% of ODA/GNI in the year 2016. In terms of the value of the assistance in proportion to the size of the economy, Poland ranked 27th out of 29 Development Assistance Committee (DAC) member states.

According to the international commitments, the ODA/GNI ratio should reach 0.33% by 2030. There is no strategy on how to gradually increase the amount of the assistance to reach this target. It does not follow from the information about the implementation of the OECD's DAC recommendations, submitted by the Polish Ministry of Foreign Affairs to the Development Cooperation Policy Council in November 2017, that there is an intention to create a roadmap towards this target, or to make the achievement of this goal a proper political priority.

GRAPH I. Poland's official development assistance (as % of GNI) compared to other EU member states in 2017

Source: Grupa Zagranica, on the basis of OECD's data, Total flows by donor (ODA+OOF+Private) - <http://stats.oecd.org> [accessed on 01 October 2018].



GRAPH 2. International organizations in the Polish multilateral assistance in 2017

Source: Grupa Zagranica, based on: report of government administration bodies on the development cooperation performance in 2017, Ministry of Foreign Affairs, Warsaw 2018.

Similarly to previous years, in 2017 most of the Polish ODA (i.e. PLN 1.73 billion) was allocated to multilateral assistance, mainly in the form of EU budget contributions as part of the EU membership fee, and European Development Fund contributions. These payments amounted to a total of 1.48 billion PLN, almost 60% of the Polish ODA.

In 2017 the Ministry of Finance reported as multilateral assistance the funds committed to the acquisition of shares in the Asian Infrastructure Investment Bank (AIIB), created in 2014 at the initiative of China. The AIIB was established mainly in order to finance infrastructure investments in Asian countries, including the countries of the former Soviet Union. After Poland decided to join the AIIB, media reports focused on the possibilities that this membership would create for the Polish companies in connection with tender procedures for investment projects in those countries.

Bilateral ODA in 2017 totaled PLN 840 million. Two most important thematic categories were scholarships and costs of education of students from developing countries and the bilateral assistance provided through multilateral agencies.

Already in its previous reports Grupa Zagranica pointed out the problems with treating scholarships and costs of education as a category of ODA. It mainly stressed the fact that the Polish government lacks a scholarship policy that would be consistent with Polish development assistance multianual priorities, and, secondly, that would

include analysis and evaluation that allow to assess to what extent the education of students translates into the development of their countries of origin.

In comparison to previous years, the share of appropriations of Polish bilateral assistance provided through multilateral agencies, i.e. through international institutions, has greatly increased. The highest expenditures in 2017 were the contributions to four EU financial instruments, including the Economic Resilience Initiative (ERI) managed by the European Investment Bank (PLN 213 million), Facility for Refugees in Turkey (FRiT) (PLN 107 million), and EU Emergency Trust Fund for Africa (EUTF for Africa) (PLN 40 million).

Humanitarian aid, whose value has increased significantly over the last two years, constituted a vital part of the bilateral assistance provided the multilateral agencies. Total expenditures for humanitarian aid in 2017 exceeded PLN 170 million

(21% of bilateral ODA), out of which PLN 150 million was allocated to the support of Syrian refugees. Towards the end of 2017, the Department for Humanitarian Aid was created in the Chancellery of the Prime Minister. It is still not clear what will be the impact of this new entity on the system and effectiveness of the Polish development cooperation, whose competencies overlap (reinforce?) the activity in the field of humanitarian aid taken to date by the Ministry of Foreign Affairs.

In terms of geographical division of the Polish bilateral assistance, the highest amounts were allocated to the Middle East (ca. PLN 360 million), Ukraine (PLN 230 million), and Belarus (PLN 125 million). Scholarships and funds covering the students' costs of living in Poland prevail in the expenses structure of development cooperation with the countries of the Eastern Partnership; they amount to 80% for Ukraine and 65% for Belarus. Merely 3% of the bilateral assistance

In the political dispute about (not) accepting refugees in Poland, the position of the Polish government is that on-site assistance should be prioritized. In this vein, the Polish authorities adopted the "Humanitarian aid package for the Middle East". It was assumed to include, inter alia, the following elements: direct aid provided in the Syria's neighboring countries by Polish diplomatic missions and NGOs, financing own contributions of the Polish NGOs applying for EU and UN funds, and assistance provided through specialized agendas and humanitarian aid agencies.

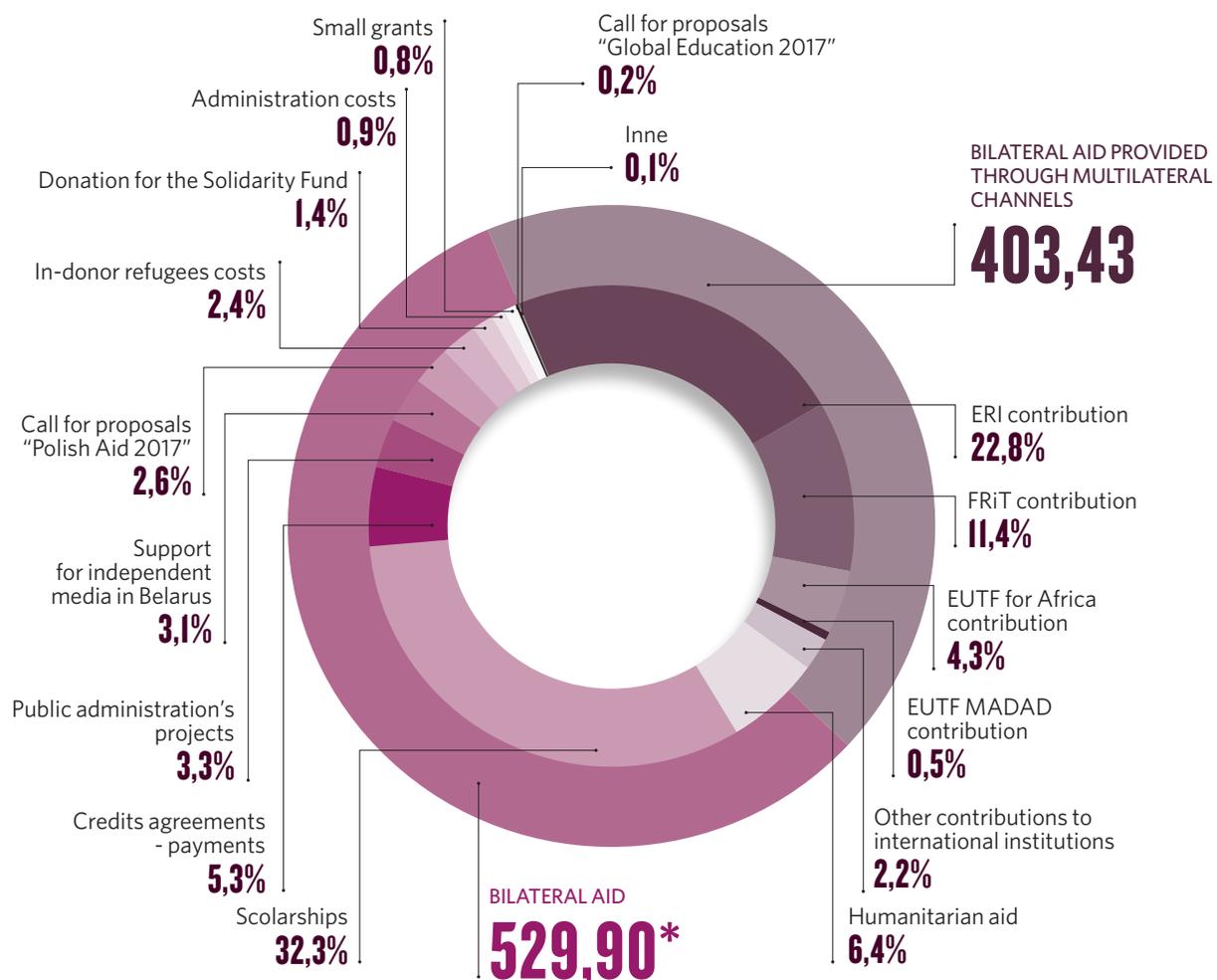
Recipient country	Amount
Ukraine	229,92
Middle East (region)	213,76
Belarus	124,72
Turkey	108,44
Africa (region)	41,12
indeterminate	39,16
Ethiopia	32,57
Syria	19,12
Lebanon	18,52
Tanzania	16,72

TABLE 1. Main countries and regions that benefited from the Polish ODA in 2017 (in PLN million) - Polish Aid's priority countries are marked with color

Source: Grupa Zagranica on the basis of the OECD data, Total flows by donor (ODA + OOF + Private) - <http://stats.oecd.org> [accessed on 15th October 2018]. PLN amounts based on the annual average exchange rate of the National Bank of Poland of 2017 - https://www.nbp.pl/home.aspx?f=/kursy/arch_a.html [accessed on 15th October 2018].

was allocated to the priority countries of the Polish Aid, such as Georgia, Moldova, Kenya, Senegal, Palestine, and Myanmar. It should be also pointed out that only 6.4% of Polish bilateral assistance in 2017 was allocated to the Least Developed Countries (LDCs), while the UN recommends that the aid for the LDCs should constitute at least 0.15% of GNI (which is more than total Polish ODA, bilateral and multilateral altogether!).

Bilateral ODA also includes public funds transferred to non-governmental organizations for tasks commissioned by particular ministries. The Ministry of Foreign Affairs, the operator of annual grant competitions in the field of development assistance, humanitarian aid, global education and voluntary service in developing countries, has been increasing the total amount of disbursements allocated to these competitions - in 2013 it totaled PLN 23.7 million, while in 2017 it reached already PLN 52.5 million.



GRAPH 3. Share of particular groups of expenses in bilateral development assistance in 2017

Source: Grupa Zagranica, on the basis of: report of government administration bodies on the development cooperation performance in 2017, Ministry of Foreign Affairs, Warsaw 2018.

According to the Klon/Jawor Association's reports, the amount of a single grant has been increasing (from ca. PLN 210,000 in 2013 to PLN 685,000 in 2017 on average), while the number of funded projects has been going down. There is a strong tendency to fund larger projects and a smaller number of organizations, with a preference for those with substantial experience and potential. This results from the fact that under the current financing system, smaller and more recently created organizations find it difficult to develop their potential. The funds allocated in the competitions suffice only to cover the costs directly connected with the implemented project, while the organizations lack the resources to cover their operational and development costs. Ensuring high working standards of the organization, maintaining a permanent team, as well as medium- and long-term planning require stable financing and a certain freedom in managing the budget. While mature organizations invest in the resources to provide such financing for themselves, either by developing relations with individual and institutional donors, or by conducting economic or paid activity, newly established organizations with little experience struggle.

What characterized the Polish ODA in 2017 was also its inconsistency with the global actions taken to prevent further climate change and to adapt to the effects of the existing climate change (adaptation). The analysis of the Rio markers, used by the OECD to mark development projects contributing to the mitigation and adaptation to climate change in its annual consolidated statistics relative to global ODA, demonstrates that in 2017 only 58 out of 600 Polish Aid projects were marked with the Rio markers. The value of these projects constituted a little more than 1% of the Polish development assistance.

The debt of the Global South in the development cooperation – recommendations

Supporting developing countries through loans is an important part of ODA. The loans are granted in the framework of both multilateral and bilateral assistance. Such international financial institutions as the World Bank and other development banks grant loans in the multilateral assistance system. This means that even if individual countries grant only a few direct loans, they contribute to the financing of the multilateral assistance (Poland being an example). Throughout the last dozen years we could observe a global increase in the number of loans as part of ODA; Japan, Germany, and France together have granted almost

90% of the loans as part of bilateral ODA among the OECD's DAC countries. Two institutions grant the majority of loans in the framework of multilateral assistance: the International Development Association (IDA) - a supporting body of the World Bank, and the EU.

Currently, the borrower countries depend fully on the financial institutions and on the International Monetary Fund (IMF). These institutions establish the requirements that the borrower needs to meet, but they also analyze the economic situation, forecast the level of the economic growth and the possibility to accept foreign investments. In other words, this means that the analysis and forecasts for the borrowing country, which determine the terms of the future loan, are prepared by a future lender, who wants to make profit on the loan transaction. Civil society organizations in Europe and across the world report that the current practice makes the receiving countries often fall into even greater debt as they try to meet the requirements set by the financial institutions. A joint plan of the World Bank and of the International Monetary Fund on the sustainable debt of the low-income countries does not take into account the cost of social development of the countries, nor the respect for the human rights. None of the financial institutions calculates the social costs of paying back the debt, nor does it include them in the repayment schedule. These are often high costs incurred by the state and the society anyway.

This diagnosis is confirmed by facts. Data of the Global Sovereign Debt Monitor 2018 shows that 119 countries of the Global South are seriously indebted, and the situation of 87 of them has deteriorated over the last four years. In its report Grupa Zagranica gives specific recommendations in this area:

- ▶ Development of general and specific goals for the Polish multiannual development cooperation program after 2020 in terms of granting credits and loans as part of bilateral and multilateral assistance.
- ▶ Preparation of guidelines concerning granting loans and their repayments (including preferential credit terms) as part of Polish multiannual development cooperation program and annual plans.
- ▶ Aligning the actions in terms of development cooperation as part of multilateral cooperation with development banks according to the priorities set in the Polish multiannual development cooperation program for the years 2016-2020 and beyond.
- ▶ Cooperation with financial institutions concerning the implementation of sustainable system of credits and loans for the countries of the Global South.

Private sector in development cooperation – recommendations

Even according to conservative estimations, the achievement of SDGs is going to cost USD 3-5 trillion per year. The global ODA does not exceed USD 150 billion annually, without even mentioning the challenges concerning its effectiveness and allocation. Domestic resource mobilization, mainly taxes, in the developing countries also has not reached the level that would ensure sufficient financing. In this context a growing attention (and hopes) of governments and international organizations turns to the private sector.

Two basic dimensions need to be recognized in the discussion about the private sector in the development cooperation: the role of local companies in partner countries in limiting poverty, ensuring access to basic goods and services and improving the quality of life, as well as the role of private sector entities from the development assistance donor countries. Another dimension of this debate concerns the division between the role of the private sector in the development actions (financed from the official development assistance, also as part of public-private partnerships) and the influence of actions taken by the businesses in the developing countries (with their intended and unintended social, economic, and environmental outcomes).

In Poland, the participation of the private sector in development cooperation is becoming a subject of an increasingly intense debate; at the same time, the mechanisms engaging private sector in the Polish development cooperation still remain limited. In order to promote corporate social responsibility, in 2017 the Council of Ministers adopted the plan of implementation of the UN Guiding Principles on Business and Human Rights, and the Ministry of Economic Development drafted a more general plan for dissemination of the standards of corporate social responsibility concerning coherence of development policies. The Polish multiannual development cooperation program for the years 2016-2020 contains only a short passage on the role of the private sector, prioritizing the support of local companies in the partner countries and only signaling the intent to engage Polish companies in a greater extent.

It is crucial for the Polish government to develop a strategy of engaging the private sector in the development cooperation. It is important for such strategy to fully describe the role of the private sector; it should not be limited to the use of development assistance resources for investment support, but it should also ensure environmental and social responsibility of Polish companies operating in the developing countries,

regardless of whether the assistance resources are involved or not. It is also important to ensure a proper strategy development process, which would include consultations with Polish companies and non-governmental organizations, as well as - if possible - with partner countries (or at least ensure the alignment of the strategy with national development strategies).

According to Grupa Zagranica, the Polish strategy on the engagement of the private sector in the global development should focus on:

- ▶ Ensuring social and environmental responsibility of the Polish companies operating in the partner countries.
- ▶ Paying special attention to the private sector support in the partner countries, including micro-, small and medium-sized enterprises, as well as social economy entities.
- ▶ Abandoning completely the idea of tied aid in the least developed countries and in the most indebted countries.
- ▶ Respecting the development cooperation efficiency principle while developing new instruments aimed at engaging the private sector in the development cooperation.
- ▶ Supporting the appeals for transparency, responsibility, and compliance with development cooperation efficiency principles concerning the EU development cooperation actions concerning the private sector engagement, especially the so-called mixed funding.

The 2030 Agenda - "Implementation of the Sustainable Development Goals in Poland" report evaluation

Given a broad range of the SDGs, certain countries need to review their own development cooperation policy and change their approach to this matter. During the public consultations concerning the "Implementation of the Sustainable Development Goals in Poland" report, which includes the review of the 2030 Agenda implementation, Grupa Zagranica highlighted the fact that the document does not sufficiently refer to the implementation of the cooperation development policy. This includes the evaluation of the current state from the Polish point of view, suggested targets or planned results with regard to the coherence of the development policy. Occasional references to the international context and to the situation of developing countries (the issue of refugees, mass migration, terrorism threats, actions against climate changes and their effects) concern mainly the domestic perspective.

The report fails to put forward suggestions on how to find the resources to meet the commitments regarding an increase of the Polish official development assistance to 0.33% of the gross national income for the developing countries and to 0.15-0.20% for the least developed countries by 2030. It also does not tackle the issue of raising funds for the developing countries from other sources.

With regard to the social and economic development of the developing countries, the 2030 Agenda report only refers to the cooperation with the Ministry of Foreign Affairs, which is in charge of the development cooperation and its alignment with the Sustainable Development Goals. The 2030 Agenda raises issues that go beyond assistance or development cooperation; it refers to the complex problems of energy policy, immigration, climate change, and economic (fiscal and investment) policies. Even though numerous challenges facing the global society are not treated in this approach as elements of development cooperation, to a greater or lesser extent they are connected with it and they may only seemingly be unrelated. Narrowing down the actions connected with the implementation of the 2030 Agenda to the development cooperation alone may not suffice to meet the Polish liabilities and declarations concerning the global solidarity.

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