

# **Hungarian international development co-operation: context, stakeholders and performance<sup>1</sup>**

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## *Abstract*

The paper explores the domestic and international context of Hungary's emerging international development policy. Specifically, it looks at three factors that may influence how this policy operates: membership in the European Union and potential 'Europeanization', Hungary's wider foreign policy strategy, and the influence of domestic stakeholders. In order to uncover how these factors affect the country's international development policy, semi structured interviews were carried out with the main stakeholders. The main conclusions are: (1) While accession to the EU did play a crucial role in re-starting Hungary's international development policy, membership in the integration has had little effect since then. (2) International development policy seems to mainly serve Hungary's regional strategic foreign policy and economic interests, and not global development goals. (3) Although all domestic development stakeholders are rather weak, the Ministry of Foreign Affairs still seems to play a dominating role. Convergence to European requirements and best practices is therefore clearly hindered by foreign policy interests and also by the weakness of non-governmental stakeholders.

*Keywords:* Hungary, international development cooperation, foreign aid, emerging donors, Europeanization

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## **Hungarian international development co-operation: context, stakeholders and performance**

### **1. Introduction**

The Central and Eastern European (CEE) countries, namely the Czech Republic, Hungary, Poland, Slovakia, Slovenia, the three Baltic countries, and later Romania and Bulgaria all became members of the international aid donor community in the past decade. In fact, 2011 can be seen as the tenth anniversary of the re-emergence of these policies in CEE, as in 2001 some of the countries above accepted their first official documents relating to international development. Therefore, it is increasingly inappropriate to call these countries 'new' donors, although their development policies are still very different than those of the older, more established Western donors, or internationally agreed 'best practices'.

This paper takes a closer look at one of these emerging donors, Hungary. Hungary was one of the first CEE countries to re-create its international development policy between 2001 and 2003, but in the past years activity in this field seems to have stagnated. There seems to be no clear strategy or direction for the future and no discussion on how and why Hungary should aid poorer countries. Resources spent on development cooperation are low and stagnating, public attention on the topic is negligible and there is no political discourse. This current state of affairs can only partly be explained by the weak economic performance of Hungary and resulting government austerity measures. The paper argues that in order to gain a better understanding of Hungary's international development policy, one must look at other factors. The main goal of the paper therefore is to explore the context of Hungarian international development cooperation and its implications on the practice and performance of the country's international development policy. Three contextual sources of influence on Hungary's external assistance policy are discussed: membership in the European Union (EU), wider foreign policy strategy and the influence of domestic stakeholders. Specifically, the following three research questions are formulated: (1) Has membership in the European Union had any effect on international development policy? (2) Is the country's international development policy affected by wider strategic foreign policy goals? (3) How do the interests and power-relations of domestic development stakeholders affect the policy area?

The main conclusions of the paper are that membership in the EU has had little noticeable effect in shaping Hungary's development policy since 2004; international development policy seems to serve Hungary's external political and economic interests; and that although all stakeholders are rather weak, the Ministry of Foreign Affairs still seems to play a dominating role. Convergence to European requirements and best practices is clearly hindered by foreign policy interests and also by the weakness of non-governmental stakeholders. These issues make the creation of a unified vision on why and how Hungary should provide aid to less fortunate countries difficult.

All three of the contextual sources of influence could constitute separate research agendas. Therefore, this paper should be seen rather as exploratory research, setting the agenda for future, more detailed inquiries into the topic. Also, the paper does not attempt to describe Hungarian international policy in detail; rather it wishes to shed light on the dynamics behind the current state of affairs. Written material and data on Hungary's international development policy is limited, and there has not been much scholarly work on the topic either. In order to overcome this problem, seven semi-structured qualitative interviews with representatives of the various stakeholders were carried out. The interviewees included a senior policy official and a desk officer, as well as a former mid-level director, all from the Directorate of International Development at the Ministry of Foreign Affairs. A senior desk officer working on issues related to tied aid credits from the Ministry of National Economy was the fourth respondent. The last three respondents were three experts working at various Hungarian development NGO's, both in policy issues and 'on the field.' For reasons of confidentiality, their identities are not revealed.

The contribution of the paper to the literature is that it expands the rather scarce academic literature on development policies in the CEE countries, and provides an approach for understanding the evolution of the policy area in the case of Hungary. This sets the agenda for future, more detailed research, and can be applied to other CEE countries as well. The paper is structured around the three topics introduced above. Section 2 briefly reviews the history of Hungary's international development policy and the present challenges it faces. Section 3 analyzes the effects EU membership has had (or has failed to have) on Hungary's international development policy. Section 4

discusses the domestic policy context, and section 5 looks at the interests and relative power and influence of the development stakeholders. Section 6 concludes the paper.

## **2. Hungary's international development policy: history and present challenges**

Much of the existing literature on international development policies in the CEE countries focuses on the history of these policies and the current challenges. Studies have discussed the early beginnings (Dauderstädt, ed. 2002), the difficulties and deficiencies faced by the CEE donors (Bucar and Mrak, 2007) and more recently the interactions between these new donors and the European Union (Carbone, 2004; Lightfoot, 2008; 2010; Horky, 2010). In the case of Hungary, the works of Kiss (2002; 2007) and Paragi (2010) are the most important sources, as well as the report published by Hungary's aid agency at the time, HUN-IDA (2004). This section does not repeat the findings of this literature, rather it provides a brief overview of how development policy emerged in Hungary and what difficulties the country faces today.

All CEE countries, including Hungary, had international development policies during Communism. While there has hardly been any detailed academic research on these pre-1989 development policies, the most important characteristic is easy to identify: heavy influence of the Soviet Union's geostrategic objectives. This included providing assistance mainly to Soviet allies or developing countries with heavily leftist governments; no clear distinction between military and development aid; a high reliance on technical assistance and tied aid; and the extensive usage of scholarships (for more details, see Kiss, 2002; HUN-IDA, 2004). According to some estimates, the resources Hungary devoted to foreign assistance reached 0.7 percent of the country's national income in the late seventies, although this cannot be compared with aid expenditures today due to methodological differences. In most CEE donors, including Hungary, the impact of the Communist-era development policy can be identified to this date (Szent-Iványi and Tétényi 2008).

After the end of the Cold War, Hungary terminated its international development policy, and turned from being a donor country into a recipient of foreign aid.<sup>2</sup> During

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<sup>2</sup> Hungary was eligible for official aid between 1990 and 2004. During these 15 years, the country received a total of 5.1 billion dollars (in 2009 prices and exchanges rates). On an annual average, this amounted to 0.4-0.5 percent of Hungary's GDP (World Bank 2011).

the 1990's, there was no active bilateral development cooperation, only smaller ad hoc contributions to multilateral development organizations. Hungary re-started its international development policies due to external pressure, stemming from membership in the Organization for Economic Co-operation and Development (OECD) in 1996 and accession to the EU in 2004. The first strategic document on international development cooperation was accepted in 2001 by the government and the first Hungarian-financed bilateral aid projects started in 2003. Due to Hungary's historical, political, financial and economic conditions, the international development policy it created took on a very different nature than the ones the member countries of the OECD's Development Assistance Committee (DAC) have. Although it is very difficult to talk about a single best practice in bilateral development policies among the OECD DAC members, as all countries have their own national characteristics (Lancaster, 2007; Hoebink, ed, 2007), still in the past decade an international academic and political consensus has emerged on the desired traits of effective national bilateral aid policies. This consensus includes increasing resources spent on aid, the concepts of partnership and ownership, untying aid, better coordination between donors, aligning donor activities with recipient systems, decreasing administrative burdens of recipients, a larger emphasis on evaluation and results etc. (See for example the outcomes of the Monterrey Conference in 2002, the Rome-Paris-Accra-Busan process on aid effectiveness, or in the case of the EU, the European Consensus on Development accepted in 2006).

Hungary's aid policy on the other hand is heavily donor driven and is characterized by low amounts spent on bilateral cooperation, a high share of tied aid, the proliferation of small projects, inefficient delivery structures and the almost total lack of evaluation (Paragi 2010). Aid is given mostly to middle income neighboring countries, which implies that poverty reduction is not a true goal (Szent-Iványi 2011). Table 1 shows the amounts Hungary spent on foreign aid relative to gross national income (GNI) between 2003 and 2010, and compares it to the performance of the other CEE countries and the OECD DAC average. Hungary spent the most on international development in 2006, when official development assistance (ODA) reached 0.13% of GNI. This was however mainly due to one-off items, such debt relief to Iraq and Ethiopia. In the past years a clear stagnation of resources spent on development is visible. The member states of the EU have reiterated the need to increase resources devoted to international development,

but the global economic and financial crisis which began in 2008 has definitely curbed these ambitions. In 2010, Hungarian ODA was 0.09% of GNI, falling well short of the 0.17% target, set within the EU back in 2005 (Bucar and Mrak, 2007).

Table 1. ODA/GNI levels among the Central and Eastern European donors

	2003	2004	2005	2006	2007	2008	2009	2010
Czech Republic	0.10	0.11	0.11	0.12	0.11	0.12	0.12	0.12
Estonia	..	0.05	0.08	0.09	0.08	0.10	0.10	..
<b>Hungary</b>	<b>0.03</b>	<b>0.06</b>	<b>0.11</b>	<b>0.13</b>	<b>0.08</b>	<b>0.08</b>	<b>0.10</b>	<b>0.09</b>
Latvia	0.01	0.06	0.07	0.06	0.06	0.07	0.08	..
Lithuania	0.01	0.04	0.06	0.08	0.11	0.11	0.11	..
Poland	0.01	0.05	0.07	0.09	0.10	0.08	0.09	0.08
Romania	..	..	..	..	..	0.08	0.09	..
Slovakia	0.05	0.07	0.12	0.10	0.09	0.10	0.09	0.09
Slovenia	..	..	0.11	0.12	0.12	0.13	0.15	0.13
OECD DAC average	0.25	0.26	0.33	0.31	0.28	0.31	0.31	0.32

Source: OECD (2011).

The stagnation of the ODA/GNI level is a symptom of a more general lack of progress within Hungary's international development policy, which cannot be explained solely with the deficiency of resources. The law for regulating international development cooperation has not been passed as of late-2011 and has been "under preparation" for five years. No reforms have been started to change the inefficient institutional setting for aid delivery, in which many line-ministries are involved with only weak central coordination. The evaluation of projects and learning from their experience is hardly given any emphasis, and no attempts have been made to strengthen this. No attempts have been made to start a public discourse on the issue either. The following three sections of the paper map three sources of potential influence on Hungarian development cooperation in order to explain this stagnation: the effects of EU membership, the foreign policy context and stakeholder interests and relations.

### 3. The effects of EU membership

'Europeanization' has become a very popular concept in the past decade for understanding changes and dynamics in various policy areas due to membership in the EU or the prospect of it. During the accession process of the CEE countries to the EU,

requirements were voiced that these countries should contribute to international development efforts – thus, the EU was a crucial factor in the re-emergence of the development policies of the CEE countries, and this has made the concept of Europeanization an increasingly popular framework to study these new policies (Vittek and Lightfoot 2009; Lightfoot 2010; Horky 2010). The concept can be useful for structuring the discussion on how EU membership has affected Hungarian development policy.

Europeanization is most generally understood as the process through which countries adopt formal and informal European rules and policies (Graziano and Vink, 2007, p. 7; Schimmelfennig and Sedelmeier, 2005, p. 7). The basic model on Europeanization, advocated by Risse, Cowles and Caporaso (2001, pp. 6-12) states that laws (institutions, methods, processes, norms, behavioral rules etc.) originating from the EU level may be incongruous with relevant legislation of the nation states. Depending on how large this gap is, pressures arise for the nation state to adapt to the ‘European way’ of doing things. However, these pressures are mediated through domestic institutions, and a multitude of factors will influence whether and how the country actually changes its policies. In the end some national institutional and policy outcome will emerge, which may eliminate or reduce the original misfit, or even leave it unchanged. The pressures for change therefore may still remain, and the entire process starts again in a cyclical manner.

The two main channels for Europeanization to happen are through conditionality and socialization (Checkel 2001; Schimmelfennig and Sedelmeier 2005; Juncos 2010). In case of the former, member states are obliged to comply with any hard legislation accepted by the EU institutions. The EU can formulate explicit conditions towards accession countries as well, and often it can have an even larger leverage on these countries than it has on its own members (i.e. their accession process can be stalled if they do not comply). On the other hand, a more constructivist approach to Europeanization emphasizes the importance of longer term socialization and social learning. This involves the internalization of European values and formal rules, as well as the gradual development of the conviction that that is the only proper way to act. While Europeanization through conditionality can be rather explicit and quick, social learning is a slow process and also much more difficult to identify in practice. The two

approaches however, while relying on different theoretical backgrounds, are not mutually exclusive. In policy areas where conditionality and coercion are not possible, social learning can be the only channel for Europeanization to occur.

The question therefore is: can one find evidence of Europeanization in Hungary's development policy? In the past two decades the EU has attempted to considerably increase its influence on bilateral member state development policies, but the EU also had a chance to prescribe explicit criteria to Hungary during the accession negotiations.

The EU's influence on member states comes from several sources. The Treaty of Maastricht introduced qualitative requirements for both EU-level and member state development policies with the concepts of complementarity, coherence and coordination (the so-called 3C's, see Hoebink 2004). Concerning quantitative requirements, in 2002 the European Council reaffirmed that member states must increase their aid spending to 0.7% of their gross national incomes by 2015, and set an intermediate goal of 0.39% by 2006. In 2005, a new intermediate goal was established for 2010 of 0.56%, and a separate goal was set for the new member states of 0.17% (Bucar and Mrak 2007, p. 7). Also, in 2005 a joint statement by the Commission, the Council and the Parliament, entitled the 'European Consensus on Development', created a new framework for the EU's common development policy and also laid down many requirements for the individual member states. Other requirements include untying aid (European Commission 2002), focusing aid on Africa, increasing aid effectiveness (European Commission 2006; 2007) and implementing internationally agreed best practices such as the Paris Declaration or the Accra Agenda (Council of the European Union 2011).

Europeanization in the short term can be most effective through explicit conditionality. However, almost all the requirements the EU voices towards member states in the field of international development fall into the category of soft law, i.e. they are mainly recommendations. The EU could have formulated conditions during Hungary's accession negotiations, but it did not. It is well documented that international development (included in the negotiating chapter on trade) was neglected during the accession negotiations and no specific requirements were voiced, besides the fact that Hungary, as all other CEE countries, must create such a policy (Fodor 2003). According to one of the foreign ministry official interviewed, the EU missed its only possibility to

exert any true influence on the course Hungary's emerging international development policy took. Without any explicit conditions however, there was no reason for Hungary to adopt the practices advocated by the EU.

The actual 'hard' requirements (i.e. binding rules to which the member states are legally required to conform to) the EU has in place in the field are all either highly technical, such as the classification of aid projects and reporting on specific issues such as policy coherence; or related to financial issues, such as contribution to the European Development Fund (EDF). In this sense, according to a ministry official interviewed, there is evidence of Europeanization, but it is rather limited and has no significant influence on actual policies.

If there is no explicit conditionality and no 'hard' pressure, that would leave socialization as the main channel for the Europeanization of Hungary's development policy. Officials at the Hungarian Ministry of Foreign Affairs (MFA) and other line ministries involved in international development of course have continuous interactions with the EU, as they take part in the comitology system of the integration. They frequently interact with officials from other member states and from the European Commission. It is very difficult to draw any conclusion on the extent of social learning, but there are many factors hindering it, such as the high turnover of MFA staff and the perceptions dominating in the ministry on what interests and comparative advantages Hungary has. According to the respondents, the perception that Hungarian interests dictate a different type of international development policy than what the EU tries to advocate seems dominant within the MFA. All three ministry officials interviewed seem to believe that Hungarian development policy should not follow blindly the requirements of the EU, but should take Hungary's situation into account as well. For example, they maintain that Hungary should receive economic and political benefits from giving aid and thus tying aid to exports is justified. They do acknowledge that many issues that the EU raises, such as placing a greater emphasis on evaluation and feedback are generally important, but Hungary has other priorities, such as building a constituency for aid. As these issues are related to the other two sources of influence on Hungarian external development policy, they will be discussed in more detail below.

European values and norms on development are therefore far from being internalized by the Hungarian MFA officials. They have learned to “talk the talk”, but the impression from the interviews was that they mostly see the various committee meetings as terrains for pursuing national interest and not opportunities for themselves to learn and adapt.

In sum, the current practice of Hungarian development policy is rather far from the soft requirements of the EU. Conditionality is only present on the technical level and has had no real effect on policies. There seems to be little evidence for social learning either, but this can be due to the fact that Hungary has not been a member of the EU long enough for the mechanics of social learning to kick in. It is concluded that there is little evidence of Europeanization in Hungary’s international development policy.

### **3. Foreign Policy Strategy and Development**

The second source of influence on Hungarian international development policy is the wider foreign policy context. It is widely agreed that foreign aid is a tool of foreign policy, and can be used to serve specific foreign policy goals, such as influencing other countries, building alliances, creating stability and increasing national security (Degnbol-Martinussen and Engberg-Pedersen 2005). This section identifies the main strategic goals of Hungary’s foreign policy, and then looks at how these relate to the current allocation of foreign aid.

After the end of Communism, a consensual Hungarian foreign policy strategy emerged. This strategy rested on three pillars: (1) integration in the Euro-Atlantic community; (2) the protection of ethnic Hungarians living abroad; and (3) good relations with neighboring countries. While this strategy served Hungary well throughout the nineties, it became obsolete as Hungary joined the North Atlantic Treaty Organization (NATO) in 1999 and the EU 2004. It was also realized that protecting ethnic Hungarians (most of them living in the neighboring countries) inevitably led to conflicts with the neighbors, and so the two second priorities needed to be reconciled in some manner. After a long preparatory work involving more than 100 experts and academics, a new

foreign policy strategy was accepted by the government in 2008, meant to be valid until 2020.<sup>3</sup>

The new strategy also rests on three pillars, which to some extent refine the three pillars of the previous strategy and also expand them (Hungarian Government 2008). Pillar one is entitled 'Competitive Hungary in the European Union', which details Hungary's interests in relation to the EU. These include maintaining and deepening the integration, maintaining community solidarity, keeping the integration open (including future enlargements) and increasing Europe's competitive position and global influence. Pillar two is 'Successful Hungarians in the region', which basically attempts to reconcile the contradictions between protecting the interests of Hungarian minorities and good relations with the neighbors. This pillar stresses regional cooperation for mutual benefits, emphasizes stability and development in the Balkans and the Eastern countries (and the importance of their EU and NATO accession), and also the need for Hungary to serve as a major investor and trading partner in the region. The support of Hungarian minorities is a further key issue here, but it is placed into an EU framework, and the strategy also emphasizes the protection of non-Hungarian minorities living in Hungary. Finally, pillar three is entitled 'Responsible Hungary in the world'. This objective includes contributing to global peace, the spread of democratic values and human rights, promoting global governance, combating climate change, reducing global poverty and increasing global security.

The question is how international development policy relates to these three pillars. Due to the nature of development policy, and the requirements of the EU, it should mainly be serving the strategic objectives outlined in pillar three, i.e. issues like global poverty reduction. Hungary's foreign policy strategy includes three paragraphs on international development cooperation, which seem to reinforce this idea. In these paragraphs, a reference is made to the Millennium Development Goals and how Hungary supports the efforts of the international donor community in achieving them; a commitment to increase ODA and reach the 0.17 and 0.33 percent ODA/GNI targets set by the Council of the EU for 2010 and 2015. The third paragraph is meant to discuss the geographic

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<sup>3</sup> The current Hungarian government, in power since 2010 and led by the conservative FIDESZ, has signaled the need for a new strategy. However, work on it has not started and no information on future directions can be found on the website of the government as of late-2011.

focus of Hungarian aid, which besides mentioning the importance of Africa, emphasizes maintaining a close relationship with Southern and Eastern Europe and the Far East.

However, based on data on Hungarian aid allocation and interviews with ministry staff and NGO's, it can be argued that Hungarian international development policy mainly serves pillar two of the strategy, i.e. helping Hungary and Hungarians become 'successful' in the CEE region. A glance at aid allocation data from the MFA's report on the implementation of official development and humanitarian assistance in 2010 (Hungarian Ministry of Foreign Affairs 2011) illustrates this point well, but the conclusions are valid for earlier years as well (Szent-Ivanyi 2011). In 2010, Hungary spent 113 million US dollars on ODA, of which approximately 26.6 million were channeled bilaterally. Table 2 shows a breakdown of these bilateral funds.

Table 2. The regional allocation of Hungary's bilateral aid in 2010

<b>Region</b>	<b>Amount (thousand dollars)</b>	<b>Share in total (%)</b>
South-East Europe and CIS	8 892	33
of which: support to Hungarian minorities	3 927	15
Afghanistan	5 555	21
Africa	762	3
Other regions	2 932	11
Costs of refugees in Hungary	6 096	23
Unallocated*	2 353	9
<b>Total bilateral</b>	<b>26 590</b>	<b>100</b>

\*: The budget spent by the MFA itself is not broken down in the report. Most of it was probably allocated to Afghanistan, and it also includes the amounts spent on humanitarian aid.

Source: calculations of the author, based on Hungarian Ministry of Foreign Affairs (2011, pp. 36-47).

As can be seen from Table 2, countries in the Balkans and in the former Soviet region receive the highest chunk of Hungary's bilateral aid. A significant portion of these resources (15% of total bilateral aid) is actually channeled to support ethnic Hungarians in Serbia and the Ukraine. Only 3% of Hungary's bilateral aid is channeled to African countries, and even that is mainly in the form of scholarships to Hungary, so some may argue that it benefits Hungary even more in the form of brain drain than it does the African countries. The single largest receiving county is however Afghanistan, where

Hungary, as a part of the NATO coalition is in charge of a provincial reconstruction team, and therefore has an international obligation to contribute to the development of the country. Looking at the aid allocation data, it is clear that it is more in-line with second pillar foreign policy objectives than it is with global poverty reduction. Developing countries (with the exception of Afghanistan), where poverty is a huge issue, democratic values and the respect for human rights have much to ask for and the quality of governance is low receive much lower amounts of aid than middle income neighboring countries, relations with which are crucial for pillar two of the strategy.

The interviews basically reinforced this conclusion based on aid allocation data. Respondents from the MFA mentioned that Hungary's main comparative advantages and foreign policy interests dictate giving aid to the neighboring countries, and to those countries which Hungarian actors 'know well', the latter clearly implying countries with which Hungary has had more extensive development relations during Communism, such as Vietnam, the Palestinian Authority, or Yemen. Hungarian NGO's and private companies clearly have some advantages in the neighboring countries, but giving aid to such partners is also underpinned by foreign and security policy considerations, such as the need for regional stability. One respondent cited the case of the Kosovo war in 1999, which had an adverse affect on foreign investments to Hungary. The official interviewed from the Ministry of National Economy mainly emphasized economic interests, saying that foreign aid should be used as a tool to pave the way for Hungarian exports and investments in the neighboring countries.

Hungary is not perceived to have any comparative advantage in giving aid to Africa. As mentioned by an MFA respondent, Africa is for 'the big players'. Building a presence in Africa in order to deliver efficient development aid has high fixed costs, which Hungary cannot afford. As Hungary currently only has two embassies in Sub-Saharan African countries (in South Africa and Kenya), one can hardly argue that the continent figures highly among foreign policy and international development considerations.

NGO respondents complained that poverty reduction is not a true goal of Hungary's international development policy, because if it were, Hungary would devote a larger attention to regions where the return on aid in terms of people lifted out of poverty was higher. It was also mentioned that the lack of the MFA's attention towards Africa is

highly frustrating and makes the work of NGO's dedicated towards the region highly difficult.

One may argue that the relatively large amounts spent in Afghanistan can be attributed to the third pillar of Hungary's foreign policy strategy, and so can multilateral aid (which makes up some 75% percent of Hungary's total ODA). However, the Hungarian mission in Afghanistan seems to be perceived as an international obligation, and much of Hungary's multilateral aid is based on compulsory membership fees, and so the country has little freedom in deciding how much it pays and how it is spent. References in the foreign policy strategy to global poverty, the MDG's, or the respect for human rights may thus be a further example of Hungarian politicians and officials having learned to 'talk the talk' of international development, but they are not supported strongly by aid allocation.

Summing up this section and answering the second research question, it is clear that Hungary's international development policy is affected by wider foreign policy, as foreign aid is used to a large extent to promote Hungarian political and economic interests in the region, such as maintaining stability, helping ethnic Hungarians and building economic opportunities for Hungarian companies. Aid is used to a much lesser extent in decreasing global poverty, promoting the respect for human rights, i.e. the goals elaborated in pillar three of the country's foreign policy strategy.

#### **4. Development stakeholders**

The third potential source of influence on international development policy are power relations between domestic stakeholders and their interests. The literature on how domestic dynamics affect international development policy in the OECD DAC member donor countries is still rather sparse, and these dynamics are not well understood. Lancaster (2007) is one of the few comprehensive works, which analysis these interior dynamics in the case of the US, Japan, France, Germany and Denmark.

Major foreign aid stakeholders include political parties, the government organizations and officials actually working on foreign aid, NGO's, business interests and the wider public. Political parties may have their own preferences, for example socialist parties may put a larger emphasis on solidarity (Hopkins 2000). Governing parties also react to

the wider public opinion, although international development – like foreign policy in general – is not highly sensitive to it (Otter 2003).

Within the government, the bureaucracies that take part in the day-to-day practice of international development are also major stakeholders. In fact, ministry officials can often have an important role in shaping policy, if political attention on the topic is low, or other interest groups are divided. In many OECD DAC countries it was the officials of the foreign ministries that pushed for reforms. Lancaster (2007: 101) mentions the State Department and USAID as important constituents for giving aid in the US. In case of the reform of the EU's common development policy, the officials in the Commission played a leading role (Carbone 2007). Staff working on international development issues may be more concerned about aid effectiveness, because their prestige and future budget depends on the impact of their work. Thus, such staff may push for aid policies that are likely to increase the impact of aid. As shown below, this is not the case in Hungary.

Other stakeholders include those who are profiting from the 'development business', either financially or otherwise: private companies and development NGO's. It is clear that one cannot lump NGO's and private companies into a single group, as NGO's – while also making a living from international development – do not seek profit, but rather have ethical and moral motivations. While private companies most likely prefer aid practices which provide them with clear benefits (such as tied aid), NGO's generally advocate practices which involve increasing levels of aid, are more beneficial for the partners, and more in-line with international best practices. Lancaster (2007: 103) notes that NGO's and business coalitions in the US lobbied together successfully to block cuts of foreign aid in the 1980's.

The remainder of this section briefly analyzes the interests and relative power of two major development stakeholders in Hungary: the MFA and development NGO's. As mentioned earlier, international development issues are not part of the everyday political dialogue in Hungary, in fact they hardly ever are an issue. Political parties rarely raise the topic, which clearly indicates that they do not figure high on the political agenda. Due to this, the interests of these political actors will not be discussed. While private companies that benefit from the aid business do exist in Hungary, their numbers are

definitely low and they are difficult to identify, therefore their role is only discussed marginally.

Due to the lack of political attention, the bureaucracy of the MFA may have larger possibilities to define how international development policy is shaped. The institutional set-up for international development in Hungary is highly fragmented: there is no single budget-line for foreign aid, almost all line-ministries are involved to some degree. The MFA has a central, coordinating role, and is also in charge of policy formulation. This coordination is carried out by two committees, one on the ministerial level and another on the level of officials and experts from various ministries working on international development. However, it became clear from the interviews that the MFA usually has no real power to influence other ministries on how they determine their priorities and how they spend their aid-budgets. All line ministries seem to have their own understanding of what foreign is or what it should be used for, and the MFA has no authority over their decisions. In 2010, the MFA actually only controlled about 25 percent of bilateral ODA (Hungarian Ministry of Foreign Affairs 2011, p. 36).

MFA officials complained that much of their weakness and inability to influence other official actors is related to the lack of resources. They mentioned that their work has become very difficult in the past years, as Hungary has been facing strong needs to cut budget expenditures since 2006, which were exacerbated by the global crisis even further. The respondents from NGO's added that the MFA also lacks expertise. An example they gave is that the turnaround of staff in the MFA is high and many of them do not seem to have a clear understanding of what international development should actually be about.

Still, MFA officials, while acknowledging their constraints, argued that they do everything they can to promote 'Hungarian interests', also on the EU-level. MFA officials were well aware of the fact that development policy tools often serve foreign policy interests other than global development (as discussed in section 3). In fact, the most surprising theme from the interviews was that development staff in the MFA actually seemed to support this approach. They saw no contradiction here, as they argued that Hungary should contribute to 'regional' development, as it has 'comparative advantages' in the region that other donors do not. According to this argument, poverty

stricken regions like Sub-Saharan Africa are for donors who have more resources and also possess large and strong NGO's and private companies to implement projects. Countries like Hungary however, who lack such large actors, need a different approach and must make the fostering of 'local aid champions' a part of their policies. This theme emerged in many different forms during the interviews, and it was mostly the government officials, both from the MFA and the Ministry of National Economy who mentioned it, and not the NGO's. One issue closely related to this was the EDF – one of the respondents emphasized the fact that Hungarian companies and individual experts are rarely competitive enough to win international development tenders and grants financed from the EDF. According to this logic, the money Hungary contributes to the Fund (almost €125 million between 2008 and 2013) is effectively lost for Hungary. Apparently the MFA even lobbied to change the rules of the EDF in order to provide some form of positive discrimination not only for companies and NGO's from the African, Caribbean and Pacific (ACP) countries, but also to ones from CEE. A second related issue is tied aid, which has already been mentioned, but should be reiterated here. The Ministry of National Economy, which is in charge of the budget for tied-aid credits, perceives the various forms of tied aid solely as a tool for helping Hungarian enterprises to gain international presence.

The need to use development policy to strengthen Hungarian development actors and serve foreign policy interests can explain why Hungary may resist pressures from the EU to untie aid, make a greater use program based aid, or use practices which may lead to greater ownership of the recipient. It can explain why the MFA failed to act as a catalyst in promoting this adaptation. It is not clear however, whether this is actually a true conviction of MFA officials, or is it just rhetoric towards the Hungarian government which they think can help them secure funds.

Turning to development NGO's, their weakness stemming in part from the Communist era and Hungary's relatively lower incomes, is still a problem they must overcome. Financing their activities can often seem daunting: raising resources from donations has proven difficult, so they must rely on grants from the state or international organizations. The actions and power of development NGO's however clearly depends on the amount of resources they can draw on, public support for their cause and also the way governments and ministry officials perceive the activities (and usefulness) of

NGO's. So what influence do NGO's have Hungarian development policy making? Hungarian NGO's, and their platform organization HAND are highly active in lobbying. HAND had a high profile during the Hungarian EU presidency in the first half of 2011, organizing a multitude of events and producing policy papers. Recently, a group of NGO's drafted a strategy recommendation for the MFA on Hungarian engagement with Africa. NGO's are also active in monitoring the government, as shown by the Aid Watch Reports published in 2007 (Kiss 2007) and 2011. They are also represented on an advisory committee that formally meets once a year to discuss the implementation of international development policy in the previous year and formulate recommendations for the future. According to the MFA's report on the implementation of international development assistance in 2010, ministry officials also met formally every "one or two months" with representatives of HAND, and participated on events organized by the platform if invited (Hungarian Ministry of Foreign Affairs 2011: 32). Therefore, it is clear that despite their lack of resources, NGO's do try to shape Hungary's international development policy, using both formal institutions and other means. They are committed to increasing the effectiveness of aid, emphasizing global poverty reduction, and also increasing the transparency of the MFA and other ministries.

Respondents from NGO's however complained that the MFA does not treat them as partners. The flow of information from the ministry is slow at best and the opinions of NGO's are rarely asked for. Their requests for information often take a long time to be processed, and grant applications often include unfavorable conditions for them, although in the past years due to austerity measures, the MFA's budget for such grants has greatly decreased. The formal meetings seem to the NGO's as little more than talk shops, as the problems raised are rarely followed up or acted upon. In fact, one respondent mentioned that the MFA seems to treat them with outright hostility, which seems to be in stark contrast with what ministry officials have said about the need to strengthen domestic NGO's. This contradiction may be difficult to explain. While it may point to differences in perceptions, it may also hint towards the possibility that helping domestic actors is just rhetoric on the side of the MFA. Or – as one NGO respondent put it – the MFA simply does not like being told what to do.

All these issues may imply that NGO's are not able to exert substantial influence on Hungary's international development policy. Still, most NGO's do agree that they did have an important impact in the past years in making the MFA more transparent and forcing it to disclose more information publicly on its activities. Summing up this section, both the MFA and development NGO's have weaknesses, but it seems that the former is more powerful and thus able to have a larger influence on international development. However, the MFA seems to favor a policy which is aligned with Hungarian political and economic interests and not so much with global poverty reduction. The reasons for the MFA's motivations are unclear. Higher level political interest in the issue, as well as clear political and strategic guidance are greatly needed.

### **Conclusions**

The paper has discussed three potential sources of influence which may have had a role in shaping Hungary's emerging international development policy in the past decade: membership in the EU, Hungarian foreign policy priorities, and relationships and relative power of domestic stakeholders. These three factors are of course heavily interrelated and all three must be taken into consideration when explaining the evolution of Hungary's international development policy.

The main conclusion that emerges is that in the past decade Hungary's international development policy seems to have been guided mainly by Hungary's political and economic interests, as the close links between the country's foreign policy strategy and aid allocation demonstrate. Foreign aid is used to a much lesser extent to promote global development and poverty reduction. The requirements of the EU in this policy area (mainly in the domain of soft law), which mandate the increase of aid effectiveness in decreasing global poverty have had little impact on Hungary's practice. One potential reason for this can be found in the dynamics between the domestic stakeholders: development staff at the Ministry of Foreign Affairs seem to support the current approach, and therefore the MFA has failed to act as a catalyst in orienting development policy towards a more global, poverty-focused approach. Higher level political guidance is lacking and development NGO's are too weak to achieve any substantial influence.

These dynamics may allow one to draw conclusions on the potential future evolution of Hungarian development cooperation. Most importantly, convergence to EU practices

will likely be slow, and it will only take place as incomes and development experience in Hungary increase, allowing the country to play more of a global role, and also strengthening development actors. International pressures which try to push for a quick adaptation of Hungary's international development policy to European or other standards are likely to be unsuccessful.

As emphasized in the introduction, this research should be seen as exploratory, and all three sources of influence need further investigation, especially concerning the casual mechanics. Future research may also attempt to uncover similar dynamics in other CEE countries and thus provide a possibility for comparison.

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