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

Peer Review

Mid-term Review of Czechia

The mid-term review of Czechia was conducted in 2019 following the 2016 peer review.

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DEPUTY DIRECTOR
DEVELOPMENT CO-OPERATION DIRECTORATE

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To: DAC Delegates and Observers

Czech Republic Mid-term Review, 13 June, Prague

Dear Colleagues,

On 13 June, I visited Prague to conduct the mid-term review of the Czech Republic, accompanied by Mags Gaynor of DCD. I would like to thank Mr Václav Bátek, Director of the Department for Development Cooperation and Humanitarian Aid at the Ministry for Foreign Affairs and all his staff for an excellent programme of meetings. I was very pleased to have the opportunity to meet Tomáš Petříček, Minister for Foreign Affairs and Veronika Kuchyňová Šmigolová, Junior Deputy Minister.

The mid-term review focussed on implementation of the DAC's 2016 peer review recommendations, in the context of developments that have taken place since 2016. In particular, a new Czech development co-operation policy 2019-2030 has been issued since the last peer review and plans and structures have been put in place to guide implementation of Agenda 2030 and the associated Sustainable Development Goals.

During the review, we had rich and frank discussions with senior officials from the Czech Ministries of Environment, Finance, Foreign Affairs and the Interior, representatives from the Czech Moravian Development Bank, civil society and the private sector as well as with the Director and senior staff from the Czech development agency, CzechAid.

I was pleased to note that the Czech Republic has already taken steps to address 11 out of 16 of the DAC's 2016 recommendations, in particular related to:

- including development co-operation within SDG frameworks,
- developing country strategies and focusing limited bilateral resources on fewer sectors and countries,
- updating its rules and procedures for both development and humanitarian programming,
- selecting a limited number of multilateral organisations for a deeper partnership and linking bilateral and multilateral partnerships at country level,
- introducing a new tool to strengthen the integration of cross cutting issues into programmes and
- strengthening its evaluation system.

Czech ODA is growing but a significant push will be needed to meet international commitments

The Czech economy has thrived in recent years with almost full employment. Economic growth is projected to remain robust, although slowing to 2% per year for 2019-20. The Czech budget for Official Development Assistance (ODA) has increased in volume and percentage terms over the past three years, and is expected to increase again in 2020. Current rates of ODA growth are nonetheless insufficient to reach 0.33% of Gross National Income (GNI) allocated as ODA by 2030, a target to which the Czech government has made repeated commitments. Building political and public support for a budget increase has been largely left to the Ministry of Foreign Affairs to address with the Ministry of Finance, without much support from Parliament or other government departments. A renewed push from a broader base of support will be needed in order for the Czech Republic to build the momentum required to honour its commitments.

Developments at EU level offer opportunities for the Czech Republic

The Czech Ministry of Foreign Affairs (MFA), particularly the Director for development co-operation, is very engaged in following and shaping developments at EU level to implement the 2017 New European Consensus on Development. The Ministry has identified opportunities for the Czech Republic to blend modest Czech ODA resources with new EU funding instruments. With this in mind, CzechAid has been assessed as eligible to receive EU funds and the assessment of the Czech Moravian Development Bank is underway. Of particular interest to the Czech Republic is the guarantee facility of the new European Fund for Sustainable Development (EFSD), and a medium-term ambition of the Ministry is to catalyse Czech investment in developing countries using the finance available through EU instruments.

In the shorter term, the government is introducing its own guarantee facility to attract Czech investors into developing countries. This responds to the 2016 peer review recommendation to shift the relationship with business partners from being implementers of ODA grants to investors in developing countries. The scale of the proposed guarantee, in the region of EUR 1 million, is appropriate for smaller investments while future EU guarantees are expected to target large-scale investments in areas such as infrastructure. It will be important for the Czech Republic to take the necessary time to get its new guarantee facility off the ground with appropriate investments. The facility as currently designed is open to any sector and any country on the DAC list, which may help in widening the pool of potential investors but could make it challenging to ensure that the facility aligns with the priority countries and themes outlined in the Czech development co-operation strategy.

A pragmatic whole-of-government approach is in place to respond to the Sustainable Development Goals

Two documents are shaping the Czech Republic's response to the 2030 Agenda for Sustainable Development:

- The 2017 Strategic Framework for the Czech Republic is a longer-term development plan for the country which references the Sustainable Development Goals (SDGs) and
- The Strategy for Implementation of Agenda 2030 has a direct focus on implementation of the 17 goals.

As recommended in the 2016 peer review, this latter strategy includes both domestic and international elements, and serves to link the Czech development co-operation policy, also aligned to the SDGs, to the Strategic Framework for the Czech Republic. It is particularly helpful that the three documents are valid to 2030. A Sustainable Development Council is in place to oversee implementation of the Strategic Framework and its associated committees meet approximately every two months.

An active Secretariat, which has recently moved from the Prime Minister's Office back to the Ministry of Environment, is tasked with ensuring coherence between Czech policies on issues such as the carbon intensity of the Czech economy. Policy coherence for development is the remit of the Czech Council for Development Co-operation, an advisory body including external stakeholders that oversees implementation of the Czech development co-operation strategy. We heard that officials are using these formal structures to raise issues of coherence with the development co-operation strategy, for example on irregular migration, in addition to using the regular inter-departmental co-ordination channels for documents going to cabinet. Over time, the Czech Council for Development Co-operation, Czech Embassies and implementing partners could take a more active role in identifying areas of policy coherence which are impacting on developing countries.

Czech bilateral ODA is concentrated on fewer countries and underpinned by country strategies

As recommended in the 2016 peer review, the Czech Republic has taken steps to reduce fragmentation. The previous list of 14 project and programme countries was reduced to nine in 2016 and further reduced to six in 2018. The Ministry of Foreign Affairs has developed five-year country strategies (2018-2023) for the current six priority countries – Bosnia and Herzegovina, Cambodia, Ethiopia, Georgia, Moldova and Zambia. All six countries have Czech Embassies with development diplomats and local staff. The country strategies, which have been discussed with partner governments, identify up to three thematic areas per country and link expected results to the SDG targets and indicators. All country programmes include both development and humanitarian elements. The country strategies are reviewed by the Council for Development Cooperation annually. Changes to programmes can be decided by the Council while changes to the list of countries would require a government decision. We heard that the Council and Ministry take into account annual performance reviews to set the country programme budgets each

year, which is a strong incentive for performance but makes it difficult to invest in longer-term change. Including longer-term indicative budgets in the country strategies and involving the partner government in the annual review process would help to build ownership, mutual accountability and predictability.

We heard that two of the six priority countries – Cambodia and Zambia – were selected as country programmes in order to increase the share of the bilateral budget directed to least developed countries. We commend the Czech Republic for its increased focus on least developed countries. Unfortunately, due to start-up issues, programmes in both countries are delayed and disbursement is low. A number of DAC members have found it challenging to establish effective bilateral programmes in least developed countries with modest budgets, and could explore how to increase support for least-developed countries within their multilateral funding.

In addition to the programme countries, four specific countries have been identified – currently Afghanistan, Iraq, Ukraine and Syria – where support will target post-conflict stabilisation and reconstruction. The list of specific countries will be reviewed periodically and can be updated with a government resolution. This approach should allow the Czech Republic to be more effective in fragile contexts and avoid the level of fragmentation previously seen in “project countries”.

Funding instruments and systems have evolved since the 2016 peer review

The 2016 peer review recommended that the Czech Republic update its rules and procedures so that it could untie aid, use partner systems and contribute to harmonised funding arrangements. There has been some progress in this area. The legislation requiring public money to be granted only to entities registered in the Czech Republic is being updated. The new legislation, which will enter into force in 2021, allows granting of public funds to organisations registered in countries where either a double taxation agreement or an international agreement on tax information exchange is in place. This update will be of interest to other DAC members with similar legislation. In addition, new instruments such as the public guarantee programme and project financing are exempt from the current legislation.

I was pleased to hear about the significant progress that has been made in relation to humanitarian assistance and linking humanitarian and development funding in fragile contexts and programme countries. Grant thresholds have increased and programme timeframes have been extended. The Czech Republic is part of the EU humanitarian-development nexus pilot in Iraq and Myanmar, for which a joint context analysis is underway. As noted in the 2016 peer review, direct humanitarian assistance through the fire service and civil protection mechanisms, particularly search and rescue, is well co-ordinated, focused on a limited number of countries and includes capacity building and preparedness elements.

Steps have been taken by the Ministry and Agency to move from projects to programmes and to increase grant thresholds. The Czech system now allows for harmonised funding arrangements, multi-annual grants, budget support and direct support to public institutions. Support to harmonised instruments is expected to grow, particularly as part of the strategy to blend Czech ODA with EU resources mentioned above. The experience of other DAC members in this area – particularly in designing larger bilateral partnerships and programmes – will be a valuable resource for the Czech Republic in planning for budget growth.

Implementing partners remain concerned about funding predictability, both in relation to the budget envelope for different funding channels and the country programme budgets. ODA allocations are set annually with rolling two-year indicative budgets. The Czech Republic could draw on the experience of other DAC members who publish indicative longer-term budgets to assist with strategic planning and to improve predictability, both for partner governments and implementing partners.

A new structure and mandate for CzechAid

In response to the 2016 peer review, a new operational guidance manual sets out a clear division of labour between MFA and CzechAid, as well as the embassies, implementers, the Council for Development Co-operation and the public.

The 2016 peer review found that CzechAid was functioning well, could absorb a larger budget and should have more autonomy to select the most appropriate funding instruments to achieve country programme objectives. This view was echoed in a 2015 Supreme Audit Report. More recently, however, a government financial control process and internal audit identified

shortcomings in the agency's systems and procedures. We heard that the agency had reported underspends in recent years due to delays arising out of both its own procedures and issues faced by implementing partners. A reform process is underway to address a number of these concerns. New proposals will curtail the role of the Agency, particularly in relation to appraising proposals and selecting funding instruments. In addition, elements of project and tender preparation will be outsourced to free up agency staff. The agency, with its team of 21 staff, implements the six country strategies and funding windows for NGOs and private sector and disbursed USD 22 million of a total USD 80 million bilateral aid budget in 2017.

The quick and decisive steps taken to address audit concerns are to be commended. Implementing partners are nonetheless concerned about a more restricted role for the Agency and increased involvement of MFA in decision-making processes. They felt it was imperative to build back the Agency's capacity and mandate in order to ensure that lessons from implementation inform policy decisions and to reduce delays with paperwork. We heard that the labour and skills shortage which affects the Czech Republic more broadly is impacting on recruitment and retention of staff in the Agency and Ministry. With no plans in place to increase staff numbers, human resources capacity is likely to be a key constraint to effective implementation of an expanded ODA budget under the 2019-2030 development co-operation strategy.

Systems are evolving to ensure that results and evaluations inform decision making

Concerns in the 2016 peer review about the independence of evaluations have been addressed in a pragmatic manner that appears appropriate to the current programme. While the evaluation manager reports to the Director of the Department for Development Cooperation and Humanitarian Aid, evaluation plans are approved by the Council for Development Cooperation and all evaluations are published. In addition, a reference group including external experts is established for each evaluation and reviews draft reports. Evaluation coverage appears to be strategic, with 5-6 evaluations carried out per year and a recent focus on evaluating funding instruments. Findings from an evaluation of Czech scholarships, including a number of criticisms, have been reflected in the new scholarships strategy for 2019-24 which was approved by government in January 2019.

In addition to the country strategies which are linked to specific SDG targets, each Czech-funded programme has a logical framework with results at output level. This is a good basis for the Czech Republic to build a culture of using results information for communication, accountability, strategic decision-making and learning. At present, results achieved through development co-operation are rarely communicated to parliament or to the public at outcome level in a comprehensive way.

Conclusion

Overall, I was encouraged by the progress made by the Czech Republic to address the DAC's 2016 recommendations. I was impressed by the ability of the Czech system to adapt to new opportunities and to take decisive action. The next peer review will allow a more in-depth assessment of progress on implementing the new strategy and re-positioning CzechAid, as well as exploring the results of new private sector instruments and country partnerships.

I wish to again thank Mr Václav Bálek and his colleagues, particularly Ms. Gabriela Boiteux-Pilná and her team, for helping to organise a most productive and interesting day of discussions in Prague.

Yours sincerely,



Mayumi Endoh

CC: Ms. Susanna Moorehead, DAC Chair
Mr. Jorge Moreira da Silva, DCD
Mr. Rahul Malhotra, DCD