

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

Peer Review

**REVIEW OF THE DEVELOPMENT CO-OPERATION POLICIES AND PROGRAMMES OF THE
CZECH REPUBLIC**

THE DAC'S MAIN FINDINGS AND RECOMMENDATIONS

14 SEPTEMBER 2016

This document was discussed at the Peer Review meeting of the Czech Republic on 14 September 2016 and at the editorial session with the Delegation of the Czech Republic and Examiners from the Netherlands and Switzerland. The revisions have subsequently been approved by all delegations and the Main Findings and Recommendations are now issued in their FINAL form.

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1

Towards a comprehensive Czech development effort

Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system and operations

Main findings

1. The Czech Republic achieved a significant milestone as a provider of development assistance when it joined the Development Assistance Committee (DAC) in 2013. Since then it has continued to strengthen its support for development and global public policy processes for “peace, people, prosperity and planet”. This strong commitment to development is enabled by broad political and public support.
2. As a DAC member, the Czech Republic has pledged to fulfil the committee’s obligations and to meet international development commitments and standards. This first DAC Peer Review of the Czech Republic establishes a baseline and direction of travel for its development co-operation over the medium term. This review also illustrates the impressive progress that the Czech Republic has made to strengthen its strategic framework, institutional system and structures for quality development co-operation.
3. The Czech Republic participates actively and strategically in the global system for sustainable development. It brings credible lessons and experience to international forums which stem from its own transition experience and its growing development co-operation expertise. The issues for which it advocates – human rights, gender equality and good governance – are in line with its foreign policy and track record, which are founded on a strong conviction that these are essential for functioning democracies.
4. It was in this spirit that the Czech Republic consistently raised the flag for Sustainable Development Goal (SDG) 16 to promote just, peaceful and inclusive societies during the Agenda 2030 negotiations and joined the “HeForShe” campaign when it celebrated 70 years of UN membership in 2015. Through its active support for the European Union’s Neighbourhood Policy and integration process, it is helping other countries who are now transitioning to democracy and market economies.
5. Integrating Agenda 2030 into national policy is driven from the highest political level, by the Government Council for Sustainable Development chaired by the Prime Minister. This should give the future Framework for Sustainable Development the required weight across government.
6. Agenda 2030 - and national efforts to implement it - is a major opportunity for the Czech Republic to reposition its commitment to policy coherence for development in

domestic policy discussions and as an integral part of delivering the SDGs.

7. The Council for Development Cooperation, chaired by the Deputy Minister for Development Cooperation, has the potential to play a more active role in raising awareness across government of how the Czech Republic’s policies could be more development-friendly. However, at present this council does not have a clear mandate for pursuing policy coherence for development.

8. Multi-stakeholder analyses of cases of (in)coherent policies could help to enhance understanding of how the Czech Republic can deliver on its commitment to policy coherence for development. For example, Czech civil society, including its universities and think tanks, is a key asset for the Czech Republic. It could draw further on the capacity and expertise within civil society and other organisations, such as the OECD, to step up analysis and monitoring of the coherence of Czech policies with development.

9. The Czech Republic is developing instruments to use official development assistance (ODA) to encourage other types of investment in development. For example, technical assistance on public finance management and the Aid for Trade programme help partner countries or territories improve budgetary processes and trade performance. However, a challenge for the government is to help Czech businesses understand the potential of investing in sustainable development and how they can become partners for development rather than aid contractors. The Czech Business Platform for Development Cooperation would be a useful forum for defining a private sector strategy.

Recommendation

- 1.1** The Czech Republic’s national strategic framework for Agenda 2030, its target setting and annual monitoring should address the global dimensions of the SDGs.
- 1.2** To help it deliver policies that are coherent with the aspirations of developing countries, the Czech Republic should draw more on its national expertise for policy analysis and to increase awareness of the impact of Czech policies on developing countries.
- 1.3** The Czech Republic should define a private sector partnership strategy that helps Czech businesses understand the potential of investing in sustainable development as partners rather than as aid contractors.

Main findings

10. The Czech Republic has a clear, broadly owned policy vision and strategy for development co-operation, which is considered an integral part of its foreign policy. According to the 2010 Act on Development Cooperation and Humanitarian Aid, Czech development co-operation should “contribute to eradicating poverty in the context of sustainable development, [and contribute] to economic and social development, environmental protection, and promoting democracy, human rights and good governance in developing countries”.

11. The Czech Republic has a strong comparative advantage, particularly in its co-operation with partner countries in the Western Balkans and Eastern Europe: it draws on the experience and knowledge gained from transitioning to democracy and a market economy. This was apparent in the field perspective from Moldova.

12. The Czech Republic has a solid vision and growing practical experience that can be used to strengthen its development co-operation under the next medium-term strategy – to be finalised in 2017. It also has strengths and opportunities that it can draw on as it develops the new strategy. It can, for example:

- leverage further the current political commitment to Agenda 2030 to position development co-operation policy firmly in the domestic debate on the sustainable development goals and within foreign policy.
- capitalise on its evolving comparative advantage in sharing its transition experience by identifying more explicitly how to transfer knowledge, often tacit, and make clearer the links between this comparative advantage and the poverty reduction objectives of the development act.
- develop a niche approach to maximise its value-added in least developed partner countries or territories where Czech aid makes up a relatively small share of total aid and public finance for development.
- gain more policy influence in multilateral settings, including the EU, by leveraging its financial contributions and expertise to advance priority themes globally and locally (e.g. governance and institution building). Its leadership could be

strengthened by being more focused and strategic about what it can achieve through its multilateral contributions to achieve the SDGs.

13. One of the main strategic challenges that the Czech Republic needs to manage carefully is priority setting. Given the limited size of its aid budget, there are too many geographic and thematic priorities in the current strategy. At the same time, there are growing demands on the Czech Republic to use its ODA to respond to new foreign policy and political imperatives, such as instability in the region (e.g. Ukraine) and the ongoing refugee crisis. Czech ODA is also fragmented within its partner countries or territories: relatively small budgets are spread across several sectors and stand-alone projects. Impact and sustainability could be increased by focusing on those themes where it can add value, maximising synergies among activities and working in a more programmatic way. The government’s plans for the next strategy – to focus bilateral ODA on only six countries, and on themes where it can add value – are a move in the right direction.

14. The overall strategic framework could be better supported by guidance in specific areas. While there is evidence that Czech aid targets vulnerability and inequalities in Moldova and Ethiopia, there is no specific guidance for focusing on poverty reduction. It is hard to say how systematically it focuses on the neediest. Clearer guidelines and political leadership could also help mainstream cross-cutting priorities into programmes and policy dialogue.

Recommendations

- 2.1** The Czech Republic should integrate development co-operation into its national plan for delivering on Agenda 2030, and into the domestic debate and institutional set-up on sustainable development.
- 2.2** To continue to increase the quality and impact of its aid, the Czech Republic should focus on fewer partner countries or territories and themes, deliver on its comparative advantage and maximise synergies for greater impact.
- 2.3** The Ministry of Foreign Affairs (MFA) should provide clear objectives and policy guidance for delivering on strategic priorities such as poverty reduction, social and economic transition and cross-cutting issues.

3

Allocating the Czech Republic's official development assistance

Indicator: The member's international and national commitments drive aid volume and allocations

Main findings

15. In 2015 the Czech Republic's net ODA was USD 236 million (in constant 2014 prices) – an increase of 11.4% in real terms compared to 2014 (USD 212 million). Its ratio of ODA to gross national income also rose: to 0.12% from 0.11% in 2014. Czech ODA levels still have some distance to go to reach the target of providing 0.33% of national income as ODA by 2030 (to which the Czech Republic re-committed in the 2015 Addis Ababa Action Agenda). However, there are positive political signals and a conducive macro-economic context for achieving intended increases to reach a target of 0.17% ODA/GNI by 2020. These trends should enable the Czech Republic to deliver a more ambitious plan for reaching the 0.33% target.

16. The 2014 and 2015 aid increases reverse a declining trend in bilateral aid which decreased by USD 49 million between 2008 and 2013 and reflect plans to scale up bilateral aid. Given the relatively small size of bilateral aid (USD 71 million, 2015 preliminary), the Czech Republic has decided to use the budget increases up to 2020 to scale-up the bilateral portfolio. The Czech Government has endorsed an annual increase of CZK 100 million (approximately USD 4 million) for bilateral development assistance and humanitarian aid in 2017-2019.

17. In 2015 multilateral aid accounted for 65% (preliminary data) of total Czech ODA and is mostly assessed contributions to the European Union (82% of multilateral contributions in 2015). The Czech Republic targets its limited earmarked contributions strategically such as through trust funds that align with its priorities.

18. Since joining the DAC, the Czech Republic has also made significant progress in reporting its ODA flows according to DAC rules. More comprehensive, detailed and timely statistical reporting has increased the transparency of its aid. By sharing its forward-spending plans on ODA, it has increased predictability for its partners. This is good practice.

19. The Czech Republic uses its annual development co-operation plan to ensure that aid is allocated according to its strategic priorities. According to this plan and DAC data, Czech bilateral aid allocations reflect its geographical and sectoral priorities: in 2013-2014, 8 of its 11 priority countries or territories were among its top 10 aid recipients. The sectoral focus

was on education, and governance and civil society (although the latter declined to 13% of bilateral aid in 2013-2014 from 28% in 2008-12), water supply and sanitation and agriculture (both receiving 8%). Humanitarian aid accounted for 10% of bilateral aid in 2013-14. While aid to in-donor refugee costs fell slightly in 2013-2014, its overall share of bilateral ODA increased from 14% in 2008-12 to 18% in 2013-2014 due to the fall in bilateral aid.

20. The Czech Republic prioritises efficiency, impact and sustainability when allocating aid. However, it needs to allocate aid to fewer priorities overall and to have more focused programmes in partner countries or territories. For example, with 46 activities in Moldova in 2014 and a total budget of USD 5 million, most disbursements were less than USD 100 000. Partners in Ethiopia and Moldova flagged the need for it to increase scale to raise impact. The Czech Development Agency (CzDA) implemented 123 projects with a total budget of USD 17.6 million in 2014.

21. If, as planned in the next medium-term strategy, the bilateral aid budget increases, the number of priority countries or territories declines to six and the Czech Republic focuses on no more than three sectors in priority countries or territories, it will be in a position to increase the budget envelope for its priority countries or territories and consequently engage in longer-term and more concerted programmes. Integrating the technical assistance provided by a range of Czech ministries into a more programmatic approach can also reinforce synergies among projects and help increase the impact and visibility of the country or territory's comparative advantage.

Recommendations

3.1 Building on the momentum created by the recent increase in ODA towards 0.17% ODA/GNI by 2020, the Czech Republic should have a more ambitious plan and time-line for reaching the target of 0.33% ODA/GNI.

3.2 The Czech Republic should use its increase in bilateral aid to achieve a critical mass, broader scale and impact in partner countries or territories, including by taking a more programmatic approach.

4

Managing the Czech Republic's development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose

Main findings

22. Since joining the DAC in 2013 the Czech Republic has continued to strengthen its institutional system and structures to deliver quality development co-operation. The Supreme Audit Office confirmed in its audit that the system is managed well, is functional and efficient.

23. The Czech Republic has built up several assets which are conducive to ensuring its development co-operation is organised and managed for delivering quality aid. These include the MFA's solid political and strategic leadership; the inter-ministerial Council for Development Cooperation, which helps build ownership of the programme; and the Czech Development Agency.

24. The Ministry of Foreign Affairs' position as institutional leader of Czech development co-operation has been consolidated by creating one main budget line which it administers. The MFA is well-placed to steer aid planning and programming within the overall medium-term strategy and annual spending plans.

25. The Czech Development Agency (CzDA) is recognised as a capable implementing body with solid procedures and good project management. The project cycle manual, for example, is a useful and adaptable tool for a systematic and transparent approach. The Agency has the capacity to absorb a larger aid budget.

26. The CzDA plans to decentralise staff to the field, starting with Ethiopia in 2016. With a stronger field presence, it will be better placed to respond to partner country or territory needs and to harmonise with other providers. It may also free up time for the embassy's development diplomats to participate more actively in policy dialogue, in line with the embassy's mandate. To implement these objectives effectively, the MFA will need to ensure a clear division of labour between embassy and agency staff in partner countries or territories, provide strategic direction and guidance, and give appropriate decentralised decision-making and financial authority.

27. As the Czech system continues to develop and consolidate, it needs to identify and adapt the rules and procedures which restrict the Agency's and other implementing bodies' flexibility to choose the most appropriate instrument to deliver the programme and engage in partnerships. For example, the requirement to deliver grants through entities registered in the Czech

Republic, such as NGOs and businesses, limits the scope of the activities that the Czech Republic can support.

28. Human resource capacity gaps are a key vulnerability in the Czech system. At present, human resources at the Department for Development Cooperation and Humanitarian Aid are stretched, with individual staff managing several large policy, programming and technical (e.g. evaluation and statistics) portfolios at once. This is hindering the department's ability to advance strategic priorities related to Agenda 2030, to elevate development co-operation as a key pillar of foreign policy, to facilitate more strategic whole-of-government approaches in partner countries or territories, and to deliver policy guidance to the Development Agency.

29. While staffing levels and capacity have increased in the Agency, it still lacks sufficient capacity in precise areas (e.g. procurement, risk management, cross-cutting issues) and it needs to ensure that capacity in headquarters is not undermined by sending staff to partner countries or territories.

30. Line ministries also face a capacity challenge in managing and responding to increased demands from developing countries (and international organisations) for transition-related technical assistance. The Czech Development Agency is starting to play a facilitating role, which could be developed further provided the Czech Republic has a clear strategy for how it will capitalise on this type of technical assistance.

31. Finally, there is also scope for the MFA to integrate the specific staffing needs of the development co-operation programme into its human resource management – notably when rotating staff and through more tailor-made training.

Recommendations

4.1 The Czech Republic should identify ways to have appropriate human resource capacity in the right place across the development co-operation system and to ensure staff have the skills and expertise needed to deliver the programme efficiently and effectively.

4.2 Decentralisation to the field should be backed by appropriate authority for embassy and agency staff, as well as clear roles and responsibilities.

Main findings

32. The Czech Republic is committed to the principles of effective development co-operation agreed in the Busan Partnership. For example, its multi-year indicative budgets give predictability to partners and it identifies and aligns to partner country or territory needs through active dialogue as found in Moldova.

33. The Ministry of Foreign Affairs and the Czech Development Agency have gained experience and lessons from ongoing country programmes, notably on setting fewer and clearer priorities. These will inform the next round of programmes. The Agency continues to refine project procedures through experience and feedback from NGOs and embassy staff. According to the Supreme Audit Office's audit, project design is becoming better focused on sustainable impact.

34. The same audit also found that formal bilateral agreements with partner countries or territories would strengthen Czech co-operation and mutual accountability. Current memoranda of understanding with partner governments do not have legal status, which can limit ownership.

35. Given its limited resources and capacity in the field, the Czech Republic is pragmatic in how it partners with other donors: it focuses on division of labour, EU joint programming and, when it can, leading sector work. For example, in Moldova, it leads the joint analysis of the social sectors. The planned decentralisation of CzDA staff is an opportunity to deepen partnerships and the visibility of Czech aid through more harmonised arrangements. It could also gain from the knowledge and experience that is often shared between providers through co-ordination and dialogue.

36. Czech NGOs are an asset and major partner for delivering ODA. They also play an important watchdog role, challenging the government to deliver on its aid targets and commitments. Several Czech NGOs and their local partners have built up a good track record and capacity. However, the Agency still allocates grants to NGOs through calls for project proposals rather than through strategic partnerships. There is scope to develop a strategic framework for partnering with civil society and to use more effective funding mechanisms for Czech and non-Czech organisations, in line with Busan indicator two.

37. The Agency's medium-term vision states that the Czech Republic needs to re-think its aid modalities to maximise its impact in partner countries or territories. The current project approach reduces flexibility and carries high administrative costs. For example, although it is increasingly supporting multi-year rather than annual projects, the Agency has to prepare a new contract for each year of the project and financial rules require detailed reporting and proof of expenditure for all projects and tenders, no matter the size.

38. A more thorough approach to assessing and managing the risks and opportunities in achieving development results could reinforce the evidence-base for programme design and for choosing the most appropriate aid modalities. Since the Czech Republic delivers aid in fragile states, there is also scope for more systematic and joint analysis with partners of the drivers of fragility, including climate change, to inform policy dialogue and programmes.

39. Legally, ODA must be channelled to partner countries or territories through entities registered in the Czech Republic. As a result, only 32.4% of Czech aid was untied in 2014. While the MFA and the Agency are identifying changes required to untie aid further, they also need to convince the government and key stakeholders that untying aid increases value for money and local ownership. According to OECD research, tied aid "can increase the costs of a development project by as much as 15 to 30 per cent."

40. The rules for channelling aid through Czech entities make it difficult for the Agency to use partner systems. However, it could do more to use and strengthen country systems by, for example, ensuring aid is on budget even if it cannot use country financial systems for disbursement. It could also become a niche provider within programme-based approaches and integrate projects and technical assistance into the programmes.

Recommendations

- 5.1** The Czech Republic should have a vision and policy for strategic partnerships with civil society for development co-operation and develop an appropriate mix of funding mechanisms.
- 5.2** The Czech Republic should update its rules and procedures so that it can untie aid, use partner systems, and contribute to harmonised funding arrangements in line with Busan commitments.

Main findings

41. Managing for development results is a growing priority for the Czech Republic. Over the past few years it has focused on having a robust and results-oriented approach to project management. There is a positive culture of learning: reviews, monitoring and evaluations are used to improve the quality and management of development interventions.

42. These are good foundations on which to build a more comprehensive results-based management system that links results from projects and programmes to strategic objectives. This should ensure that it is getting the most out of its investments. By improving the quality of programmes and by learning from results information, the Czech Republic will also be better placed to communicate its impacts, such as on achieving the SDGs, to parliament and the public.

43. The Czech Development Agency and the Ministry of Foreign Affairs recognise that managing for development results is still a work in progress. Experience from other DAC members shows that institutionalising a results culture requires leadership from the top to build a common vision. It also requires information on results for decision making and accountability – to taxpayers and beneficiaries. This demands technical capacity for results planning, measuring and monitoring. In rising to this challenge, the Czech Republic could learn from and share experience through the DAC Results Community.

44. Plans and investments at the MFA and the Agency for developing more strategic and targeted communication about development co-operation respond to the need for a better-informed public. The Czech Republic also invests in global education through a collaborative strategy implemented by the MFA; the Ministry of Education, Youth and Sports; the Agency and Czech NGOs.

45. By institutionalising evaluation throughout the system, the MFA plans to use it to improve the quality and management of development interventions. It has a dedicated Evaluation Unit, a specific budget and an annual evaluation plan which is discussed by the Evaluation Working Group of the Council for Development Cooperation. It is then approved by the Council and published on the MFA's website.

46. The MFA has taken a number of steps to maintain the credibility of its evaluation function in a resource-constrained environment. It commissions independent evaluators, benefits from the evaluation oversight role played by the Council for Development Cooperation, and has a reference group of experts for each evaluation. However, the independence of the evaluation function from policy and programming could be reinforced within the MFA. There is a risk, under the current reporting line, of a conflict of interest between policy, programming and evaluation.

47. The purpose, procedures, role and responsibilities for evaluation are outlined in the project cycle methodology, but this tends to narrow the evaluation function to programming and projects. Having an overall evaluation policy could help to set out the institutional arrangements needed to ensure independence and clarify the overall strategic purpose and role of evaluation in Czech development co-operation. Finally, with just one staff member working on evaluation (as well as other duties), the MFA can only manage three to six evaluations a year. Capacity is therefore limited for strengthening the role of evaluation across the system – whether as a tool for evidence-based decision making, to test strategies and innovation, or build a learning culture.

48. The Czech Republic has improved the transparency of its aid through statistical reporting and by publishing a broad range of information on its website. It can continue to make progress by publishing information according to the Busan Common Standard, but needs first to fix technical problems with its data management system.

Recommendations

- 6.1** The Czech Republic should develop a more comprehensive approach to managing for results at the strategic, programme and project levels aligning with the SDGs and partner country or territory results frameworks.
- 6.2** The Czech Republic should ensure it has adequate capacity for managing evaluations, guarantee their independence, and use them for evidence-based decisions and accountability.

Main findings

49. Since 2010, the Czech Republic has made good progress implementing its humanitarian policy framework. Its humanitarian strategy is driven by international humanitarian laws, the Good Humanitarian Donorship principles and the EU consensus on humanitarian aid.

50. The 2010-2017 Development Cooperation Strategy provides a broad framework for Czech involvement in humanitarian assistance, referring to disaster risk reduction, the links between relief and development and climate change adaptation. The strategy also defines humanitarian aid as the first step after a crisis. However, the Czech Republic's practical experience with protracted crises in Ukraine and the Middle East shows that in some contexts humanitarian and development assistance need to be provided simultaneously. Based on this experience, the Czech Republic could usefully reinforce its holistic approach in the new development co-operation framework.

51. The Czech Republic has endorsed the Grand Bargain – a key outcome of the 2016 World Humanitarian Summit. The provisions of the Grand Bargain should inform the Czech Republic's upcoming humanitarian strategy.

52. The Czech Republic's humanitarian budget has been stable since 2010 at about CZK 73 million (USD 3 million) a year. Since 2014, the humanitarian budget received additional allocations to respond to specific crises such as Ukraine and the Ebola outbreak. In 2015, these allocations increased the initial budget by 23%.

53. The Czech Republic has ambitious objectives for humanitarian assistance but a limited budget. This creates a risk of spreading funding too thinly across several crises. The MFA selects its humanitarian partners and the programmes to fund strategically, with a focus on the underfunded humanitarian work of multilateral organisations. This niche approach is relevant and could be strengthened, allowing the Czech Republic to maximise its limited humanitarian resources while keeping control over programme design. By further developing the comparative advantage of its humanitarian funding in response to humanitarian crises, the Czech Republic could increase focus and strengthen links with other donors, in the spirit of the Grand Bargain.

54. Projects by NGOs registered in the Czech Republic are selected for funding through an annual call for proposals. While the government's financial contribution is small, NGO partners value the legitimacy they get from its support, which can open doors to other funding, such as from the EU. Reporting requirements on implementing partners are not burdensome.

55. However, humanitarian funding allocated to priority countries or territories is fragmented; this puts a substantial administrative burden on the individual staff member managing this portfolio at the MFA. Financial rules that dictate a quarterly disbursement of the budget also make financial planning difficult for the Czech Republic's partners.

56. The Czech Republic uses the EU early warning mechanism and works closely with its representatives in Rome, Geneva, Brussels and New York to ensure early updates on crisis evolution. This allows for a rapid and co-ordinated response, especially to natural disasters, as witnessed during the 2014 Balkans floods and the 2015 Nepal earthquake. It co-ordinates with other donors as part of the Council working party on Humanitarian Aid and Food Aid.

57. New crisis patterns blur the clear distinction between humanitarian action, development, security and migration management. This brings some challenges for which the Czech Republic must be prepared. The MFA and the Ministry of Interior have a solid co-ordination mechanism when responding to disasters. This co-operation could be extended to migration management to ensure that the Czech Republic's assistance remains bound to humanitarian principles.

Recommendations

7.1 The Czech Republic should focus on its comparative advantage in humanitarian assistance by further developing its niche approach; this would help maximise its effectiveness and influence while increasing its scope for co-operation with other donors.

7.2 The Czech Republic should focus its humanitarian funding on fewer crises and rationalise its funding calendar to better match its administrative capacity.