POLICY COHERENCE FOR DEVELOPMENT IN EASTERN PARTNERSHIP COUNTRIES

CASE STUDIES

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GRUPA ZAGRANICA

INTRODUCTION

This report is a part of the project „Research cooperation for policy coherence in support of the Eastern Partnership (EaP) countries", which aims at increasing the effectiveness of development assistance offered by the Visegrad Group (V4) countries to the EaP countries through building synergies between V4 countries' development policies and other policies affecting the EaP region. The project is developed by 4 national platforms of non-governmental organizations engaged in democratization, development cooperation, humanitarian aid and global education.

Policy Coherence for Development is an idea which assumes basing various national and international policies on a paradigm of development and – in consequence – improving aid actions, especially in North-South relations. According to this idea, development cooperation constitutes only one of the branches of international policy which – in isolation from other actions towards the poorest countries – may never bring long-term and permanent socio-economic changes. Many processes and actions undertaken in the field of international relations stand in opposition to development goals.

The research presented in this report aims at strengthening public and political support for ensuring Policy Coherence for Development (PCD) and formulating recommendations for policy coherence. The report includes 4 case studies from Czech Republic, Hungary, Slovakia and Poland to illustrate the (in)coherence between development cooperation and non-development policy areas:

The Czech case study provided by the Czech Forum for Development Cooperation (FoRS) describes the links among the V4 countries – the Czech Republic, Poland, Hungary, Slovakia – and Azerbaijan in terms of fossil energy imports. The Czech Republic already imports Azeri oil, and the other V4 and as well European countries are looking to import natural gas from the Caspian Sea. This paper explores whether such a preference is in line with the need of making state policies coherent with the imperatives of the development cooperation approach.

The Hungarian case study provided by the Hungarian Association of NGOs for Development (HAND) illustrates general tendency that the development assistance disbursed in neighbouring regions (the Western Balkans and Eastern Europe) targets much rather communities of Hungarian minority specifically and locally rather than development or transition support in the partner country in general. This paper seeks to explore if there are attempts to establish coherence between the two policies on the intra- and inter-ministerial levels of policy planning and when implemented in the partner country.

The goal of the Slovak case study provided by the Slovak NGDO Platform (Platforma MVRO) is to present a positive coherency between Slovakia's energy policy and its development policy towards Ukraine. The paper thus identifies the current development needs of Ukraine in the fields of strengthening energy security, improving energy efficiency, and the use of renewables, and tries to explore Slovakia's potential for the sharing of experience in the field of energy sector reforms. The paper also defines the role of Slovakia in mitigating the political, economic, legal and infrastructural barriers to the inclusion of Ukraine in the progressing regional integration of natural gas markets between V4 countries, as well as the market-coupling in electricity between the Czech Republic–Slovakia–Hungary–Romania, as part of its PCD effort.

The last case study provided by the Polish NGDO Platform Grupa Zagranica „Poland's Development Aid and Foreign Direct Investment in Moldova" aims to show the practical implementation of the Development Cooperation Act in Foreign Direct Investment practice abroad. The article draws attention to the important role of institutions, both government institutions as well as institutions supporting foreign trade and investment policy, in implementing the PCD, and points out that a lack of systemic solutions results in weak coordination and a lack of efficient mechanisms and tools.

In most of the V4 countries covered in the report, PCD has a small political anchorage and its principles still need to be put into practice. Even though coordination bodies exist at inter-ministerial level in some countries, a more effective coordination at the policy formulation stage is still necessary. Therefore, the study serves as an awareness-raising and advocacy tool for partners involved in the project.

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CZECH CASE

by Pavel Přibyl / Czech Forum for Development Cooperation (FoRS)

CASPIAN NATURAL GAS – TOO TEMPTING TO CARE ABOUT CONSEQUENCES?

The role of the Czech Republic, Visegrad Four (V4) countries and the EU in promoting the Southern Gas Corridor

EXECUTIVE SUMMARY

This report describes the links among the V4 countries – the Czech Republic, Poland, Hungary, Slovakia – and Azerbaijan in terms of fossil energy imports. The Czech Republic already imports Azeri oil, and the other V4 and as well European countries are looking to import natural gas from the Caspian Sea.

V4 countries are active proponents of the Southern Gas Corridor, a series of pipelines on the EU's Projects of Common Interest list. This report explores whether such a preference is in line with the need of making state policies coherent with the imperatives of the development cooperation approach.

In contrast to the official line of the V4 approach to Azerbaijan, there is a dark reality behind these national policies. Chiefly, the violation of human rights by the authoritative regime in Azerbaijan is of concern, which contradicts the principal values of Czech foreign policy. The promotion of the Southern Gas Corridor also shows that Czech policy-makers neglect the huge potential of energy savings in the country that, if taken seriously, could overweight by volumes the energy potential of the gas to be imported via the Corridor and (AS-delete) lead to an energy independence. The report also investigates to what extent the Southern Gas Corridor, if realised, would be in line with the EU's Energy Roadmap 2050.

EASTERN PARTNERSHIP

Inaugurated in Prague in May 2009, the Eastern Partnership is an EU-initiative intended to govern European relationships with post-Soviet states of Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. According to the founding summit, the Partnership is based on pragmatic cooperation of equal partners in the fields of trade and energy security and also should contribute to the strengthening of democratic principles and better governance. Though Czech Republic cooperates with all Eastern Partnership countries, its approach varies. With Armenia, Azerbaijan and Belarus it wants to utilise bilateral economic potential, but at the same time maintain dialogue on human rights.

THE CZECH REPUBLIC'S TRADE LINKS WITH AZERBAIJAN

Trade links between the Czech Republic and Azerbaijan in recent years. Since 2009, the Czech embassy in Baku has led the way, with Czech companies focused mainly on big infrastructure projects financed from oil extraction revenues, FDIs and repatriated incomes.[1] Czech companies build road and rail networks, oil refineries and gas processing facilities, like new ports and a cargo terminal in Baku.

These companies are supported via economic diplomacy.[2] According to the Czech national export guarantee agency EGAP, in recent years insurance was provided for the exports totalling EUR 1.9 billion.[3] Since October 2014, another limit for activities in Azerbaijan is for disposal in the volume of EUR 527,000.[4] For EGAP, Azerbaijan is a main destination of export guarantees and one of three countries that receives more than 10 per cent of its portfolio.

The Czech Republic also exports arms to Azerbaijan, as much as EUR 1.9 million in 2014.[5] According to anti arm-trade initiatives, Azerbaijan, as well as Armenia, are under the OSCE arm trade embargo due to the conflict over Nagorno-Karabakh, and the Czech Republic has committed to respect the embargo.

Energy

Balance of trade with Azerbaijan is negative for the Czech Republic due to its oil imports, which are more than twice what is exported to Azerbaijan. Oil consumption from Caspian oil fields is increasing rapidly, and Azerbaijan is second biggest oil exporter to the Czech Republic, providing roughly a third of all oil products consumed in the country. In 2014, Czech oil imports from Azerbaijan reached EUR 1.4 billion.[6] Azerbaijan is one of the 25 *Countries of interest* in the Czech export strategy for 2012 – 2020.

Natural gas

In the long term, the Czech Republic intends to decrease its dependency on natural gas imports from Russia, which so far represents some 80 per cent of the gas consumed in the country. The remaining 20 per cent is imported from Norway. The Czech energy sector forecasts an increase in gas consumption in the future: gas should steadily replace lignite for heating homes,[7] serve to meet demand during peak hours and expect to increase in the transport sector. At the same time, the February 2015 National Security Strategy includes a priority to secure a constant, diversified supply of strategic raw materials.[8]

Therefore, the Czech government regularly supports projects that would bring gas from places other than Russia, namely the Caspian Sea region. The Southern Gas Corridor is key part of this strategy: its projects are mentioned in the 2011 National Raw Material and Energy Security Strategy[9], the 2012 National Raw Material Policy[10] and the 2013 National Strategy of Czech Activities in the EU.[11] The recently updated National Energy Strategy also favours the project.

WHAT IS THE SOUTHERN GAS CORRIDOR?

Estimated at USD 45 billion, this chain of projects would bring gas to Europe from the Shah Deniz offshore gas field in Azerbaijan, which is owned by BP, Russia's Lukoil and Azerbaijan's SOCAR, among others. The corridor would pass through Georgia, Turkey, Greece, Albania and Italy to other EU markets, and consist of the South Caucasus Pipeline extension (SCPx), the Trans Anatolian Pipeline (TANAP), the Trans-Adriatic Pipeline (TAP) and other branch lines. Later it may also include the Trans-Caspian Pipeline (TCP), which would enable the export of Turkmen gas to the EU.

The preference for the Southern Gas Corridor has been given additional bearing by the conflict between Ukraine and Russia, and although the projects are mostly carried out by private sector companies (except SOCAR which is owned by the state of Azerbaijan), the EU looks set to take on many of the risks: the Southern Gas Corridor will be backed with public money via the Connecting Europe Facility (CEF), potentially the European Investment Bank (EIB) and the Project Bonds Initiative, and indirectly via a loan by the European Bank for Reconstruction and Development (EBRD) to Lukoil for the second phase of developments at Shah Deniz, a loan set to be approved in early 2015. Export credit agencies from EU countries may also back the Corridor.

AZERBAIJAN'S RECORD OF HUMAN RIGHTS VIOLATIONS

In recent years Azerbaijan has witnessed a sharp economic growth, while the regime has strengthened its antidemocratic nature. Political opponents and critics of president Ilham Aliyev are being imprisoned. For many years the crackdown has been reported by international organizations like Human Rights Watch, CEE Bankwatch Network and People in Need in the Czech Republic.

The Aliyev family has ruled since 1969, when the current president's father, Heydar Aliyev – a former head of the KGB in Azerbaijan – became leader of Soviet Azerbaijan. He held the position for almost 20 years until he was forced to resign amidst corruption charges. However with the collapse of the Soviet Union, he regained power through a military coup and later formally 'won' the presidency in a national election in October 1993 and remained there for a decade. Before his death in 2003, his son Ilham inherited the country's leadership, winning the presidency in an election that many outside observers claimed was rigged in his favour.

Since then the Aliyev family has hung to power through a combination of fraudulent elections, intimidation and arrests of opposition candidates and voters, suffocating protests and media freedom. The Election Observation Mission of OSCE Office for Democratic Institutions and Human Rights concluded that the most recent presidential elections in 2013 were "*undermined by limitations on the freedoms of expression, assembly and association that did not guarantee a level playing field for candidates*". In June 2015, the Azeri authorities gave the OSCE one month to stop its activities and withdraw their project coordinator from the country.

Problems with Azerbaijan's democratic institution persist. Before 2009, the constitution limited presidential mandates to two, five-year terms, but through amendments to 29 articles, an abolition of the presidential term limit was approved.

Corruption extends to the highest levels in Azerbaijan, including the president and his family. Transparency International's 2014 Corruption Perception Index ranked Azerbaijan 126 out of 175 countries. Investigative journalists like Khadija Ismailova, who exposed the wealth and corruption of President Aliyev and his family, have been prosecuted, defamed and put behind bars on fabricated charges.

In 2012 President Aliyev signed and Parliament adopted a series of regressive amendments to the law on the right to obtain information, the law on the state registration of legal entities, and the law on commercial secrets. These legislative changes, known as the 'corporate secrecy amendments' were criticised by transparency groups because they prevent public access to information about the ownership of commercial entities, the amount of their charter capital, ownership structure, and other similar data.

In recent years Azeri authorities have worked aggressively to silence all forms of criticism and have effectively removed critical voices from public life. Restrictive amendments were introduced to the Law on Grants, the Law on Non-governmental Organizations, the Law on Registration of Legal Entities and State Registry, and the Code on Administrative Offense. In combination with the targeted persecution of critical human rights defenders, interrogations and harassment, these legal changes have effectively ended the work of many independent activists in the country. Even international CSOs operating in Azerbaijan have been forced to leave or suspend their operations.

Hundreds of human rights defenders, NGO leaders, youth and social media activists, bloggers and journalists have been arrested and imprisoned. Those arrested over the last year include prominent activist Leyla Yunus whose work involved monitoring political prisoners and promoting dialogue between Azeri and Armenian communities; the country's pre-eminent human rights lawyer Intigam Aliyev; award-winning investigative journalist Khadija Ismayilova and Rasul Jafarov, who led the Sing for Democracy campaign that attracted international attention during the 2012 Eurovision Song contest and began the Sports for Rights campaign in the run up to the Baku 2015 European Olympic Games. These government critics now face many years in jail on false charges.

Many Azeris blame oil wealth for solidifying the position of the ruling Aliyev family, and projects like the Southern Gas Corridor look set to strengthen the regime further. To be sure, Aliyev has increased in confidence over the last year in throwing political opponents and civil society activists into prison.

On 24 June 2015, a group of 25 countries led by Ireland and the USA, Canada, the UK, Norway and the Netherlands, delivered a joint statement on Azerbaijan to the UN Human Rights Council on country situations of concern, in which they outlined the threats to freedom of expression in Azerbaijan and called on its authorities to "*end its crackdown on civil society and respect fundamental freedoms*".

In April 2015 Azerbaijan was downgraded from 'compliant' to 'candidate' by the Extractive Industries Transparency Initiative (EITI), a global standard to promote open and accountable management of natural resources.[12] The EITI stated that the downgrade was a result of "*deep concern for the ability of civil society to engage critically in the EITI process in Azerbaijan*". If Azerbaijan fails to implement corrective action by April 2016 it will be suspended from the EITI.

THE POSITION OF THE CZECH REPUBLIC VIS A VIS THE SOUTHERN GAS CORRIDOR

When visiting Azerbaijan, various Czech ministers have expressed support for a massive increase in gas imports. One example is a visit of the ministers for trade and foreign affairs to Azerbaijan in June 2015[13] to discuss energy security and the development of gas transit corridors[14 15]. The chair of the Chamber of Deputies[16] stopped by the European Olympic Games in Baku in summer 2015, and and in September 2015, Czech president Zeman visited his Azeri counterpart.

Energy issues are also present in the new National Foreign Policy Strategy approved in June 2015. The strategy focuses on security, prosperity, sustainable development, human dignity (including the protection of human rights), service to citizens and maintain the reputation of the Czech Republic abroad. Key countries are those of in Asia *„due to its trade and economic potential and energy resources"*.[17]

THE V4 AND EU CONTEXTS

Role of the V4 in the Southern Gas Corridor

The Czech Republic relies on its position and allies within the V4 grouping for promoting the Southern Gas Corridor at the EU level. The V4 unanimously supported the Southern Gas Corridor when elaborating its common position on the EU's 2030 climate goals. Initially, drafts of the European Council at the time did not mention the Southern Gas Corridor, nor did the EU 2030 climate package 2030 mention specific projects. But with the position of V4 plus Romania and Bulgaria, the formulation insisted on by these countries to include the Southern Gas Corridor was added to the text, which now requires the EU *„to implement critically important projects of common interests in gas sector, such as the North-South corridor, Southern corridor for gas transport and support of the new gas node in southern Europe"*.[18] With this push, the Southern Gas Corridor appeared on the list of Projects of Common Interest. In addition, the Energy Union now makes mention of the need for the Southern Gas Corridor.[19]

WHAT ARE PROJECTS OF COMMON INTEREST

In October 2013 the Commission designated a list of 248 energy infrastructure projects as Projects of Common Interest (PCIs). Among these more than 100 projects are for natural gas transmission, storage and LNG, of which at least 15 are aimed at increasing the import of gas into the EU, most notably via the series of projects that make up the Southern Gas Corridor. Only two PCI projects are for smart grids, while the remainder are electricity and gas interconnectors, transmission and storage projects, plus six oil projects, including the construction of an

oil terminal in Gdansk and an Italy-Germany oil connection.

PCI projects should benefit from accelerated licensing procedures, improved regulatory conditions, and access to financial support totalling EUR 5.35 billion from the Connecting Europe Facility (CEF)[20] between 2014 and 2020. For the Southern gas corridor project the EU is ready to provide EUR 3,7 million for feasibility study or for environmental impact assessment.[21]

Among the discussions about diversification of energy supply, few have noticed that these gas projects are not justified by the actual needs identified by the EU's own Roadmap 2050.

Hungary

Since 2008 political ties between Hungary and Azerbaijan have strengthened. Prior to then, only one mutual presidential visit or prime ministerial trip took place, but since 2008, there have been eight such visits. After 2010 the government pursued an 'Eastern Opening'[22], aiming to bolster political relations in order to reinforce economic ones. One of the main targets of the "Eastern Opening" is Azerbaijan.[23] In practice this has meant Hungarian exports to Azerbaijan, which constitute 99.9 per cent of bilateral trade, as Hungary's imports are of marginal importance: EUR 54,000 in 2013.[24]

The last time President Aliyev visited Hungary was in November 2014, when the strategic partnership agreement between Hungary and Azerbaijan was signed. In connection to that visit, Prime minister Orbán said: *"It is our mutual interest and our most important duty to get Azerbaijani gas to Hungary and the whole Central European region"*.

Hungary and the alternative gas transit routes

Hungary supports every alternative gas pipeline plan to the south. In the case of South Stream, Russia and Hungary signed an agreement in 2008 to establish a joint venture between the Hungarian Development Bank and Gazprom to build and maintain the Hungarian section of the pipeline.

Hungary also fully supports the competing Southern Gas Corridor: *"The Azerbaijani gas could play an important role in ensuring energy security in the region, it would mean diversification both from the viewpoint of the route and the source of supply"*.[25]

The need for diversification in Hungary

It is no coincidence that Hungary seizes every opportunity to diversify its gas transit routes. Hungary depends heavily on Russian gas for more than 80 per cent of its gas imports, while gas accounts for 40 per cent of final energy consumption, almost double the EU average. Both of these dependencies are remarkably high, and such a combination appears nowhere else in the EU.

According to the European Commission[26], Hungary's gas consumption will decrease by 20 per cent between 2010 and 2030, while it already had seen a decrease by 20 per cent following the economic crisis. Others predict an even more significant decrease.[27] A 2010 International Energy Agency analysis, it is difficult to predicts that Hungary's gas consumption can be reduced by its energy savings potential in both the residential and industrial sectors.

Alternative gas routes and policies

Adopted in 2012 and revised in 2014, the National Energy Strategy of Hungary acknowledges its dependence on external sources but considers its infrastructure and location as advantageous, providing *„ a significant contribution to the country's weight in terms of energy policy"*.

The conclusions of the strategy are mixed: *„The most efficient and effective way, also viable in the short term, of increasing the security of supply is to reduce consumption and to treat energy savings and energy efficiency as priorities. However, the securing of natural gas supply from diverse sources and along alternative routes and the continuous maintenance of the existing infrastructure must also be continued"*.

In practice, the government emphasises the latter approach of building new infrastructure, and Azerbaijan is mentioned as a priority partner. Regarding energy efficiency, Hungary does the bare minimum as mandated by EU directives and not more. In 2015 it was one of the last EU countries to transpose the Energy Efficiency Directive and only after the Commission referred it to the Court and proposed fines for failing to do so.

Poland

The Polish government has stable relationships with Azerbaijan, which both the Minister of Economy and the Deputy Prime Minister have described as politically and economically strategic. Since 2014 Polish authorities and business representatives have frequently visited Azerbaijan, including a visit to the tomb of Heydar Aliyev, which many perceive as a way of honouring and showing unconditional support for the Aliyev family. So far Polish visits have not included meetings with civil society.

In 2005 the Polish-Azerbaijan Intergovernmental Committee for Economic Cooperation was established, with four meetings facilitated by the Polish Minister of Economy and an Azeri representative. During the last two visits (in December

2014 and June 2015) there were 66 Polish business representatives as part of the official delegations. Polish exports to Azerbaijan are growing (EUR 126 million in 2014), significantly exceeding its import (EUR 28 million in 2014). Nevertheless, Poland is not an important trade partner for Azerbaijan, and Azerbaijan is not a significant market for Polish products or services.

Polish approach towards the Southern Gas Corridor

The Minister of Economy and the Deputy Prime Minister officially state that Azeri gas is needed in the EU.[28] Poland supports the construction of the Southern Gas Corridor. After his June 2015 visit to Azerbaijan, the Ministry of Economy said: *"The Southern Gas Corridor project issue, which will allow for the supply of natural gas from the Caspian region to EU countries and thus contribute to improving the diversification of sources and routes of gas supplies and increase energy security of the Member States of the European Union, was mentioned by Deputy Prime Minister (...) in the context of both the EU policy to support this project, as well as the Polish position, which supports the implementation of this project".*

The Polish Energy Policy 2030 states that one of the main goals in securing oil and gas deliveries is to diversify supply corridors. Yet the Caspian Sea is the only region named as a source. In 2007 Poland signed a memorandum of understanding with Azerbaijan, Georgia, Lithuania and Ukraine on cooperation in the energy sector, focusing on the transport of Caspian oil to EU markets. A consortium of companies from the MoU countries was created to establish a Euro-Asian Oil Transportation Corridor (the Oddessa-Brody-Płock Pipeline). Despite many diplomatic efforts by Polish government, Azerbaijan has not made any promises about oil transfers thus far. Oil imports are one of the reasons why Poland is so striving to build relations with Azerbaijan.

Azeri oil and gas deliveries to Poland have yet to take off, with no concrete agreements made between the two countries. Analysts suggest that if it might make more sense for Poland to focus on infrastructure and trade projects like the LNG Terminal in Świnoujście (Baltic Sea) and oil ports in Gdańsk (Baltic Sea) in order to increase Polish security, instead of the complicated cooperation it now pursues with a distant Azerbaijan.

On 14 April 2015, members of the Polish, Czech and Slovak Parliaments supported the Southern Gas Corridor, agreeing that its major value-added will be greater independence from Russian gas. The parliamentarians reaffirmed that decisions regarding national energy mixes should be made nationally. Such a position is in line with the current draft of the Polish Energy Policy 2050[29], which says that the integration of the EU gas market as well as the liberalisation of the EU gas sector are to be national priorities. In the short-term, the diversification of the gas supply will be based on the LNG Terminal in Swinoujście. In the medium-term, priority is given to building the connections of Trans European Energy Grid, and interestingly the PEP 2050 does not mention Caspian hydrocarbons.

The issue of human rights violations

The Polish government was the only EU government to give a clear condemnation of the politically motivated arrests of Azeri civil society activists on 9 August 2014.[30] The Ministry of Foreign said that the accusations against Ilham Aliyev, Leyla and Arif Yunus and Rasul Jafarov raise concerns about the political motives of the arrests. Nevertheless, since December 2014, the Polish government has not changed its relationships with Azerbaijan. For instance the Ministry of Economy did not raise the issue of human rights violations and political prisoners in Azerbaijan during either of its last two visits.

Poland's approach remains pragmatic: after a Polish Green Network press conference on 2 June 2015, the Minister of Economy, who was in Baku at that time, was asked by Polish media about human rights violations in Azerbaijan. The Polish Radio Information Agency reported that the Minister did not see anything inappropriate about trade relations with Azerbaijan, underlining that boycotting undemocratic states would mean boycotting 'two-thirds of the world'. Additionally, the Minister of Economy said that appealing for the boycott of Azerbaijan is an element of 'the political game'.[31] The current Ambassador of Poland in Baku, while addressing Parliament on 27 August 2014 showed an embarrassing lack of knowledge about human rights violations in Baku. His approach as the Polish representative in Azerbaijan was and is now clearly focused on economics.

Azerbaijan and Polish development cooperation

Azerbaijan has been a priority country for Polish development cooperation, although having only absorbed EUR 100,000 annually, mostly for agriculture and social assistance projects. Cooperation on the administrative level aims to professionalise the public administration in order to improve governance. However the draft of the next Multiannual Programme for Development Cooperation 2016-2020 that the Ministry of Foreign Affairs is currently considering, does not include Azerbaijan as a priority country.

Slovakia

In recent years there has been an increased amount of high-level meetings between Slovakian and Azeri representatives. In the first half of 2015 alone, the Prime Minister of Slovakia, the Deputy Prime Minister and Minister of Foreign Affairs, the State Secretary and the Head of the Slovak Parliament visited the European Games in Baku and met with Azeri representatives. The Slovak Prime Minister expressed his satisfaction with the development of relations between the two countries.

The Deputy Prime Minister and Minister of Foreign Affairs has said that bilateral relations have the potential for further growth of the economy, through investments in energy in particular. In each meeting Slovak representatives were accompanied by a group of businessmen in order to *"explore opportunities for deepening mutual cooperation"*.

Foreign trade between Slovakia and Azerbaijan is very low but slightly growing, with exports increasing from EUR 21 million in 2012, to EUR 27 million in 2013 and a slight decrease to EUR 20,5 million in 2014. Imports remain low at EUR 17,000 in 2014.

Slovak attitude towards the Southern Gas Corridor

In 2015 Slovak representatives showed appreciation for Azerbaijan as a constructive player that can become a strategic partner in terms of alternative routes and sources of gas. The Deputy Prime Minister said: *„I would like to appreciate the attitude of Azerbaijan in securing the EU energy security and the interest in participating in projects that provide for the diversification of energy supplies to Europe"*. In this regard he offered Slovakia's help in transporting Caspian gas and oil to European markets.

Slovakia is looking for alternative gas routes, as Russia is to stop the transit of gas through Ukraine by 2019. Slovakia is leaving the door open both for Russian gas via the Turkish Stream[32] as well as for gas from the Caspian region through the new Eastring[33] project that would link Slovakia to Romania and Bulgaria. Slovakia hosts the mainline route between Ukraine and Austria's Baumgarten hub, plugging the Balkans into western European gas hubs.

In May 2015 Slovakia, Hungary, Bulgaria and Romania signed a memorandum on the proposed Eastring pipeline, which could potentially carry gas from Azerbaijan, Iran, Iraq, and Cyprus.

Human rights issue

The Slovak government has not recognised any violations of human rights in Azerbaijan.

CZECH POLICIES: PRO-DEMOCRATIC ON PAPER, 'PRAGMATIC' IN PRACTICE

There are several key strategies that define the priorities of Czech Republic in promoting human rights, democracy and good governance.

National Foreign Policy Strategy

The National Foreign Policy Strategy[34] includes a focus on human dignity, the protection of human rights, service to the citizen and sustainable development. The strategy literally states that the Czech Republic *„in the policy of human rights and democracy behaves like active and reliable member of international society"*.

It considers the Czech experience with social transformation and non-violent resistance to totalitarian regime an advantage that leads to an understanding of such efforts in other societies.

The strategy also names the crucial objective of *„support to the global effort to secure dignity of the life"*. Among the basic tools to achieve this is a policy of support for human rights and democracy, which specifies that human rights are universal and indivisible, where political, economic, social and cultural rights are conditions of a dignified life and their denial presents harm to dignity and can become a source of international instability.

The strategy intends to fulfil the Czech governments' strategic objective to contribute *„to the existence of as many democratic, stable and responsible states as possible"*. This 'transformation policy' must focus on democracy accompanied by a rule of law and proper governance.

The strategy further defines priority countries and sectors of cooperation. Azerbaijan is not listed among them, but from the logic of the transformation policy that focuses on countries with a similar historical experience of Soviet bloc, it should be treated appropriately. The transformation policy also includes support for civil society and human right defenders, independent media, free access to information, strengthening the rule of law and good governance.

Transformation policy

The Czech Republic also has a specific transformation policy[35] that focuses on defending human right and its defenders, be they individuals or organisations. The objective is to *„support human rights defenders, strengthening of civic society and its emancipation and increase its ability to effectively and fundedly step into policy and social processes"*. The policy also specifies journalists and bloggers as a special segment of pro-democratic structures.

National strategy of development cooperation

Principles of the transformation policy are also present in the National Strategy of Development Cooperation for 2010 – 2017. The strategy's priority fields in this respect are: the strengthening of civil society and of cooperation with governance structures, the development of independent media, education to active citizenship and support to human rights defenders.[36] Of the Eastern Partnership countries, it is however only Georgia and Moldova that are listed among Czech partner countries for development cooperation.

Coalition treaty

Support for human rights, with a special focus on human dignity, social, economic and environmental rights is also included in the coalition treaty of the current Czech cabinet.

Actual fulfilment of the commitments

In spite of these strategies and priorities, Czech actions are schizophrenic and do little to make Azerbaijan change its behaviour.

The main agenda of the Czech representation to Azerbaijan is to develop business, including advocating for gas connections in international fora . The only place where it has protested against Azerbaijan is at the UN Human Rights Council. In March 2015 the Czech Republic expressed concerns over the fact that in Azerbaijan, *„human rights defenders, journalists and peaceful political activists are harassed, arrested and prosecuted“*. It also pointed out that conditions for independent media and civil society are getting worse.[37] Similarly it raised the issue at the UN Human Rights Council in June 2015, appealing to the governments of China, Azerbaijan, Venezuela and Bahrain to release those who were imprisoned for fulfilling their rights or defending rights of others.[38]

In spite of these symbolical objections, it is business as usual with Azerbaijan. The Czech Republic has repeated that links with Azerbaijan must be understood as a mutually benefitial economic issue that cannot be influenced by 'politics.' The minister of trade has explained this pragmatic approach: *„I realized how the way of oil to the Czech Republic is long, but that it can also be safe and reliable, if it is not influenced by various political thoughts or problems“.*

WHAT WILL THE PROJECT BRING TO LOCALS ALONG THE WAY

The Aliyev's regime is almost entirely funded by fossil fuels, and if the Southern Gas Corridor is built, the pro-Aliyev elite will make billions of euros while Azeri citizens will remain left with crumbling infrastructure and unaffordable healthcare. Originally the money from the oil industry was supposed to be controlled by the State Oil Fund for Azerbaijan, which was intended to finance the transition of the Azeri economy away from oil and to ensure that wealth was kept for future generations. Much of the money however has been used for overpriced construction projects. Intentional price inflation enables companies to make large amounts of money from construction projects, and much of Azerbaijan's oil and gas revenues ends up in offshore bank accounts. Investigations by Azeri journalists have linked these companies to the Azeri elite, including the president and his family.[39] Aliyev is using his country's hydrocarbon wealth to gain political legitimacy from European politicians who are willing to do business with him despite his terrible human rights record.

Fossil fuel wealth has given Aliyev's security forces a secure income base (meaning they do not have to listen to citizens' voices, because they are not reliant on those citizens for a salary) and political legitimacy in the form of support from foreign governments. The 2014 IMF country report on Azerbaijan sets out a devastating analysis of resource dependency. It shows that despite oil profits to the government kept increasing by about 30 per cent of GDP in mid-2000s, the government has squandered the money, with almost no accountability or oversight. In the last two years oil production has declined, after reaching its peak in 2010, and reserves could be depleted in the next 15 to 20 years. Despite anticipated increases in gas production, gas revenues are unlikely to offset the decline in oil revenues. Oil dependency and fiscal vulnerabilities are rapidly increasing, as the regime's spending remains high. This has meant that transfers from the oil funds to the state budget are increasing and that Azerbaijan is assuming a high oil price to set a budget that will break even. Despite its huge wealth, the country might be running out of money.

Shortly before his arrest in August 2014, Rasul Jafarov said: *"Before the oil and gas incomes came to Azerbaijan we had more democracy and freedom. The main income from oil came in 2006 when the Baku-Tbilisi-Ceyhan pipeline started to operate. And from that time the situation started to deteriorate. We have problems with journalists and religious believers being arrested – if you criticise the government you can be easily interrogated and prosecuted under fabricated charges".*

It is not only the Azerbaijan people who can expect dubious 'benefits' from the project. Illustrative is also the planned Trans Anatolian Pipeline (TANAP) in Turkey, that will create a high security, militarised corridor across the whole country, with costs estimated at USD 11.7 billion.[40] Much can be learnt also from the Baku – Tbilisi – Ceyhan pipeline in terms of the likely impacts of TANAP. People living along the route would face major disruptions to their lives. During the construction of the BTC pipeline, people lost land that they relied on. A flawed compensation process meant that people were not properly recompensed and when they publicly questioned this, they were sometimes silenced with beatings or arrests.

For example, Ferhat Kaya, an activist from Calabas in the Ardahan province of Turkey was arrested and tortured by the Jandarma paramilitary police. Ferhat recalled during an April 2013 interview: *"Living along the route of BTC pipeline I saw what the free movement of oil and gas meant for the people of Turkey: environmental destruction, loss of livelihood and heavy repression along the militarised route. I was arrested and tortured for speaking out against the BTC pipeline. If the SGC goes ahead, people living along it will experience the same repression".*

Security firms are already being consulted on how to militarise the Southern Gas Corridor route. TANAP is currently owned entirely by Azeri and Turkish entities, with Azeri SOCAR owning 80 per cent. SOCAR's pivotal role in the delivery of TANAP is concerning because of its own paramilitary force which it has used in the past to violently silence critical journalists.[41]

MORE GAS IMPORT INFRASTRUCTURE FOR EU AND CENTRAL EUROPE OR A FOCUS ON DECARBONISATION?

There is much talk about the need to diversify away from Russian gas imports, yet in reality there is limited scope for reducing overall European dependence on Russian gas before the mid-2020s. Up until that point European companies are contractually obliged to import at least 115 bcm/year of Russian gas (approximately 75 per cent of the 2013 import level).[42] The real need is to decarbonise energy supplies.

European decision-makers need to decrease dependency on the overall import of gas, an idea that has not been given enough attention. The good news is that energy efficiency and decarbonisation offer an opportunity to do just that. The role of natural gas in decarbonisation is still being debated: whether it should serve as a short-term 'bridging' fuel until renewable energy becomes more dominant, or as a long-term 'destination' fuel that would provide back-up during periods of low renewables availability, even beyond 2050.

In order to examine this issue, the CEE Bankwatch Network took the EU's Energy Roadmap 2050 as a reference. In all scenarios, the Roadmap's impact assessment[43] shows that decarbonisation decreases the EU's energy import dependence. This is crucial because the EU's own production of natural gas is forecast to drastically decrease by 2050.*"While this could be expected to automatically lead to increasing imports, this is not the case because in all scenarios the EU's overall consumption of gas also decreases, although remaining at a much higher level than production".* So in fact in all of the EU's five decarbonisation scenarios there is a decrease – at least to some extent – in natural gas imports by 2050 compared to 2010.[44]

Yet the EU already has an overall surplus of gas import infrastructure, and it is backing the further expansion of this infrastructure. According to calculations of CEE Bankwatch Network, as of 2014 the EU already had a total import capacity for natural gas of 537.62 bcm per year or 446 529.5 ktoe, even if Norway is excluded, whose production is expected to steeply decline in the coming decades. Some of this infrastructure, especially for LNG, is already under-used.[45]

Juxtaposing existing gas import capacity with gas projections from the Energy Roadmap scenarios shows that, assuming the existing infrastructure stays functional for the next few decades, the infrastructure surplus will only widen, even without any large new infrastructure like the Southern Gas Corridor.

Adding the gas PCIs would add around 69 434 ktoe to the EU's import capacity, widening the surplus even further. Even in the scenario with the highest requirements for gas imports, the low nuclear scenario, at the peak of gas imports in 2040 EU will need around 311 090 ktoe of imports, and even without the PCI projects EU already has 446 529.5 ktoe of import capacity.

These findings have been bolstered by a September 2014 analysis by the E3G[46] which among other things finds that: *"Europe's energy security strategy currently lacks coherence. There is a notable disconnect between the economic valuation of energy infrastructure and that of energy efficiency. Gas demand in Europe has fallen by 9 per cent over the last decade, but gas projects are currently evaluated against scenarios that assume 72 per cent higher gas demand in 2030 than would be the case if the proposed EU 30 per cent energy efficiency target is met. A failure to bridge the consistency gap will lead to public objectives being missed and public money being wasted on expensive but underutilised infrastructure projects".*

While only a 27 per cent energy efficiency target was adopted at the European Council in October 2014, the main point still stands. E3G points out that the PCIs have been assessed for a situation in which gas consumption is 30 per cent higher than the Commission's reference scenario for 2030, in which no new policy moves are introduced and gas consumption is expected to remain roughly flat.

Also of interest is that E3G has noted that the Commission's estimate of potential energy savings of 174 Mtoe per year by 2030 through energy efficiency measures[47] is around 20 times more than the gas that will be imported through the Southern Gas Corridor.

This raises questions about the amount of resources being allocated to gas imports versus energy efficiency, as the investment in the Southern Gas Corridor requires as much money as a year and a half of investment potential for energy efficiency and renewable energy in central and eastern Europe, the region most vulnerable to any future gas import disruptions.

As demonstrated by the Commission's Security of Supply Stress Test some countries are much more vulnerable to potential gas disruptions than others (especially the Baltic States, Hungary, Bulgaria, Croatia and potential EU Member States in the Balkans). Targeted energy saving measures leveraging USD 45 billion in those countries would deliver short, medium and long-term energy security benefits for the EU faster and cheaper than the Southern Gas Corridor.

Moreover, there would be less risk of interrupted gas supplies via the Southern Gas Corridor or supply disruption due to political instability in one of the source countries and all the investments and benefits would stay within the EU. The total investment necessary to utilise the potential for energy efficiency and renewable sources in seven central and eastern European countries amounts to roughly EUR 25 billion annually, totalling EUR 172 billion for the 2014-2020 period.[48]

To be sure, the problem is not the quantity of infrastructure but its location and dependence on Russian gas. And indeed there are some cases like in the Baltic States where some investments may be justified to reduce the vulnerability of the countries' systems and to better distribute gas within the EU. However the problem with adding additional import capacity is that infrastructure operators will do their best to make sure that it is filled with gas.

Unless significant amounts of existing gas import infrastructure is decommissioned, which does not seem likely, this represents a direct threat to decarbonisation as well as reducing the EU's overall energy dependence.

Context for energy savings in the Czech Republic

Primary energy intensity of the Czech economy is among highest within the EU 28.

Natural gas consumption in the Czech Republic has stagnated or slowly declined since 2004. Its share of primary source consumption in 2015 is approximately 15 per cent. The use of natural gas will increase about seven percentage points to 22 per cent of primary source share in 2015, according to the government estimates.

But this number is probably overestimated. The Czech Republic has a big potential for energy savings mainly in housing sector, and this will be the biggest driver of future gas demand. According to the Chances for Building expert initiative[49] the Czech energy sector gas savings potential is about 1,8 bcm, or one third of the current imports from Russia.

CONCLUSION

In this analysis we illustrate the Southern Gas Corridor from the perspective of V4 countries and show that the Czech Republic as well as its V4 partners has paid little attention to human rights in its dialogue with Azerbaijan. We also raise questions about the project vis a vis existing capacities and changes in the energy consumption patterns scenarios that are being analyzed in the EU Energy Roadmap 2050.

Why is new gas import infrastructure the wrong answer? It is partly because the wrong questions are being asked. Someone who asks "How much energy can we save? How do we do it? What does it cost? Down to what level can we reduce our energy demand?" and works to achieve these goals will end up saving energy.

Someone who asks "From which country can we get gas that isn't Russia?" will end up dancing with repressive regimes of all shades like those in Azerbaijan and Turkey. And looking around for money to pay for expensive pipeline projects.

Projects such as the Southern Gas Corridor are not likely to move forward without public money in the forms of loans from the European Bank for Reconstruction and Development and the European Investment Bank, guarantee instruments such as Project Bonds, tax incentives and guarantees from export credit agencies.

In fact, much of the existing EU gas import infrastructure, especially for liquid natural gas (LNG), is under-utilised at the moment, and demand is not expected to increase significantly in any of the EU's scenarios in its Energy Roadmap 2050. In reality, EU consumption of gas has been in decline for the last decade, even before the economic downturn began. This means that if not used at maximum capacity, the pipeline projects risk being uneconomic and the EU risks wasting its money for project that will ultimately be paid for by taxpayers, gas consumers and those living along the route of the pipeline.

The Southern Gas Corridor may either end up being underutilised or may threaten the EU's decarbonisation agenda and divert attention away from the need for more ambitious moves on energy savings. The second set of problems relate to the Shah Deniz and Southern Gas Corridor projects strengthening the repressive Azeri regime (and potentially also the Turkmen one) as well as creating a militarised corridor across Turkey and other transit countries.

The experience of the Czech Republic shows that the potential for energy savings overweight the potential imports of gas via the Southern Gas Corridor.

RECOMMENDATIONS

There are a set of issues that the Czech Republic should consider in order to make its policies more coherent with development cooperation priorities and the fulfilment of human rights obligations. It is very much relevant also for other V4 countries.

1. Uphold values on which its foreign and development policies are based, particularly in the field of human rights.

2. Set conditions for the continuation of diplomatic and trade relations with Azerbaijan, namely: free all human rights defenders and political prisoners; civil society must be allowed to work without constraints of fear of retribution; laws on NGOs should be amended and bank accounts of NGOs and activists should be unfrozen.

3. Make its energy policy more responsible for the impacts it causes on other sectors and incorporate into the strategies also the security risks on remaining dependent on fossil fuels imports from politically-sensitive regions and oppressive regimes.

4. Invest in energy savings in the country instead of trying to advocate for immense amounts of money for projects that either will exacerbate climate change or remain underutilized.

LIST OF ABBREVIATIONS

bcm	billion cubic meters
BTC	Baku – Tbilisi – Ceyhan pipeline
CEF	Connecting Europe Facility
CSO	Civil Society Organisation
EBRD	European Bank for Reconstruction and Development
EGAP	Czech Export Credit and Guarantee Agency
EIB	Europen Investment Bank
EU	European Union
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
IMF	International Monetary Fund
LNG	Liquid Natural Gas
MoU	Memorandum of Understanding
Mtoe	Million tonnes of oil equivalent
NGO	Non-governmental organisation
OSCE	Organization for Security and Cooperation in Europe
PEP	Polish Energy Policy
PCIs	Projects of Common Interest
SCPx	Southern Caucasus Pipeline extension
SGC	Southern Gas Corridor
TANAP	Trans-Anatolian Pipeline
TAP	Trans-Adriatic Pipeline
TCP	Trans-Caspian Pipeline
UN	United Nations
V4	Visegrad Four – Poland, Czech Republic, Hungary, Slovakia

This analysis was conducted by CEE Bankwatch Network.

(...) The violation of human rights by the authoritative regime in Azerbaijan is of concern, which contradicts the principal values of Czech foreign policy. The promotion of the Southern Gas Corridor also shows that Czech policy-makers neglect the huge potential of energy savings in the country that, if taken seriously, could overweight (...) the energy potential of importing gas and lead to increased energy independence (...)

2

HUNGARIAN CASE

by Zsuzsanna Végh / Hungarian Association of NGOs for Development (HAND)

POLICY COHERENCE FOR DEVELOPMENT AND HUNGARY'S KIN-STATE POLICY IN UKRAINE

Among the Eastern Partnership countries, Ukraine is clearly in the focus of Hungary's international development cooperation (IDC), but the peculiarity of the situation is that the assistance accounted as official development assistance (ODA) is predominantly targeted to the Hungarian ethnic minority living in Transcarpathia, and significantly less so to Kyiv. In fact, a large part of Hungarian ODA administered in Ukraine is disbursed directly by actors in charge of Hungary's kin-state policy that seeks to support the prosperity and growth of all Hungarian communities in terms of population, economic, intellectual and legal opportunities. As support for the Hungarian community in the framework of kin-state policy amounts to such an important part of Hungary's development presence in Ukraine, and given that it is a defining element of Hungary's foreign policy toward the region, this article seeks to explore if and how policy coherence for development (PCD) is taken into account in the case of kin-state policy on the intra- and inter-ministerial levels of policy planning and when implemented in the partner country. It seeks to identify key challenges and entry points for further development.

KEY FINDINGS

Policy coherence for development entered formally the scene of international development cooperation in Hungary in 2014, but its interpretation is not yet clear and no mechanisms are developed to assess it. The main channel for coordination has been re-established in the form of the Interdepartmental Committee for the Coordination of International Development Cooperation, and it is explicitly tasked to work toward achieving PCD. Nevertheless, concerning kin-state policy, coordination is lacking, since the interdepartmental committees of the two policies do not involve representatives of the other. While there is no mention of PCD in the strategic document of kin-state policy, in practice there is much emphasis on partnership and on the involvement of local stakeholders in the planning and implementing phase of the policy in Transcarpathia. These are also central in the implementation of kin-state policy through the grant schemes of the Bethlen Gábor Fund. However, a key concern is that little attention is paid to organizations providing social services compared to those in education and culture. In the current context, the former needs more attention. Potential overlaps have been identified between the Hungarian MFA's Eastern Partnership program and the projects supported by kin-state policy resources, which should be explored and coordinated to increase aid effectiveness. We identified support for Hungarian-medium schools as a key focus of kin-state policy, but found that incentivizing it amidst the present structural and linguistic challenges in Transcarpathia, might not be enough to contribute to the economic and social prosperity of the minority. Five years after the current kin support system was put in place, an impact assessment is absolutely needed in order to identify tailor-made solutions and to contribute to the development of equal access to education, to the empowerment and prosperity of the minority and hence to that of the region as a whole. The simplified naturalization process, a key element of Hungary's kin-state policy, provoked political tension between Hungary and Ukraine, and as a negative externality, the attractiveness of the relatively easily obtainable EU citizenship brought the rise of criminal activities. Partly facilitated but not ignited by newly acquired Hungarian citizenships, the increasing emigration from the region due to the war and the economic decline will have a long term effect, and will likely reshape the IDC and kin-state activities of Hungary in Transcarpathia and in Ukraine.

RECOMMENDATIONS

1. Define what policy coherence for development is for Hungary and streamline it into interdepartmental consultations. Develop accountable and transparent mechanisms with clear indicators to assess sectoral policy impact.

2. Involve the representatives of the State Secretariat for Hungarian Communities Abroad in the Interdepartmental Committee for the Coordination of IDC and the development department of the MFA in the Interdepartmental Committee for Kin-state Policy.

3. Establish a searchable online database that lists and coherently categorizes or tags all projects financed by all Hungarian stakeholders that were reported to OECD as ODA.

4. Explore the possibilities of coordination and complementarities between the MFA's Eastern Partnership program and the support allocated for infrastructural and capacity development by the Bethlen Gábor Fund.

5. Carry out a comprehensive impact assessment of the kin support schemes starting with but not limited to education. Adjust the existing centralized and uniform system to local needs. Deepen awareness about PCD in kin-state policy through concrete entry points like the case of Hungarian-medium education.

INTRODUCTION

There has been a long-standing debate in Hungarian international development circles concerning the target groups of Hungary's development assistance over the years. Although in its official documents and communications Hungary signed up to pursuing the Millennium Development Goals and declared its support for the post-2015 goals already in its development strategy adopted in 2014, instead of least developed countries it tends to allocate its development resources much rather to countries of the neighboring regions: the Western Balkans and Eastern Europe. This approach is not unique: the countries of Central Europe share the practice and often disburse their development aid in the form of so-called transition support. Thanks to the lobby of the Central European member states of the European Union, the document titled Consensus on Development adopted in 2006, endorsed this as a legitimate form of and approach to development assistance. However, in the Hungarian case the general tendency shows that the development assistance disbursed in these neighboring regions targets much rather communities of Hungarian minority specifically and locally rather than development or transition support in the partner country in general.

Supporting Hungarian communities abroad (HCA) has been an explicit priority of Hungarian foreign policy since the beginning of the 1990s, and over time a set of institutions and financial tools have been introduced to provide not only political but also financial support in the framework of Hungary's kin-state policy. This policy supports the communities' cultural, legal and economic prosperity as well as their attempts to preserve their Hungarian identity. When the Hungarian international development cooperation policy was launched, the goal of improving the general conditions of HCA in the neighboring countries, which qualified for official aid (OA), was directly incorporated into the officially listed priorities of Hungary's international development policy (Ministry of Foreign Affairs of the Republic of Hungary 2002). Consequently, over the following years, the Ministry of Foreign Affairs frequently allocated its development resources to projects targeting Hungarian communities in Ukraine and Serbia, while a significant amount of support for HCA, disbursed by institutions of Hungary's kin-state policy, was accounted as official development assistance in the annual IDC reports. This connection between the two policies is not new, yet it is not clear if and how the two policies are coordinated, whether there are attempts to increase their coherence, what exactly is accounted as ODA from the financial support for HCA and whether there were any attempts to introduce development considerations into the practice of support for HCA.

The practice of Hungary's international development assistance in Ukraine reflects these peculiarities well. The assistance accounted as ODA is predominantly targeted to the Hungarian ethnic minority living in Transcarpathia,[50] significantly less so to Kyiv, and practically not at all to other regions. A large part of Hungarian ODA accounted in Ukraine is disbursed by actors in charge of the policy for HCA, but it is not clear whether international development goals and principles are consciously taken into account when selecting or identifying and implementing projects in the local community.

This article seeks to explore if there are attempts to establish coherence between the two policies on the intra- and inter-ministerial levels of policy planning and when implemented in the partner country. In particular, by reviewing the practice and the disbursements of support for HCA in Ukraine and how it is then accounted as ODA, we seek to provide a clearer picture on the actual situation in the Ukrainian case, in order to contribute to the domestic discussion on the relations between the policies. The study will proceed as follows: first, we briefly introduce the general framework of Hungary's kin-state policy, also referred to as policy for HCA. We then assess how policy coherence for development is taken into account in this specific case on three levels: internal, intra-governmental and in the partner country. After concluding our assessment, we will formulate brief, policy-oriented recommendations for Hungarian stakeholders on how to move toward better coherence. Admittedly, the paper targets an issue that is atypical in terms of assessing policy coherence for development,[51] nevertheless it does so in order to raise awareness among international audiences of a less known, albeit for Hungary, significant question that influences – and to a large extent determines – its international development cooperation policy in the Eastern Partnership region.

KIN-STATE POLICY AND HUNGARIAN COMMUNITIES ABROAD

Hungary's policy concerning Hungarian ethnic minority living abroad is referred to as kin-state policy (*nemzetpolitika*) and it encompasses international and bilateral minority protection, maintaining (institutional) relations between Hungary and the Hungarian communities abroad as well as direct support for these communities abroad (Bárdi 2008: 368).

Assuming responsibility for the Hungarian communities living abroad goes back to the adoption of Hungary's modified constitution on October 23, 1989. The Constitution (§6. section 3) stated that *"[t]he Republic of Hungary bears responsibility for the fate of Hungarians living outside its borders, and facilitates maintaining their contacts with Hungary"*. In line with the constitutional responsibility, supporting and promoting the rights of the Hungarian minority living in the neighboring seven countries became a vocal priority of Hungary's foreign policy already under the government of József Antall in 1990-94. The so-called Antall-doctrine, which established that no decision should be taken concerning the Hungarian communities abroad without the involvement of their elected representatives, dates back to this period (Szarka 2008: 320; Kántor 2013: 27). Following the post-communist transition and preceding Hungary's accession to the European Union, general agreement existed across the political spectrum over three main foreign policy goals. These were joining the institutions of Euro-Atlantic integration; developing good relations with Hungary's seven neighbors and good cooperation in the region; and providing support for the Hungarian minority living in neighboring countries (Gazdag 2004: 199). Nevertheless, depending on which priority gained prominence in a given period, approaches to the Hungarian minority differed from government to government.[52]

Kin-state policy turned unequivocally contentious during the Gyurcsány government that held a referendum about making citizenship without residency in Hungary available for Hungarians abroad.[53] The campaign became politicized early on thus prevented a sensible debate, among others about the potential economic, social, political and legal consequences of dual citizenship for the members of the various communities in the seven neighboring states as well as for Hungary. The referendum held in December 2004 failed due to low voter turnout, nevertheless it dug deep trenches between the left- and the right-wing parties and their electorate in Hungary. At the same time, it largely disappointed Hungarians abroad. The kin-state policy remained highly politicized ever since.

Against this background, the second Orbán government, elected in April 2010, viewed the issue as a matter of bringing justice to the HCA when, among its very first legislative decisions, it made Hungarian citizenship available without residence in Hungary through a simplified naturalization process for those a) who used to be Hungarian citizens, b) whose predecessors were Hungarian citizens, or c) who supposedly have their origins in Hungary, and who can prove their knowledge of Hungarian, which is checked by the Hungarian authority that processes the application. The amended citizenship law was voted upon on May 26, 2010, hardly more than a week after the proposal had been submitted to the Parliament, and even before the new government was set up. This left no time or opportunity for wider debate and social consultation. The new law (Act XLIV of 2010 amending Act LV of 1993) entered into force on January 1, 2011.[54] The adoption of Hungary's Fundamental Law that replaced the Constitution expanded on Hungary's responsibility concerning the HCA stating in Article D of its Foundations that:

> *Bearing in mind that there is a single Hungarian nation that belongs together, Hungary shall bear responsibility for the fate of Hungarians living beyond its borders, and shall facilitate the survival and development of their communities; it shall support their efforts to preserve their Hungarian identity, the effective use of their individual and collective rights, the establishment of their community self-governments, and their prosperity in their native lands, and shall promote their cooperation with each other and with Hungary.*[55]

Therefore, we see that while the new kin-state policy approach adopted by the second Orbán government continued in the footsteps of the previous conservative governments (Antall and the first Orbán government), it also incorporated priorities voiced previously mainly by parties on the left (i.e. supporting the prosperity of the Hungarian communities in their native lands). The strategic document that defined the goals and tools of the policy, the Strategic Framework for Hungarian Communities Abroad, was developed in November 2011 by the Hungarian Standing Conference, a body convening the legitimate (i.e. elected) representatives of Hungarians from the seven neighboring states, the diaspora and Hungary itself.

The new objectives of kin-state policy were identified as achieving prosperity and growth for all Hungarian communities in terms of population, economic, intellectual and legal opportunities. To this end, the policy supports the establishment of a comprehensive institutional system for HCA, and their integration into the Hungarian nation both on the level of individuals and as a community. Strengthening institutions in the native countries is an utmost priority for the policy since the strategy argues that being linked to Hungarian (educational or cultural) institutions helps to perpetuate the ethnic identity. At the same time, the strategy encourages the HCA to be self-sufficient, and to be able to organize themselves, stand up for their rights and represent their interests.

Along with the development of the strategic framework, the previous institutions of kin-state policy have undergone some changes too.[56] In 2010, the State Secretariat for Hungarian

Communities Abroad was established at the Ministry of Public Administration and Justice. Following the 2014 parliamentary victory of the Viktor Orbán-led Fidesz, the State Secretariat was moved to the Prime Minister's Office. By getting its own state secretariat, the policy gained unprecedented recognition and according to Kántor (2013: 27) can now be considered as a sectoral policy on its own right.

In order to support the achievement of the goals set by the policy and to contribute to the prosperity of HCA, public foundations made grants available for Hungarian organizations abroad early on. The continuous reforms of the policy did not leave these public foundations untouched either, and several frameworks had been abandoned until the current structure of the Bethlen Gábor Fund (*Bethlen Gábor Alap*) was put in place in 2011.[57] With the creation of the Fund, a previously fragmented system became more centralized and introduced a support scheme, elaborated in cooperation with the Hungarian Standing Conference, which is set out to be more normative and program-driven than the previous ones.[58]

PCD IN HUNGARY'S IDC POLICY

Hungary's international development cooperation policy was launched in 2003 and is coordinated by the Department of International Development Cooperation and Humanitarian Aid[59] of the Ministry of Foreign Affairs (MFA).[60] The implementation of development assistance activities is only partly the responsibility of the MFA: various line-ministries and other institutions also engage in such activities financed from their own budgets, which they report to the MFA following the end of each year. However, these disbursements are not coordinated with the MFA in advance; hence, they do not necessarily take into account the priorities of IDC policy. For this reason, both the policy and the development assistance are highly fragmented and work predominantly on project basis. Currently, Hungary spends only about 0.12% of its GNI on development assistance (156.42 million USD in 2014).[61] Furthermore, the budget available for the MFA is allocated on a yearly basis and is minuscule compared to what in the end is reported as ODA. This environment prevents any multiannual planning, and hence it is no surprise that the policy, for now, works without a development agency.[62]

The year 2014 has brought important changes in the domestic environment of international development cooperation: in March, Hungary's first ever International Development Cooperation Strategy and Strategic Concept for International Humanitarian Aid for 2014-2020[63] was adopted by the 1182/2014 (III.27.) Government Decree, which was then followed by the adoption of the country's first law on international development cooperation and international humanitarian assistance (Act XC of 2014) in December.[64] These new documents are the first ones that systematically regulate the conduct of the policy and introduce the concept of our inquiry: *policy coherence for development.*

Internal (ministry-level) coherence

The explicit endorsement of the principle of PCD is thus new, just like the strategic framework and the legislative act guiding Hungary's international development cooperation and humanitarian assistance policy. During the first decade, no legal or strategic framework existed to regulate the conduct of the policy albeit there have been re-occurring, unsuccessful attempts to adopt them. For this reason, the parliamentary adoption of the international development cooperation strategy for the period of 2014-2020 in March 2014 and then that of the law in December 2014 is widely and rightly seen as major success in the development of Hungary's IDC policy.

The first, and until 2014 only, document laying out the main goals and principles of Hungary's IDC policy was a concept note from 2001 (Ministry of Foreign Affairs of the Republic of Hungary 2002), which did not make explicit reference to policy coherence for development as such. Nevertheless, some segments of the text gave an indication how coordination and policy coherence might have been understood initially. One such line said: "*Hungarian international development policy is aligned to the foreign policy, kin-state policy and moral goals as laid out in the Government program…*" This wording indicated an approach where IDC policy took into account the priorities of other policies during its formation and implementation, but no reference was made in the direction of other policies adhering to the principles and priorities of international development cooperation.

Policy coherence for development appeared explicitly in the documents adopted in 2014: the strategy, the law and the 1682/2014. (XI. 26.) Government Decree establishing the interdepartmental committee for development coordination. Nevertheless, the concept is not defined anywhere, and reading the strategy closely, various different understandings occur providing a complex, but vague interpretation of the principle. The strategy acknowledges that several institutions conduct activities that can be regarded as development due to their nature, content and results, but when it comes to planning and implementation, a unified approach and coherence was hardly present. The intention to remedy the situation is shown by Point 30 of the strategy that lists policy coherence for development among the key principles of international development cooperation, albeit without giving a clear definition of what it means for Hungary. Compressed in one sentence, the text in fact reflects three potential understandings:

> *During the implementation of the Hungarian IDC policy we strive for policy coherence for development, as part of which we take into account other foreign and sectoral policy priorities of Hungary (regional policy, kin-state policy, security policy, external economy, climate protection, environmental-health policy, science, culture) when selecting the targeted geographic directions and sector, and we encourage that when formulating sectoral policies the priorities of Hungarian IDC policy and the interests of the developing countries should be embraced as much as possible.*

The first section of the text suggests that IDC policy should be adjusted to the priorities of other policy areas, and in this sense it subordinates international development cooperation (practice and principles) to other goals. This approach is the continuation of the one that appeared already in the 2002 concept note and is reiterated also in Point 1.2.2 of the strategic document.[65] While this understanding goes against the usual interpretation of PCD, as the Hungarian NGDO platform, HAND, had pointed out already in the preparatory stages of the document (HAND 2014b), the more conventional understanding – where IDC priorities and principles should be taken into account by other policies – is also present in the quoted text. This thought appears in the document once more in Point 1.2.4, which states that the strategy helps the development coherence of all policies (foreign policy, security policy, migration policy, trade, finance, food security etc.) that have an impact on developing countries, as well as helping poverty reduction and economic growth in the partner country. This interpretation and the direction of relations it suggests would be more in line with an internationally accepted understanding of PCD. By briefly referring to poverty alleviation and supporting economic development, it establishes a connection with the set of goals adopted under the MDGs and SDGs as well.

The third level of interpretation is establishing coherence between the development activities of Hungary as donor country with the needs and development priorities of the recipient country. In fact, this notion receives the most references throughout the document, which would suggest that this is the level of understanding that is taken most seriously by Hungary. Indeed, a vague reference for partner state coherence has already appeared in the 2002 concept note stating that sectoral and geographic priorities are identified knowing the concrete needs of the developing partners. It is worth noting, however, that in the pre-2014 era having country strategies, adopted upon consultations with the recipient countries, were not the rule but rather the rare exception.[66]

With regards to coordination mechanisms on the intra-ministry level, the International Development Work Committee has to be mentioned, which was set up within the MFA under the leadership of the development department. In the framework of its (initially monthly) meetings, the committee is responsible for coordinating the development activities of the MFA among relevant departments and units, and participates in the decisions about the use of development assistance resources the ministry disposes of. According to its original functions, it also serves to harmonize IDC programs with the goals of Hungary's foreign, security and foreign trade policies. As the wording shows, it is rather the IDC policy that is aligned to other priorities, not the other way around.

All in all, one can conclude that while Hungary introduced policy coherence for development into its new strategy and development legislation, it did so without clearly defining how it understands the concept, and how exactly it seeks to implement it in practice. The brief official answers of the MFA to questions posed for the EU-PCD Report 2015 by the EU do not contribute to having a better understanding of the country's approach either. Without substantial details, the adoption of the concept remains formal box-ticking and cannot be accounted for in practice. Nevertheless, the recent developments in the policy field – the adoption of the law on IDC policy, the adoption of the framework strategy and the explicit mention of PCD – give ground for hopes that the framework will be filled with content in due course.

Intra-governmental Coherence

The intra-governmental mechanisms formulating the direction and priorities, and coordinating the implementation of Hungary's international development cooperation among the MFA and the various line-ministries have gone through a long process of evolution.[67] Following the adoption of Hungary's first development strategy, the need for domestic coordination among various ministries and sectoral policies appeared explicitly. The strategy does not elaborate on any mechanisms through which it wishes to encourage other sectoral policies to consider their impact on the development of developing states, yet the Interdepartmental Committee for the Coordination of International Development Cooperation was set up as a formal venue for any such work. The Committee was called to life by the §11 of the law on development cooperation and by the 1682/2014. (XI. 26.) Government Decree with the aim to coordinate the international development activities of various ministries and to strengthen the development coherence of sectoral policies.

The new committee is headed by the deputy state secretary of the MFA responsible for international development cooperation and meets on the level of deputy state secretaries. The first meeting of the Committee established the Interdepartmental Expert Group on the Post-2015 SDGs,[68] which can thus serve as a new forum for coordination among the ministries supporting the work of the committee.

The fact that coordinating structures have been set up – after a few years of pause when none existed – is a welcome development, however, with no clear and coherent interpretation of PCD, these mechanisms cannot aptly serve their purposes. Nevertheless, since they can decide upon their own way of operation in line with the 1682/2014. (XI. 26.) Government Decree, the opportunity is there to fill the frame with substance when it comes to PCD. For this reason, we consider it worthwhile to discuss whether these frameworks could in principle serve to facilitate coordination among international development policy and support for HCA, and whether they could support the consideration of development principles when developing and implementing Hungary's kin-state policy. To be able to do this in the specific case of kin-state policy, it would be necessary for the Interdepartmental Committee for the Coordination of International Development Cooperation to involve the representatives of the State Secretariat for Hungarian Communities Abroad. Yet, so far this has not happened: while the Prime Minister's Office does have a place on the Committee, its delegate to the body in charge of PCD was not the state secretary for HCA,[69] despite the fact that the IDC strategy explicitly mentions kin-state policy as an area where PCD should be considered.

When reviewing the current strategic document of kin-state policy, we find that it discusses various entry points through which it seeks to contribute to the legal, cultural and economic development of the Hungarian community abroad. Certain aspects, for example support for cultural and religious life or education, specifically seek to strengthen the community in its ethnic identity. Other aspects, like the intention to contribute to the development of economy, agriculture or environmental protection point toward improving the conditions for the community in its native land. Nevertheless, there is no explicit mention of PCD, nor are there specified procedures linked with the various entry points elaborating on how the impact of the given activities are planned to be assessed. At the same time, the strategic framework explicitly states that all other policies have to take into account the goals of kin-state policy.

To facilitate coordination in the field of kin-state policy, the Interdepartmental Committee for Kin-state Policy was established in 2010 by the 1177/2010. (VIII. 24.) Government Decree. It involves the MFA's parliamentary state secretary as deputy president of the body and the state secretary for European affairs as one of its members. The MFA's undersecretary of state responsible for international cooperation, under whose supervision the development department works, is not a permanent member of the committee. Given that international development considerations in the pre-2015 period were not relevant in all target countries of the government's kin-state policy the lack of constant involvement of an official with an oversight of IDC policy was certainly not a must, but their participation should be considered appropriate when issues relevant for ODA countries (Serbia and Ukraine) are on the table. Since the committee is open for participants upon invitation, the opportunity is given for it to fulfill this task.

At the same time, when it comes to the practical support for the policy through the financial schemes of the Bethlen Gábor Fund, there are explicit criteria listed under the general guiding principles of the support schemes, which reflect principles important for international development as well. Firstly, it also emphasizes the principle of partnership when stating the need for establishing dialogue and effective implementing mechanisms among stakeholders in Hungary and the partner community. Secondly, support should be granted in line with actual development plans that take into consideration the long-term strategic goals of HCA locally.[70] It should be noted, however, that country- or community-specific development plans have not been drawn up or shared publicly either by Hungarian state authorities, or in the case of our analysis, by representatives of the Hungarian community in Ukraine.

In terms of operation, the Bethlen Gábor Fund is run by a four-member committee formed by the minister responsible for Hungarian communities abroad, a person nominated by the minister responsible for the harmonization of the work of the government, a person nominated by the minister responsible for the state budget, and the state secretary for the Hungarian communities abroad. Its decisions concerning the grant proposals are prepared by the College, which has several public servants from the State Secretariat for HCA and from other ministries among its members, but none from the MFA currently. The implementation of grant decisions and monitoring of project implementation is the task of the Bethlen Gábor Fund Management Non-profit Zrt. (Bethlen Gábor Alapkezelő Zrt.). This institution is not involved in any other type of coordination; its activities focus solely on the grant management and monitoring.

We can conclude that the establishment of the new IDC coordination body shows an intention to introduce PCD on the cross-governmental level. The Hungarian answers in the EU-PCD Report 2015 also confirm this assumption, even admitting that the key national challenge related to PCD is the further inclusion of the principle in non-developmental policy issues. So far, however, in the case of kin-state policy this goal has not been pursued in practical terms. Mutual involvement of representatives of the State Secretariat for HCA in the Interdepartmental Committee on IDC and the development department of the MFA in the Interdepartmental Committee for Kin-state Policy could contribute to this goal and should be feasible as the composition of the interdepartmental committees can be subject to change if there is a will. We did not find any formal indication that the strategy of Hungary's kin-state policy would have specifically taken into account policy coherence for development and that it would have any stance on the matter, nonetheless we saw that the grant schemes do consider certain principles – like partnership – relevant from the development point of view.

Development and kin-state policy coherence in Ukraine

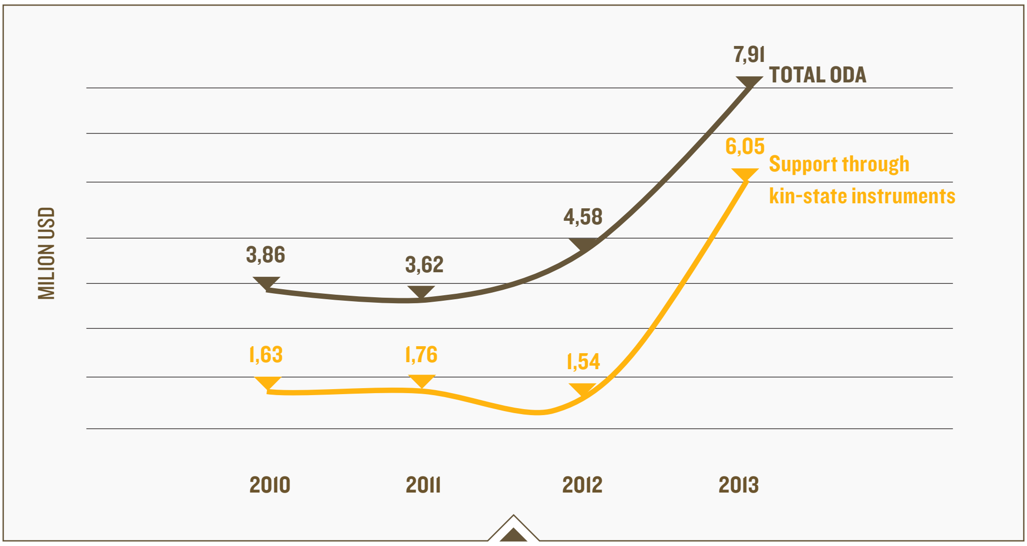
The last segment of our analysis will discuss the implementation of the HCA policy in Ukraine both in terms of activities on the ground and implications of more political elements of the policy. To this end, we will first assess how IDC and the policy for HCA fit together in terms of principles and in practice by reviewing the framework of support for HCA that has been in place since 2011. We base our inquiry on the annual IDC reports of the MFA, the annual reports and official grant decisions of the Bethlen Gábor Fund, and on ten background interviews conducted with key stakeholders in Hungary and Ukraine (both Kyiv and Transcarpathia) between July and August 2015. The background interviews included conversations with Hungarian and Ukrainian officials of the respective MFAs, researchers and representatives of non-governmental organizations.[71]

As mentioned previously, Eastern Europe has received significant attention in Hungary's IDC policy ever since its start. In 2004, Ukraine appeared among the partner countries where cooperation was conducted on project basis without a country strategy. In the first ten years, the projects introduced in the annual reports of the MFA focused on strengthening public administration and local government, adoption of European standards, public security and border management as well as strengthening civil society – mostly in Transcarpathia (Végh 2014: 25). Since the start of the EU's Eastern Partnership program, the overall amount of ODA spent in Ukraine has also grown significantly, justifying the country's promotion to a key partner of Hungary's development policy in 2014. Nevertheless, despite the new classification and the increased amount of disbursement, there is still no cooperation program or country strategy in place. It has to be noted though that the Hungarian MFA initiated the development of a joint strategy already in 2013, but the Ukrainian counterparts have not followed up on it.[72] This is most likely due to the subsequent developments in Ukraine, which without doubt shifted priorities and attention to immediate needs – and larger donors.

The focus of international development assistance in Ukraine shows the influence of kin-state policy and it indeed seems that it is IDC policy that is adjusted to kin-state policy goals rather than the other way around. While sharing its transition and Europeanization experience with Ukraine, the key geographic focus of Hungary's IDC policy – in line with its kin-state interests – is clearly Transcarpathia. IDC projects implemented here focus on infrastructural developments in health care, education, culture and social services.[73] Due to the nature of the MFA's annual reporting practice, however, it is problematic to identify and provide precise numbers concerning how much money is spent here, since the format of the reporting is inconsistent: it changes from year to year, does not provide data on project basis consistently, in certain years the MFA's own ODA is listed only in one lump sum without indicating how much was spent in individual countries etc.. Nevertheless, it is apparent that a significant part of ODA spent in Ukraine is spent through the channels of kin-state policy; and consequently these contributions make up a significant chunk of total Hungarian development disbursements in Transcarpathia.[74]

Although it is by far not all the Hungarian assistance that is disbursed in Transcarpathia, by assessing only those amounts, which were spent through the direct channels of Hungary's kin-state policy (the Native Land Fund in 2010 and the Bethlen Gábor Fund since 2011) and were then accounted as ODA in the annual reports of the MFA, we get a good indication of how significant this support is compared to the overall assistance.

The overlap between the financial support for HCA and the development assistance indicates that kin-state policy has a certain direct development relevance in Transcarpathia, albeit the specific goals and hence the target groups of the two policies are naturally different. While IDC policy does not differentiate based on ethnicity (at least on paper), Hungary's kin-state policy in Ukraine specifically targets the Hungarian ethnic minority that lives predominantly in Transcarpathia. Thus, before proceeding to the assessment of the Hungarian activity through its kin-state policy in Transcarpathia, we briefly summarize some of the most relevant information about (Hungarians in) the region.



GRAPH 1. Hungarian ODA disbursement in Ukraine (current proces)

Source: OECD and own calculation based on data from annual MFA reports[75]

According to the latest official census conducted in 2001, this population amounts to about 156,600 people altogether in Ukraine, making up 0.3% of the overall population. Out of this, about 151,000 Hungarians lived in Transcarpathia amounting to 12.1% in this administrative unit (oblast).[76] More than 70% lives in one block along the Hungarian-Ukrainian border in four raions: Uzhhorod, Mukachevo, Berehove and Vynovradiv, but it only forms a majority in the Berehove raion (76.1% in 2001). When it comes to their mother tongue, 97.1% of ethnic Hungarians identified the Hungarian language as such. Interestingly, 62.4% of the Roma population and 11.3% of the Slovak population also listed Hungarian as their mother tongue in the 2001 census.

Emigration hit hard the whole of Ukraine in the 1990s. It was not different in Transcarpathia either, but following the turn of the century registered emigration (both domestic and international) gradually decreased (from 2,542 in 2003, to 521 in 2012; in 2013 a sudden increase in domestic emigration pushed the total number up to 1,233, but it dropped again the next year to 849).[77] Nevertheless, measuring migration is always problematic, therefore these numbers can only stand here as indication. The overall and recently quickly deteriorating economic situation with unemployment rates on the rise in the region also contributes to the causes of migration. In 2014, the regional unemployment rate amounted to 7.8%, while in spring 2015 it already reached 9.2%.[78] Currently only 521.000 people are registered as employed in Transcarpathia.

There is no exact data on the number of Hungarians who have left Transcarpathia, but according to certain estimates – published still prior to the introduction of the simplified naturalization process in 2010 – about 85% (more than 30,000) of the Hungarian emigrants have moved to Hungary (Fedinec 2008: 352). That would put the total number of Hungarian emigrants from Transcarpathia to 35,300. However, by now this number is likely higher. The influence of the simplified naturalization process as well as the war and economic recession in Ukraine will be briefly discussed later; nevertheless, it can be recognized here already that in the current context emigration is becoming a burning problem that will have major influence on the future development of the region as a whole.

The main organizations of the Hungarian ethnic community had been established already in the late 1980s and became active in the years following the declaration of the independence of Ukraine. The first organization to be established in 1989 was the Cultural Association of Hungarians in Subcarpathia (CAHS), which was formed with the aim of preserving Hungarian culture, national heritage, and language in Transcarpathia. It supported education in Hungarian, and also backed the autonomy ambitions of the Hungarian community in the region (Ferenc-Tóth 2014). As opposed to CAHS being regional, in 1991 the Democratic Alliance of Hungarians in Ukraine (DAHU) was established with a country-wide organization. Ever since their foundations, these two organizations have been the key partners of the Hungarian state in relation to Transcarpathia and the representatives of these two compete for regional and national representation in local and national elections (for an overview see Fedinec 2008, Molnár-Molnár 2010).

The main goals of Hungary's kin-state policy in Ukraine are no different from the general goals of the policy as discussed previously. It seeks to support the cultural, legal, intellectual and economic prosperity of the Hungarian community in their native land. Even though, not being in the EU, the situation of Ukraine is different from the majority of the target countries, on the strategic level there are no concrete and country-specific goals defined in the framework strategy. Nevertheless, the document itself has been elaborated with the participation of and in cooperation with the elected representatives of the Hungarian community in Transcarpathia. Additionally, there is close cooperation between the current president of CAHS, member of the Verkhovna Rada László Brenzovics, and the main Hungarian stakeholders of kin-state policy. For this reason, it is safe to assume that the implementation of the policy in Transcarpathia takes into account the priorities and goals of the local ethnic Hungarian stakeholders. Nevertheless, there is no indication and certainly no written mention that the policy would take into account the concrete development plans of Ukraine or of the region of Transcarpathia as such. This lack of alignment to local development plans can, of course, be easily explained by the nature of the policy: it specifically promotes the ethnic interests of the kin-state, and, being directed to a specific community in the partner country that only happens to be concentrated in a specific area, it is selective. Nevertheless, this does not exclude the possibility that activities have implications on the region and the local community; just as the political elements of kin-state policy have an influence on relations between Hungary and Ukraine.

When we assess the impact of Hungary's kin-state policy in Ukraine (or rather only in Transcarpathia), it is indeed useful to differentiate between the financial support provided through the channels of the Bethlen Gábor Fund (especially those concerning education, a cornerstone of kin-state policy) and political elements directly linked to the policy. Therefore, we will turn our attention to these. Since PCD so far has not been seriously considered in this policy area, we will seek to highlight some key concerns that would require attention and thorough impact assessment by the stakeholders of the policy.[79]

Project support through the Bethlen Gábor Fund

As mentioned briefly, to support the goals set out in the strategic framework for the Hungarian community abroad, the Bethlen Gábor Fund was set up in 2011 to manage several financial support schemes. Concerning its local impact and reach, the most important grant format is the program called "For Hungarian Culture and Education", which targets Hungarian communities in six neighboring countries (all but Austria). In this framework, local organizations (NGOs, CSOs, education institutions, churches) can submit project proposals in four key topics: 1) cultural and educational programs; 2) publication of printed and digital media, book publishing; 3) development and investment into infrastructure; 4) support for the functioning of education, child protection, cultural and social institutions operated by CSOs and churches. In 2013, this central call had altogether 400 million HUF to distribute. In a system of smaller regional calls, available among others in Transcarpathia, the Fund cooperates with a selected organization – in our case the Charity Foundation of the Cultural Association of Hungarians in Subcarpathia (CF CAHS) – that manages the application procedures locally. In 2013, this grant scheme amounted to 200 million HUF altogether in four countries and was open for proposals in the same four topics as the central call. The indicated total amounts show that when distributed in the target countries the financial contribution can only reach a modest amount: in 2013 in Transcarpathia 76 applicants received grants worth between 600,000-5,000,000 HUF each (about 2,700-22,400 USD) in the central call. In the regional call 154 applicants received grants worth between 100,000-370,000 HUF each (about 450-1,650 USD). This high number of supported projects in such a small community suggests that the Fund seeks to assure a wide outreach.

The principle of partnership featured strongly in the development of the strategy and this is at least partly the case in its implementation as well through the grants. While local stakeholders cannot directly influence the decisions of the Fund in the case of the central calls (applications are submitted online and the local partner is not involved in the evaluation), in the case of the small regional grants, CF CAHS has the opportunity to pre-evaluate the applications and propose projects for funding. The final decision is still with the Fund, but this mostly means giving approval. The proposals are made upon agreement within the so-called Transcarpathian Consultative Body (Kárpátaljai Tanácskozó Testület) that brings together the representatives of CAHS, DAHU, the three historic churches, artists and intellectuals. This seeks to ensure that the interests and needs of all local groups are taken into account[80] – as far as it concerns Hungarians, of course.

According to interviewees from CAHS, priorities in this pre-evaluation process are first and foremost those set by the Fund. Avoiding fragmentation, ensuring the continuation of already running programs, distributing funds proportionally and addressing immediate needs are also among the main considerations. One interviewee highlighted that since the community is small and the actors know each other, it is easy to assess if an application addresses real needs. Sustainability was not high on the agenda, as one interviewee put it: "*Sustainability is the privilege of the rich world*". He highlighted that financial support and other incomes are so unpredictable in the region that they cannot expect the applicant to be able to plan how a certain project is going to be sustained or continued after the implementation. For this reason, they try to propose smaller funds for more applicants (in his estimate, the available amount could cover only 25% of the submitted requests).

Prioritizing education institutions' applications was strongly emphasized as these institutions are considered to be underfunded. In these cases, many applications request certain type of infrastructural or capacity development, which are usually granted. It is important to note here, that since 2012 the development department of the MFA has run its so-called Eastern Partnership program with a somewhat similar focus. This program – co-funded by the Regional Council of Transcarpathia and Hungary – supports the renovation and infrastructural development of education, health and other institutions, focusing explicitly on improving their energy efficiency. The Hungarian consulate in Uzhhorod plays a significant role in the management of this program and thus has a good overview of the beneficiaries and the local needs. Nonetheless, they have no insight into the support allocated by the Bethlen Gábor Fund. Since both programs operate with relatively modest amounts of funding, it would be worth looking into how infrastructural and capacity development projects could be harmonized, and how the two sources of support could complement each other to increase aid effectiveness and coherence.

While much of the support goes for ensuring the cultural and intellectual prosperity of the community, one interviewee noted that the social sector was sorely overlooked. Although a headline targeting this sector is present in the support schemes and it receives 20-25% of the available financial support (based on the regional results in 2013 at least), all the other headlines are indeed some way or another connected to culture and education, thus such institutions receive a bigger share in the end. Additionally, there is no normative support available for organizations providing social services, while several schools and cultural institutions receive normative support as "institutions of national significance".

THE OBSCURE LINK BETWEEN SUPPORT FOR HCA AND ODA

As we have shown previously, the annual reports of the MFA list disbursements of the Bethlen Gábor Fund as ODA; therefore, we sought to look into what might lie behind the aggregate amounts listed in the annual reports. The MFA does not have any concrete lists available that would point to this directly; therefore, we turned to the grant results published by the Bethlen Gábor Fund. While the lists of the supported projects under the various grant schemes are available on the Fund's website – even if not on a country-by-country basis –, the name of a project in itself often does not give much indication about the content. Nevertheless, in many cases we can assume that certain projects can definitely not be considered as development assistance. Furthermore, it is not clear either, which grant and support scheme one should look at if searching for development assistance type of interventions, since the MFA reports give no indication on this. At this point, trying to match up the numbers proved to be a futile guessing game.
Since the development department of the MFA has to go through the list project-by-project when reporting the country's ODA to OECD, it would enhance transparency substantially if the individual projects that are accounted as development assistance were then made public in an electronic format. The adoption of the development law is a good opportunity to make progress in this regard, since §14 explicitly calls for the establishment of a publicly available database on the projects themselves. Data made available this way could give a better overview of Hungary's development activities, could contribute to increasing aid effectiveness and could facilitate the implementation of a comprehensive and transparent assessment about the impact of Hungary's various development activities implemented by the different stakeholders both in partner countries and in the individual sectors targeted.

Support for Hungarian-medium education

One of the key elements of kin-support in Transcarpathia is related to preserving and sustaining the Hungarian-medium education network from kindergarten to tertiary education as a resource for maintaining the ethnic Hungarian community in the region. This issue is not without problems and controversies, as it directly touches upon minority rights, the political will and agenda of the majority, as well as professional educational matters, making it a very complex and sensitive area to tackle. Our goal here can only be to point out some of the sensitivities that have a potential impact on the development of the community both in terms of politics and education.

On the national, and even international level, we see the approach of the Ukrainian state and that of the Hungarian kin-state clash. On the one hand, Ukraine (also as a young state) seeks to strengthen itself through educating Ukrainian-speaking

Ukrainian citizens and at the same time putting less emphasis on education in minority languages (Papp 2010: 480-81). On the other hand, the Hungarian kin-state supports its ethnic kin by financing Hungarian-medium schools, and supporting those who enroll their children in these institutions. A parallel layer of the conflict appears on the local level where the interest in preserving the ethnic community and identity with the help of the Hungarian-medium education network often clashes with parental perceptions concerning the future social mobility of the child.

A recent study showed that language considerations play a large part in parental choices in Transcarpathia, which point toward enrolling children in Ukrainian-medium institutions in order to support their chances for continuing education or for finding better employment later on (Papp 2012). Since the education of Ukrainian language is fairly poor in Hungarian-medium schools, the trend of choosing Ukrainian-medium schools among the minority has become stronger, especially since the introduction of obligatory exams in Ukrainian language and literature in 2008 for those who wish to enter tertiary education – regardless what type of school they studied in (Ferenc 2013: 98).[81] At the same time, experience does not necessarily prove that in a Ukrainian-medium school ethnic Hungarian children will do better: Ferenc (2014) found that ethnic Hungarian children studying in either Ukrainian or Hungarian both perform on about an equal level in reading comprehension, which is below the level of their Ukrainian peers studying in Ukrainian. Therefore, enrolling children to majority-language school in itself does not seem to be the solution either. Based on a recent study, the president of the Verkhovna Rada's Science and Education Committee also acknowledged that the present approach to teaching Ukrainian language was not adequate for minorities,[82] but it remains to be seen whether there will be political will and endurance to change the situation.

At the same time, statistics show that when ethnic Hungarian children are enrolled in Hungarian-medium classes, the situation is not rosy, either. It has been found that dropout rates in Hungarian-medium classes during primary and secondary education are generally higher than in all classes in the region on average. The first biggest breaking point comes when entering secondary school: here 46.74% of children in Hungarian-medium classes drop out from education (as opposed to 35.11% on average), and at the end of secondary education an additional 7.05% (as opposed to 3.26%) drop out on average. These indicators point to structural shortcomings in the system itself (Papp 2010: 487-94).

The above short overview could only serve to give some insight into the structural and political challenges of the environment where the individual and institutional financial support schemes of Hungary's kin-state policy currently operate, and to highlight the main sensitivities it needs to take into account. The current individual support scheme, called "Szülőföldön Magyarul" ("In Hungarian in the native land"), naturally incentivizes the choice of enrollment in Hungarian-medium education institutions by providing one-time financial support for children who are enrolled in Hungarian-medium groups/classes or tertiary education.[83] This approach is absolutely logical from the point of view of the policy itself. Moreover, from the development policy perspective, providing and developing the opportunities for children to study in their native language in theory could even contribute to the goal of providing inclusive and equitable education to all. But given the difficulties of the local context – the structural and language problems in Hungarian schools –, attending Hungarian-medium education, without receiving additional support (e.g. to learn the majority language) might not facilitate the long-term prosperity of the ethnic kin in their native land.

Further forms of support target the education institutions through grant calls in the "For Hungarian culture and education" program, which we have briefly discussed above. Since 2011, there have also been possibilities to submit individual applications in a scheme that is open to institutions with exceptional significance in the field of culture, education or religious life, and about which the Bethlen Gábor Fund decides on an individual rolling basis. Furthermore, starting from 2012, seemingly following the idea behind the individual applications, a list of "institutions of national significance" was also established in cooperation with the Hungarian Standing Conference. Institutions on this list receive yearly normative support from the Fund. In Transcarpathia, currently seven of the 14 listed institutions work in the field of education: the Transcarpathian Hungarian Pedagogical Association, five religious schools on the secondary level (so-called lyceum, which can be considered elite education) and the Ferenc Rákóczi II. Transcarpathian Hungarian Institute, established upon the initiative of CAHS and the Transcarpathian Hungarian Pedagogical Association in 1994.

The financial support for education institutions in theory have the potential to improve the physical and, depending on the projects implemented, also the professional environment of the schools. In fact, one interviewee in Transcarpathia pointed out that due to the low state investment into infrastructural development in education in the region, and thanks to the kin-state support, Hungarian-medium institutions are often in better condition and better equipped than Ukrainian-medium ones, so at least on the level of kindergarten they even attract Ukrainians. Normative support can be seen as a potentially positive initiative from the perspective of sustainability. As opposed to the annual open calls, this scheme serves to grant direct support for the operation of the institutions, which provides them a certain level of security and allows for an environment where longer term planning is possible.

Now, that the current framework of the kin-state policy has been in place for five years, a thorough and comprehensive impact assessment would be truly needed to see what tangible results the policy has achieved on the ground. To our knowledge, no such work has been conducted so far; the monitoring of the Bethlen Gábor Fund does not extend to such comprehensive assessments. The Research Center for Hungarian Communities Abroad, which is closely linked with the Bethlen Gábor Fund, could be an ideal candidate to conduct such a research, which should not only assess what impact the policy has on ethnic self-identification and keeping children in Hungarian-medium institutions, but should also search for ways to contribute to the improvement of the structural and language environment – as much as it is possible from outside the system and in potential cooperation with Ukrainian authorities. While education could be a first focus of such an assessment, it should certainly not stop here.

The simplified naturalization process

One of the first and defining steps of the Orbán government already in 2010 was the introduction of the simplified naturalization process, which in the case of Ukraine has resulted in tensions between the two governments over the years. The decision was in fact taken so quickly that there was no chance to thoroughly assess the potential impact and consequences of the introduction of this option. In most neighboring countries the increasing number of dual citizens did not result in problems. However, the situation in Ukraine was more complicated from the start because the country does not formally recognize dual citizenship – although it does not explicitly forbid it either.[84] For reasons of protecting those Ukrainian citizens who obtained Hungarian citizenship in the recent years, the exact number of citizenships granted is not publicly available. Rough estimates were provided though: in February 2015, State Secretary Árpád Pótápi noted that until then 710,000 people had applied through the simplified naturalization process and 650,000 were granted Hungarian citizenship, out of which 14% were from Western Ukraine. That would mean 91,000 people from Ukraine.[85] As of July 2015, 124,750 applications have been submitted by Ukrainian citizens in total.[86] The procedure of stripping someone off their Ukrainian citizenship in the case of taking another one is not regulated (Herner-Kovács – Illyés – Rákóczi 2014: 19) and for the time being it is not criminalized either. Nevertheless, as long as the legal situation is uncertain, this issue will remain a source of tension among Hungary, Ukraine and the Hungarian minority in Ukraine.

As EU citizenship can naturally be attractive for citizens of non-member countries, it is strongly believed that in the initial, loosely regulated and monitored environment, corruption on the Hungarian side and forging and falsifying documents on the Ukrainian side rose high.[87] This has clearly been a negative repercussion of the policy on the ground and has increased criminal activity in the target country. Shortcomings of the practice were pointed out already in 2013 by former head of CAHS, Miklós Kovács, who estimated that about half of the new Ukrainian-Hungarian citizens did not speak a word in Hungarian.[88] This proportion of fraudulently obtained citizenships is believed to hold even today, although Hungarian authorities now seem to investigate suspicious cases and several Ukrainian citizens have been stripped off their newly acquired Hungarian citizenship recently.

An additional concern which might be raised concerning the simplified naturalization procedure is whether it contributes to emigration from the region. The question is especially relevant because it is the declared aim of Hungary's kin-state policy to support the prosperity of the Hungarian community in their native land. The trend is certainly hard to measure and so far there have not been any – public – assessments on the impact of this policy on emigration from Transcarpathia. Interviews with Hungarian stakeholders and representatives of the Hungarian community in Ukraine[89] all highlighted that the simplified naturalization process was first and foremost seen as a symbolic gesture by the Hungarian community. Some mentioned that those who had wanted to leave could do so earlier as well through only a slightly more complicated process, and therefore they did not see the Hungarian citizenship in itself as a pull factor. Nevertheless, in the context of the economic recession and the war in Ukraine when more and more people flee from conscription and from economic hardship,[90] Hungarian citizenship has certainly become a facilitating factor to leaving the country.

While the causes of this migration are often economic and ties are not cut with the native land (e.g. one family member goes abroad and supports financially the rest of the family who stay behind), but in other cases – especially when young people leave – emigration is expected to be permanent. One interviewee noted that this wave of emigration will have a more serious effect on the Hungarian population in Transcarpathia than any war before. To ease the immediate effects of impoverishment, the Hungarian government adopted in spring 2015 a financial aid package to complement the salaries of teachers, priests/ministers and to support catering for schoolchildren. This might have some immediate benefits on the humanitarian situation, but can obviously not reverse the trend – the current crisis in Ukraine seems to fundamentally alter the situation of the Hungarian community in Transcarpathia, which in turn will most likely affect the operation of Hungarian kin-state and even international development policy in Ukraine in the future. Nonetheless, it should be noted that emigration does not only concern ethnic Hungarians; it reaches all segments of the population.

CONCLUSIONS

The assessment of the Hungary's approach to PCD and its application concerning the country's kin-state policy has pointed to a number of recent developments, some concerns, but several areas of potential further activity. Policy coherence for development has only recently entered formally the scene of international development cooperation in Hungary. While its definition and the Hungarian understanding is not fully clear and mechanisms for its assessment are not yet developed, the law on international development cooperation and humanitarian assistance as well as the framework strategy for 2014-2020, both adopted in 2014, lay the foundation for their elaboration and application in practice. The channels for interdepartmental coordination have been re-established, which is a positive step after not having any interdepartmental committee on IDC for years. Moreover, the committee is explicitly tasked to work toward achieving PCD.

Nevertheless, when it comes to kin-state policy, its inclusion in the interdepartmental coordination is still lacking. The committee on IDC does not include the representative of the State Secretariat for HCA, and likewise, the deputy state secretary for international cooperation is also not present in the meetings of the Interdepartmental Committee for Kin-State Policy. The strategic framework of kin-state policy does not mention PCD in explicit terms anywhere, albeit the policy itself is directly concerned with the development of its specific target group in the partner country. In this regard it shows similarities with international development cooperation and hence adhering to some of the IDC principles could come fairly naturally, although the selectiveness of kin-state policy means a striking difference. While there is no mention of PCD, we have found that in practical terms the policy puts much emphasis on partnership, and the representatives of local stakeholders are involved both in the planning and the implementing phase of the policy. Due to its nature, this of course only means the representatives of the ethnic community. In fact, some of the priorities of kin-state policy can result in clashes of interest with the partner country, sometimes even political confrontation (e.g. the issue of the simplified naturalization process and the resulting dual citizenship), which in return can affect the ethnic minority in Transcarpathia negatively.

Our discussion of the practical implementation focused on three key topics: the use of grant programs in Transcarpathia operated by the Bethlen Gábor Fund, support for Hungarian-medium education in Transcarpathia and the consequences of the simplified naturalization process. First we found that the principle of local partnership receives due attention in the operation of the grant schemes, but by applying the centrally identified structure not enough attention is paid to a sector that would require more funding in Transcarpathia: organizations providing social services. We also discovered that concerning infrastructural and capacity development there is an overlap between the MFA's IDC activities and the projects supported by kin-state resources in Transcarpathia which are not yet explored and coordinated, but which would have the potential to increase aid effectiveness and coherence in the future. Due to the lack of (the transparency of) data, we could not analyze the direct link between IDC and support for HCA in Transcarpathia, that is the activities which are accounted as ODA.

The case of support for Hungarian-medium education revealed that a key element of Hungary's kin-state policy which would addresses one of the fundamental factors of local prosperity might in fact not be too effective if pursued in the same way under the current local context. Incentivizing Hungarian-medium education is understandably seen as a key to the preservation of the Hungarian ethnic identity, but due to the structural and linguistic challenges in Transcarpathia it might actually counteract the economic and social prosperity of the minority. At the same time no impact assessments have been made yet about the current support system, which would be useful in order to identify tailor-made solutions for the region. If done in a thoughtful manner, support for Hungarian-medium education could contribute to the development of equal access to education and through that to the empowerment and prosperity of the minority and the region as a whole.

Through the example of the simplified naturalization process we could see how diverse and far-reaching impact one policy decision can have. The political consequences between Hungary and Ukraine we have already mentioned. Additionally, we have found indications that the attractiveness of the relatively easily obtainable EU citizenship has contributed to the rise of criminal activities connected to the procedure. Finally, lacking concrete data, we could not conclusively establish if the naturalized Hungarian citizenship acts as a pull factor in terms of emigration from the region, but could assume that in the in presence of push factors like swift economic decline and conscription due to the war in Eastern Ukraine, it acts as a facilitator. At the same time, we could also conclude that the situation on the ground that has evolved in the past two years will likely reshape the still developing IDC and kin-state activities of Hungary in Transcarpathia and more broadly in Ukraine.

RECOMMENDATIONS

The recent changes in the field of international development cooperation of Hungary and the relatively long continuous experience with the same framework of support for HCA in Transcarpathia both offer a good opportunity to improve the environment of cooperation. For this reason, the below recommendations target both the Ministry of Foreign Affairs and Trade and the State Secretariat for Hungarian Communities Abroad:

1. Define what policy coherence for development for Hungary. An IDC glossary taking into account the changing framework of international development in the post-2015 context could be developed.
2. Streamline PCD into interdepartmental consultations using the momentum given by the recent re-establishment of the Interdepartmental Committee for the Coordination of IDC.
3. In cooperation with key sectoral stakeholders, develop accountable and transparent mechanisms with clear indicators to assess sectoral policy impact on the (main) partner countries of Hungary's international development policy.
4. To support PCD in the case of kin-state policy, involve the representatives of the State Secretariat for HCA in the Interdepartmental Committee on IDC and the development department of the MFA in the Interdepartmental Committee for Kin-state Policy.
5. Increase the level of transparency in development funding: establish a searchable online database that lists and coherently categorizes/tags all projects financed by all Hungarian stakeholders that were reported to OECD as ODA from 2015 on. Data made available this way would provide a better overview of activities, and it could eventually contribute to increased aid effectiveness and could form the basis of a transparent impact assessment.
6. Through consultations between the MFA and the State Secretariat for Hungarian Communities Abroad, with the involvement of the Bethlen Gábor Fund, CAHS and the Consulate in Uzhhorod, explore the possibilities of coordination and complementarities between the MFA's Eastern Partnership program and the support allocated for infrastructural and capacity development by the Bethlen Gábor Fund.
7. Building on close to five years of experience, carry out a comprehensive impact assessment of the kin support schemes starting but not limited to education. The Research Center for Hungarian Communities Abroad, which is linked with the Bethlen Gábor Fund, could be a good starting point for such work. Based on the results, adjust the existing centralized and uniform system to local needs, e.g. focus more financial support to social projects, invest into subsidized Ukrainian language training for Hungarian children.
8. Deepen awareness about PCD in kin-state policy through concrete entry points like the case of Hungarian-medium education in relation to access to education.

BACKGROUND INTERVIEWS:

1. Interview with representatives of the Ministry of Foreign Affairs of Ukraine, Kyiv, July 2015.
2. Interview with a representative of the Ministry of Foreign Affairs and Trade of Hungary, Kyiv, July 2015.
3. Interview with representatives of the Ministry of Foreign Affairs and Trade of Hungary, Budapest, July 2015.
4. Interview with a researcher of Hungary's kin-state policy, Budapest, August 2015.
5. Interview with representatives of the Ministry of Foreign Affairs and Trade of Hungary, Budapest, August 2015.
6. Interview with representatives of the Ministry of Foreign Affairs and Trade of Hungary, Uzhhorod, August 2015.
7. Interview with a representative of the Cultural Association of Hungarians in Subcarpathia, Uzhhorod, August 2015.
8. Phone interview with a representative of an NGO, Uzhhorod, August 2015.
9. Interview with a representative of the Cultural Association of Hungarians in Subcarpathia, Mukachevo, August 2015.
10. Interview with representatives of an NGO, Berehove, August 2015.

(...) While Hungary introduced policy coherence for development into its new strategy and development legislation, it did so without clearly defining how it understands the concept, and how exactly it seeks to implement it in practice (...)

3

SLOVAK CASE

by Alexander Duleba & Peter Brezáni / the Slovak NGDO Platform – Platforma MVRO

SLOVAKIA’S ENERGY POLICY TOWARDS UKRAINE

A good beginning
for Slovakia’s policy coherence
[for development]

The overall goal of this paper is to analyze Slovakia's policy coherence for development (PCD) towards Ukraine in the field of energy. The reason for such a paper at this time is that the energy sector was recently identified as one of the priorities of Slovakia's official development assistance (ODA, SlovakAid) to Ukraine, and has also become a crucial point in bilateral relations. In accordance with the findings, the text presents a positive coherency between Slovakia's energy policy and its development policy towards Ukraine.
The paper thus identifies the current development needs of Ukraine in the fields of strengthening energy security, improving energy efficiency, and the use of renewables, and tries to explore Slovakia's potential for the sharing of experience in the field of energy sector reforms, including harmonization with the EU's energy and climate policy and relevant *acquis communautaire*. The paper also defines the role of Slovakia in mitigating the political, economic, legal and infrastructural barriers to the inclusion of Ukraine in the progressing regional integration of natural gas markets between V4 countries, as well as the market-coupling in electricity between the Czech Republic–Slovakia–Hungary–Romania, as part of its PCD effort.

UKRAINE IN THE SLOVAK DEVELOPMENT DISCOURSE?

Ukraine has been within the focus of the Slovak ODA since its very beginning in 2003,[91] despite the fact that it was not included in the indicative list of territorial priories in the Medium-Term Strategy for Official Development Assistance 2003–2008.[92] Between 2003 and 2008 Slovak organizations implemented 9 projects focused on "*developing democratic institutions and the market environment*" (including support for civil society and the promotion of integration into international organizations); "*infrastructure*" (including social infrastructure); and "*landscaping, protection of the environment, agriculture, food safety and use of raw materials*," with the overall amount spent being nearly 650,000 US dollars. After the establishment of the Slovak Agency for International Development Cooperation in 2007, and the approval of the new medium-term strategy for 2009–2013, the number of projects between 2007 and 2013 increased to 30, and the amount to almost 1.6 million euros, with the priority sectors not changing significantly. In other words, Slovakia shared its transition and reform experience mostly with its Ukrainian partners.[93] The position of Ukraine within the Slovak ODA system in the years mentioned was not, however, exclusive, as can be seen from the number of projects and the overall amount spent in 11 years of Slovak ODA. It was only one of many countries involved, no programming or strategy existed, and support and attention was given to specific projects without any systematic support for specific issues. The position of Ukraine in Slovak ODA between 2003–2013 may also be illustrated by the fact that when the medium term strategy of Slovak ODA for 2014–2018 was discussed in early 2013, Ukraine for some time even disappeared from the list of potential recipient countries.

Ukrainian crisis and the response of Slovakia

The rather dramatic events that began in Kyiv in November 2013 and resulted in the Russian-Ukrainian crisis in 2014 – including Russia's decision to fully stop the supply of natural gas to Ukraine in June 2014 – raised the question of the strategic role played by Slovakia in Ukraine's energy security, and also changed significantly the position of Ukraine in the Slovak development discourse.

When Russia stopped the flow of gas to Ukraine, it was only thanks to an agreement between the governments of Ukraine and Slovakia on reverse gas flow (with the participation of the national gas transit system operators, Naftogaz of Ukraine and eustream, a.s.) that Ukraine gained access to an alternative route and source of the supply of natural gas. Reverse flow via Slovakia helped Ukraine to manage its basic energy needs and to survive the winter of 2014–2015.[94] Notwithstanding the fact that the reverse flow itself is a pure business transaction and thus beneficial to both parties, this demonstrated Slovakia's strategic importance for the energy security of Ukraine, as well as having a significant impact on the policy planning for Slovak ODA to Ukraine for years to come.

At the beginning of Slovakia's Presidency in the Visegrad Group (July 2014–June 2015) an agreement between V4 countries was initiated, defining each country's roles and responsibilities when it comes to the sectoral focus of assistance to Ukraine, in the context of its reform process related to the implementation of the Association Agreement with the EU. Slovakia decided that its added value for Ukraine was in the field of energy policy and security sector reform, and committed itself to helping Ukraine in these two fields.[95] The V4 foreign ministers informed Ukrainian foreign minister Pavlo Klimkin of the agreement during their joint meeting in Kyiv on December 16, 2014.[96]

With its newly formulated political commitments, statements, and strategic documents on the table, in February 2015 the Slovak Agency for International Development Assistance announced its call for proposals for bilateral development projects, with a special focus on Ukraine (including a more significant financial allocation of 700,000 euros[97]), with energy security and efficiency as one of the three priority areas (along with good governance and security sector reforms).[98] Four projects were approved; only one of them, however, focused on a building up of capacities for energy sector reform in Ukraine.[99]

THE ENERGY (IN)SECURITY OF UKRAINE

There are many conceptualizations of the energy security of national states.[100] For the purpose of this study, we refer to the definition of the International Energy Agency:

IEA defines energy security as the uninterrupted availability of energy sources at an affordable price. Energy security has many aspects: long-term energy security mainly deals with timely investments to supply energy in line with economic developments and environmental needs. On the other hand, short-term energy security focuses on the ability of the energy system to react promptly to sudden changes in the supply-demand balance.[101]

According to this definition, Ukraine can hardly be labelled an energy secure country. There are at least four reasons for this claim:

1. In 2014 Russia turned off the taps on its gas supply to Ukraine for 5 months (June–October).
2. Ukraine has lost control over approximately 50 per cent of its coal mining capacities due to the occupation of part of the Donbass territory by pro-Russian separatists.
3. With Russia's annexation of Crimea, Ukraine has also lost control of the natural gas fields owned by Chernomorneftegaz Co., which previously supplied around 2 billion cubic metres (bcm) of gas annually to the Ukrainian domestic market (1.7 bcm in 2013).
4. Ukraine has lost existing energy facilities, as well as potentially new conventional and shale oil and gas fields, located in the occupied Donbass area and in Crimea, including a maritime zone with rights to subsea mineral reserves.[102]

Considering the critical share of natural gas (34.8 per cent) and coal (34.6 per cent) in Ukraine's primary energy consumption,[103] Ukrainian authorities were not able to ensure an uninterrupted supply of heat and electricity to both households and industry, especially during the winter of 2014–2015.

Russia's military aggression, annexation of Crimea, and support for separatists in the Donbass region challenge the very fundamentals of Ukraine's national security. Besides having to defend its territorial integrity by military means, Ukraine must show its capacity to reform its institutions and economy, and first and foremost its entire energy sector.

Slovakia's contribution to the security of natural gas supply

Developments in 2014 clearly showed that bilateral Slovak–Ukrainian cooperation in the field of natural gas supply does have strategic importance for both countries, including for the operators of their national gas transmission systems. Slovakia and Ukraine share the "Brotherhood" pipeline (Urengoy–Pomary–Uzhgorod), which is the largest transportation route for Russian gas into Europe. It can carry over 100 bcm of gas per year, transiting Ukraine and running to Slovakia. In Slovakia, the pipeline divides, one branch continuing to the Czech Republic and the other to Austria. Gas deliveries through the Brotherhood pipeline began in 1967.[104]

In April 2014, the Slovak government reached a deal with its Ukrainian counterpart, which was hoping to secure alternative gas supplies after Gazprom raised its prices to levels Ukraine refused to pay. The Slovak government did not, however, go so far as acceding to Ukraine's push for the use of Slovakia's main transit pipelines – with a free capacity exceeding 50 bcm a year, which would have given Ukraine access to larger volumes of gas – arguing that this would violate Slovakia's transit contract with Gazprom.[105] The Slovak Gas Industry, a.s. (SPP – a gas distribution company) and eustream, a.s. signed the long-term (20 years) contract with Gazprom in 2008, according to which SPP will purchase 130 bcm of gas, and eustream transit at least 50 bcm/year of Russian gas to European consumers, until 2028.[106]

Nevertheless, an alternative technical solution for the reverse flow of gas from Europe to Ukraine was found, by upgrading a previously unused pipeline running from Slovakia's Vojany power station near the border to Uzhgorod. This technical solution was necessary in order not to violate the contract between eustream, a.s. and Gazprom, which stipulates that the only company that can issue shifting codes at the Uzhgorod–Veľké Kapušany dispatching center on the main transit pipelines at the Slovak–Ukrainian border is Gazprom. On September 2, 2014, a new interconnector running from Vojany to the Ukrainian border, with a new metering station, was launched into operation with an annual capacity of 10 bcm. Two months later its capacity

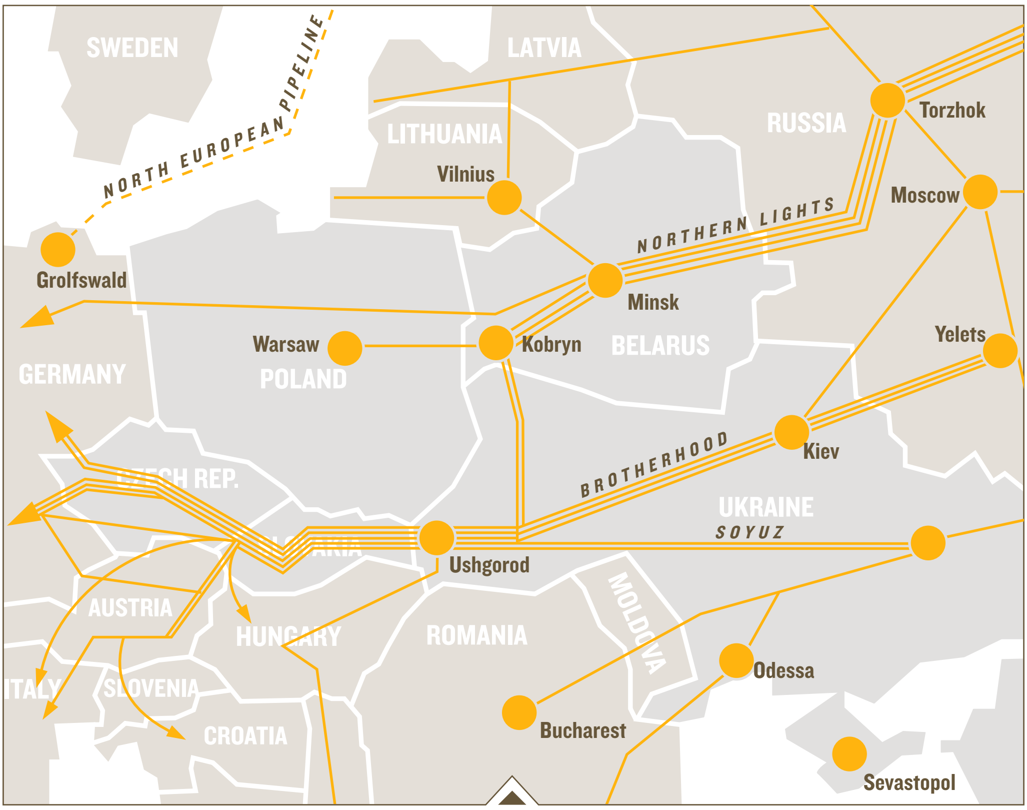


FIGURE 1. Gas transportation routes from Russia to Europe EXISTING PROPOSED

Source: Oxford Institute for Energy Studies, 2005

was increased to 11.4 bcm per year, and finally to more than 14.5 bcm per year starting from March 1, 2015.[107]

Even though Russia responded to the Slovak–Ukrainian reverse flow deal by reducing its delivery of gas to Slovakia, foreign minister M. Lajčák has absolutely denied that the government would stop the reverse flow of gas to Ukraine. At the Foreign Affairs Council of the EU held in Luxemburg in October 2014, he said:

> *Our reverse flow has already saved approximately a half billion USD to Ukraine, as confirmed by a high representative of the Ukrainian Government. We continue with practical help to Ukraine through the reverse flow despite the 50 per cent gas supply reduction for Slovakia. This is our concrete contribution to the discussion on how to help Ukraine to survive this winter.*[108]

According to a statement by Ukrainian Prime Minister Arseniy Yatseniuk on December 30, 2014, Ukraine saved almost 1 billion US dollars in 2014 thanks to this reverse flow, due to the difference between Russian and European gas prices. The gas supply to Ukraine has been diversified – Ukraine has switched its gas supply from Russia to the European Union by 60 per cent.[109] The Vojany interconnector that was launched into operation in September 2014 now plays an important role in the energy security of Ukraine. As for now, the transmission systems of Slovakia, Hungary and Poland together can ensure an alternative supply for Ukraine's natural gas import needs, which according to the *New Energy Strategy of Ukraine* projection will be 20 bcm of gas per year until 2020.[110]

Energy consumption – a serious problem in Ukraine

The primary energy consumption of Ukraine – measured in metric tons of oil equivalent (Mtoe) – decreased by 14.4 per cent in 2014 (100.10 million Mtoe) as compared with 2013 (116.59 million Mtoe).[111] This decrease was an inherent outcome of the economic downfall, accelerated by the situation in Donbass. The real GDP of Ukraine fell by 6.8 per cent in 2014, excluding Crimea and part of the war zone in Donbass. In 2015, the World Bank estimates a continuing contraction of the Ukrainian economy by 7.5 per cent, with rather uncertain prospects for a recovery in 2016–2017 – which will depend on an eventual peaceful resolution of the conflict in the Donbass, a closing of the large gap in public financing, and the continued implementation of the reform agenda under the IMF program. According to the World Bank analysis, domestic demand in Ukraine will be dampened by fiscal consolidation measures, including cuts in pensions and utility subsidies.[112]

Considering that Ukraine is one of the ten most energy-intensive economies in the world,[113] the crucial development challenge it has to address in the medium-term is how to achieve economic recovery and build up a competitive economy under conditions of decreasing energy consumption. Ukraine belongs to this "top ten" largely because of its high concentration of energy-intensive sectors,[114] inefficient industrial processes and old equipment, inefficient district heating systems, and poor quality building stock. According to the IEA report (2012) Ukraine's ratio of total primary energy supply (TPES) to GDP in 2010 was ten times more than the OECD average. Calculated in terms of purchasing power parity (PPP), Ukraine used about 3.2 times more energy per unit of GDP than the average for OECD countries.[115]

The *New Energy Strategy of Ukraine* (NES), prepared in 2015 by the Ministry of Energy and Coal Industry of Ukraine – in cooperation with the leading actors of the Ukrainian energy sector, the expert community, and international institutions – stipulates that by 2020 the implementation of the goals of NES should decrease the energy intensiveness of the Ukrainian economy by 20 per cent, and primary energy consumption by 10 per cent, against the 2012 levels. Finally, by 2035 the energy intensiveness of the Ukrainian economy should achieve a level of 0.17 (measured in tons of oil equivalent per unit of GDP (PPP)/1000 USD), which is close to the average OECD level for 2013 (0.14).[116] Natural gas, coal and nuclear energy will remain the main sources of the primary energy consumption of Ukraine in the period up to 2020.

In terms of Ukraine's energy security, *natural gas* still presents the most sensitive commodity due to the following facts: first, Ukraine completely depends on gas imports from Russia; second, Russia uses its supply of gas as a foreign policy tool towards Ukraine, even so far as to influence the domestic politics of Ukraine through creating gas trade corruption schemes involving groups from Ukraine's establishment; and finally, the traditional availability of relatively cheap gas from Russia has today become a structural problem for the Ukrainian economy, because it helped to preserve the use of energy intensive technologies in Ukrainian industry, as well as the inefficient use of gas by households and municipal infrastructure. Even despite a dramatic decline in gas consumption in 2014, the task of reducing gas consumption will remain a priority for the energy security of Ukraine.

For decades Ukraine has been one of the *largest natural gas consumers* in the world. A significant decline in gas consumption began only in 2009 (as compared with previous years), due both to the financial and economic crisis of 2008 and the gas crisis of January 2009, as well as to the gradual reduction in gas consumption by industrial customers. However, the reduction in consumption by households, and by state and municipal utilities, was rather slow.

In 2014, natural gas consumption in Ukraine decreased overall by 14 per cent. Industrial consumers reduced their consumption by 15 per cent, households by 7 per cent, and district heating enterprises by 8 per cent (to 7.0 bcm).[117]

Due to the dramatic reduction of gas consumption in 2014, the share of domestic gas production in the natural gas supplied to Ukrainian consumers reached 46 per cent of the total annual consumption. In 2014 Ukrainian companies produced 20.5 bcm of gas, down by 1.0 bcm as compared to 2013. State owned companies – which are part of the Naftogaz group (Ukrnafta, Ukrgazvydobuvannya, and Chernomorneftegaz until Russia's occupation of Crimea in March 2014) – produced 17.1 bcm of gas in 2014, whereas private gas producers supplied 3.3 bcm of gas to domestic consumers.[118]

The main obstacle to the development of the domestic production of natural gas in Ukraine is a deformed domestic market due to huge state subsidies to households, state funded institutions, district heating companies, and other privileged consumers.

Private producers in Ukraine sell their gas on the domestic market at UAH 5,900 (about $350) per thousand cubic meters (tcm) including royalties, which is roughly the same price as that of imported gas in the fourth quarter of 2014. However, Ukrgazvydobuvannya is forced by state regulations to sell its gas on the domestic market at UAH 349 (about $20) per tcm excluding royalties. According to Naftogaz estimates, Ukrgazvydobuvannya needs a price of at least $220 per tcm excluding royalties in order to be able to invest in the development of new deposits and to increase gas production. All the natural gas produced by Ukrgazvydobuvannya is used to cover the needs of Ukrainian households, state funded institutions (e.g. schools, hospitals), and district heating companies. This provides about 70 per cent of the population's gas and home heating needs. Naftogaz had to import the remaining gas needed for the population and other privileged categories of consumers at market prices.[119]

The economic conditions of Ukraine's domestic gas producers should improve significantly following the recent agreement between the Ukrainian government and the IMF on the provision of a 17.5 billion USD loan program to Ukraine as of March 2015.[120] The National Regulatory Commission of Ukraine has increased the gas price ceiling for the population by 3.3 points to UAH 3,600 per tcm as of April 1, 2015.[121]

Ukraine's import dependence in the field of natural gas supply has been oscillating around

80 per cent for almost all of the two last decades. This decreased to below 60 per cent during the economic and financial crisis in 2008, and again in 2013. In 2014 it achieved its lowest level in the history of independent Ukraine, falling to 46 per cent. Moreover, in 2014 it happened for the first time in the history of independent Ukraine that almost one third of its annual gas imports were supplied by a source other than Russian Gazprom.

In 2014, Ukraine managed to diversify its sources of imported natural gas. The gas imports from Europe grew by 138 per cent (from 2.1 bcm in 2013 to 5.0 bcm in 2014), while imports from Russia fell by 44 per cent (from 25.8 bcm in 2013 to 14.5 bcm in 2014). In other words, in one year the Russian share of Ukrainian gas imports fell from 92 per cent to a still significant, but much lower, 74 per cent.

Imports of more substantial volumes of natural gas from Europe to Ukraine became possible only thanks to the launch of the Vojany–Uzhgorod interconnector on the Slovak–Ukrainian border on September 2, 2014, with an initial capacity of 10 bcm a year.[122] In the end, the share of Russian imports in Ukraine's annual domestic gas consumption for 2014 decreased to 34 per cent of total consumption.[123]

According to NES predictions, the share of natural gas in the primary energy consumption of Ukraine will comprise 30.1 per cent up to 2035, with an annual consumption of about 40 bcm. Domestic gas production is expected to cover about half (20 bcm) of Ukraine's natural supply needs, while 20 bcm will be imported from abroad – 15 bcm from Europe via Slovakia, Poland and Hungary, and 5 bcm from Russia.[124] Nuclear energy (24 per cent) and coal (29.2 per cent) together are expected to cover roughly half (53.2 per cent) of the primary energy consumption of Ukraine by 2020. Nuclear and coal are crucial energy sources for electricity generation in Ukraine. In addition, after natural gas, coal is still the most important energy source for district heating.

TABLE 1. Projections for the primary energy consumption of Ukraine by sources

PRIMARY ENERGY CONSUMPTION, MTOE	2013	2020	2025	2030	2035
Coal	41.4	32.0	28.8	24.0	17.7
Natural gas	39.5	33.0	30.0	29.0	28.8
Oil products	9.85	13.0	12.5	12	11.0
Nuclear energy	21.9	26.7	27.8	28.0	28.0
Biomass, biofuel and waste	1.56	3.6	4.5	6.0	8.0
Solar energy	0.07	0.5	1.5	2.8	5.0
Wind energy	0.08	0.4	1.6	2.3	4.0
Hydro energy	1.14	0.9	1.0	1.2	1.2
Energy of environment	0.05	0.3	0.7	1.1	2.3
Net exports	-0.35	-0.9	-1.3	-2.2	-2.6
Total	**115.2**	**109.5**	**107.1**	**104.2**	**102.6**
IMPROVEMENT OF ENERGY EFFICIENCY					
Energy intensiveness, toe/1000 USD	0.32	0.26	0.20	0.15	0.12
Implemented potential of increased energy efficiency, Mtoe	-	36.6	65.6	98.7	144.6
THE USE OF RENEWABLE SOURCES OF ENERGY					
Share of RSE in PEC, per cent	2.7	5.2	8.7	12.9	20.0

The coal mining industry of Ukraine is concentrated in the Lugansk and Donetsk regions, a part of which has been under the control of pro-Russian separatists since 2014, including about a half of Ukraine's coal mining capacities. Before 2014, the annual production of coal in Ukraine (72–83 million tons) fully satisfied the needs of heating power plants and other domestic consumers. Due to the shortage of coal supply after the start of military activities in the Donbass region, Ukraine is being confronted with a deficit of electricity generation and supply to the domestic market, amounting to 200–300 million kWh a month. In order to eliminate this deficit, Ukraine has to import a given volume of either electricity or coal in order to supply its heating power plants.[126] When it comes to nuclear fuel, Ukraine meets only 30 per cent of the needs of its nuclear power plants with domestic Uranium production. The situation with oil products is even worse. In 2013, Ukrainian refineries produced 3.5 million tons of oil products, representing only 22 per cent of domestic consumption.[127]

This brief overview of the current primary energy consumption of Ukraine and projections for its development up to 2035 was important for this paper, in order to show that Ukraine will remain a country that is dependent on imports of primary energy sources. The current data on its four main sources of primary energy consumption show that the import dependency of Ukraine in the field of natural gas is 50 per cent (expected to be 30.1 per cent in PEC by 2020), coal 50 per cent (29.2 per cent), nuclear energy 70 per cent (24 per cent), and oil products 78 per cent (11.5 per cent). In order to ensure an uninterrupted supply of primary energy sources, Ukraine must concentrate on the following tasks:

1. diversification of supply of natural gas, coal, nuclear fuel and oil products;
2. improvement of energy efficiency, including expanding the use of renewable sources;
3. elimination of deformations in the domestic energy market, in order to motivate domestic consumers to save energy, and to create sustainable conditions for domestic energy suppliers, and
4. explore ways to get access to the emerging regional gas and electricity markets in Central Europe.

Energy efficiency and the use of renewables

The IEA estimated Ukraine's energy efficiency potential at 20–30 per cent of its energy supply in 2012. This potential should be tapped mainly by power and heating sector retrofitting, industry modernization, and streamlining the energy usage of domestic consumers. If Ukraine were to increase energy efficiency to the EU average level, its annual energy savings would be about 27 million tons of oil equivalent (Mtoe), or about 34 bcm of natural gas.[128] According to the most recent report produced by International Renewable Energy Agency (IRENA), Ukraine has the potential to increase its renewable energy use by ten-fold, from 87 petajoules (PJ) in 2009 to 870 PJ of total final renewable energy in 2030 – at which time 73 per cent of its renewable energy potential could be accounted for by heat, 20 per cent for electricity generation and 7 per cent for transport. Nearly 80 per cent of the total final renewable energy potential could be accounted for by biomass technologies, including energy used for the heating of buildings and industrial plants (including district heating), power generation, and as transport fuels.[129] This huge potential for increased energy efficiency in Ukraine is connected with improvements in the power and heating sectors, in industry, and in households.

Ineffective production

In 2011, power stations in Ukraine used a total of 63.8 Mtoe, yet produced only 16.8 Mtoe of electricity and 14.5 Mtoe of heat. Total power losses in the energy production process amounted to 32.5 Mtoe (more than 50 per cent). The most significant challenge posed in this regard is the ageing infrastructure. A large number of active boilers are outdated, their technical parameters being much lower than those of modern units. About 80 per cent of thermal power stations are obsolete, which contributes to the high level of energy required to generate power (35 per cent higher than the OECD average). This generates additional costs and decreases the level of profitability. In addition, 60 per cent of power distribution companies' assets are worn out, resulting in losses during transmission that are twice that of the OECD average. Higher energy usage also entails a greater burden on power grids and poses a threat to supply security. Moreover, the power sector has been hurt by low energy tariffs (mainly for households and state funded institutions), which results in financial losses and discourages the improving of energy efficiency. Reduction of subsidies – which amounted to more than 10 billion USD in 2012 – could improve the condition of public finances and underpin power companies' investment abilities. The whole process will be cost-intensive, as Ukrainian authorities estimate that the investment required in the electricity and heat sector alone in order to bring it up to the OECD average could reach UAH 720 billion (about 45 billion euros) by 2030.[130]

In 2012, industry used 24.8 Mtoe (34 per cent of the country's total energy consumption), and was the largest energy sector consumer in

(...) Slovakia has a significant capacity to assist Ukraine in coping with its development needs in the energy sector (...) by enhancing Ukraine's energy security (...), supporting reforms in the Ukrainian energy sector (...), helping Ukraine to integrate into the emerging Central European gas and electricity markets (...)

Ukraine. This consumption was dominated by energy-intensive industries such as the steel, chemical and mining sectors. Many of them, such as the chemical sector, are highly dependent on external energy supplies, mainly gas imported from Russia. Moreover, energy intensity means that Ukrainian companies compete poorly in world markets, as they require three times more energy to reach the same output as companies from the EU. The low level of competitiveness of Ukrainian companies is a matter of relatively high energy prices for industry, as well as inefficient production processes, and a lack of energy management systems and systematic energy audits, particularly in small and medium-sized companies. Moreover, despite some tax exemptions for local companies, financial incentives for the implementation of energy efficiency solutions are still insufficient. Hence, from the companies' perspectives, the costs of adopting such solutions are relatively high and exceed the anticipated benefits.[131]

Households' overspendings

Households used 23.4 Mtoe in 2012 (32 per cent of total energy consumption), and ranked as the second largest consumer category in the country. The IEA points to the domestic sector as one of the areas in which energy savings could be considerable. Currently, gas combustion accounts for nearly 60 per cent of the energy consumed by households, and, along with district heating systems, which furnish about 55 per cent of households, has benefited from state subsidies (households paid only 20 per cent of the imported gas price).

The state's financial support – combined with a lack of effective energy consumption metering systems – gives no incentive to domestic consumers to use energy efficiently. It also poses serious barriers to needed investments by power companies, as their revenues are below ultimate costs. There is also a lack of widespread knowledge among householders regarding the benefits of considered energy usage, with technical support for energy efficiency efforts lacking. Ukraine suffers from a lack of modern know-how and professional staff in this area. The other challenge is the enforcement of existing regulations. For instance, although the building energy code has established standards for energy usage in new buildings since 2007, its implementation has been crippled due to insufficient technical measures and funds. Furthermore, around 80 per cent of existing buildings require retrofits in order to meet the higher energy efficiency standards.[132]

Renewables and their use

According to information provided by the State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE),[133] as of the end of 2013 the total volume of thermal energy generated by renewable energy facilities made up 1144.9 thousand Gcal, enabling the replacement of more than 200.4 Ttoe of traditional energy resource usage – in particular, thermal energy generated by:

- bio energy facilities – 1140.2 thousand Gcal;
- thermal pumps – 3.2 thousand Gcal;
- solar energy facilities – 0.25 thousand Gcal;
- geothermal energy – 1.2 thousand Gcal.

The total volume of generated thermal energy in 2013 was 1144.9 thousand Gcal, 1.5 times that of 2012 (an increase of 382.9 thousand Gcal). As of January 1, 2014 the installed capacity of thermal energy facilities (389 units) generating energy from RES was 726.2 MW, in particular:

- solar energy – 0.33 MW;
- geothermal energy – 0.86 MW;
- thermal pumps – 2.99 MW;
- bio energy, including thermal energy from bio gas – 722.02 MW.

The installed capacity of renewable energy sources operating at "green" tariff in Ukraine as of January 1, 2014 was 1181.553 MW, of which 535.550 MW was commissioned in 2013 (2.3 times more than in 2012), as follows:

- wind energy sources – 139.873 MW (3.1 times more than 2012);
- solar energy sources – 376.857 MW (2 times more than 2012);
- small hydro energy sources – 1,282 MW (36.6 per cent less than 2012);
- bioenergy sources generating electricity from biomass – 11.0 MW (5,5 times more than 2012);
- bio energy sources generating electricity from biogas – 6.5 MW.

These sources generated 1.52 billion kWh of electricity in 2013, enabling the replacement of 374.5 Ttoe of traditional energy resource usage.

According to the estimates of SAEE, Ukraine's technologically achievable potential to produce fuels from renewable energy sources and alternative fuels is above 98 Mtoe per year.[134]

On September 3, 2014, the Ukrainian government adopted its National Renewal Energy Action Plan through 2020. The Action Plan includes the following three main goals: first, to increase installed electricity generation capacities on the basis of RSE to 10900 MW, and to achieve a generation of green electricity in the volume of 26 billion kWh by 2020; second, to increase the generation of thermal energy on the basis of RSE to 5.85 Mtoe by 2020; and finally, to increase the use of RSE in the transport sector to 505 Ttoe by 2020.[135] As mentioned before, the NES stipulates an ambitious goal for the development of energy efficiency and the use of RSE in Ukraine, namely to achieve a reduction in the use of traditional energy sources by the use of RSE, in an amount equal to

98 Mtoe in 2030 and 144 Mtoe in 2035. The share of RSE in primary energy consumption is expected to grow from 2.7 per cent in 2013 to 5.2 per cent in 2020, 8.7 per cent in 2025, 12.9 per cent in 2030, and 20 per cent in 2035.[136]

Ukraine's energy system offers a number of development and business opportunities for both new construction and refurbishments, given the outdated power-and-heat production capacities and the demand growth expectations. There is also a growing business opportunity in renewables for district heating and industry, as both of these sectors are increasingly paying high prices for their natural gas. The National Renewal Energy Action Plan through 2020and the longer-term New Energy Strategy through 2035 are promising steps to the kind of planning and target setting that will help accelerate the uptake of energy efficiency and renewable energy in Ukraine.

Reforms, reforms, reforms ...

The reform of Ukraine's domestic energy market in all the abovementioned fields is the key task – as well as the ultimate precondition – for the implementation of its goals as set down in the NES. As mentioned before, among the V4 Slovakia has decided that its added value for Ukraine is in the field of energy efficiency, and has committed itself to helping Ukraine.

Slovakia is already an active actor in assisting Ukraine in reforming its energy market. The Regulatory Office for Network Industries of the Slovak Republic (ÚRSO) implements the twinning project. Its goal is to provide assistance to the National Regulatory Authority of Ukraine for Energy and Public Services (NEURC) in the field of natural gas sector and electricity market reforms. The two-year project starts in the autumn of 2015 with the aim of harmonizing Ukraine's national legislation and institutional setup in the field of gas and electricity markets, so that Ukraine is able to meet conditions for its integration into the EU energy market. The task for the ÚRSO is to share experience of forming the relevant legislation with the NEURC, and to supervise the drafting of new Ukrainian laws in the field, with the following goals: first, to achieve the progressive liberalization of the Ukrainian energy market; second, to introduce standard practices and methods of regulatory policy in Ukraine; and third, to create both legislative and regulatory conditions for Ukraine's integration into the EU energy market.[137] Cooperation between the national energy regulatory authorities of Slovakia and Ukraine is an important complementary element of bilateral cooperation in the energy sector.

The Research Center of the Slovak Foreign Policy Association is also implementing a rather complex project focused on the building of capacities for energy sector reform. The project will facilitate the sharing of Slovak experience with Ukrainian partners in the field of energy sector reform, with a focus on improving energy efficiency and the use of renewables, including experience of the implementation of relevant EU legislation and programs, their transposition into national legislation and policies, and learning from the best practices and successfully implemented projects in the field.

On September 10, 2015, the State Agency for Energy Efficiency of Ukraine (SAEE) and the Slovak Innovation and Energy Agency (SIEA) signed a Memorandum on cooperation on energy efficiency, energy saving and renewable energy, which should frame further bilateral cooperation in the field, including the pertinent assistance of Slovakia to Ukraine.[138] The head of SAEE, Serhiy Savchuk, has identified Ukraine's interest in Slovak experience:

> *The Memo signed is an important document for Ukraine in the areas of energy efficiency, energy saving and renewable energy, as Slovakia has passed the way Ukraine is going now. According to the national strategy for home renewal in Slovakia, in 2013 the heating efficiency of 50.38 per cent of the country's apartment blocks, and of 33 per cent of its private houses, was modernized. By 2020, these indicators are to grow to 72.15 per cent and 47.61 per cent respectively. It is important for us to use the experience of Slovakia, as 80 per cent of the housing in Ukraine requires modernization.*

He added that in Slovakia, from 2005 to 2013, 599 projects in residential buildings, worth a total of 91.5 million euros, were completed. According to Savchuk, the Ukrainian energy efficiency program was drawn up on the basis of European experience, including the experience of Slovakia, and since the moment in was put in place it has proven its effectiveness.[139] Under the memo, the SAEE and SIEA are to exchange experience on the introduction of effective financial schemes for supporting the implementation of projects in energy efficiency, renewable energy, and alternative fuel.

CONCLUSIONS AND POLICY RECOMMENDATIONS

Slovakia's focus on Ukraine is natural. Ukraine is a neighbor of Slovakia, and the only neighbor that operates under a different international regime. The modernization and reforms in Ukraine are not only in the interest of Ukraine, but also in the interest of Slovakia. Not only does the different regime limit our joint cooperation and the development of Ukraine, but it also limits the development of Slovakia, especially its eastern region. In other words, Slovakia's own national interests make Slovakia's PCD effort easier. Slovakia is politically and strategically committed to assist, has defined the appropriate sectors, and is already implementing specific projects. Additionally, Slovakia has a significant capacity to assist Ukraine in coping with its development needs in the energy sector, mainly in three areas. First, by enhancing Ukraine's energy security, in particular when it comes to the transit of natural gas from Europe to Ukraine. Secondly, by supporting reforms in the Ukrainian energy sector (improving energy efficiency and the use of RSE), and finally, by helping Ukraine to integrate into the emerging Central European gas and electricity markets.

Energy efficiency

There is enormous potential for bilateral Slovak–Ukrainian cooperation in the field of improving energy efficiency and the use of renewable sources. 405 projects (with a total investment of 167 million euros) were implemented in Slovakia at the municipal level during the years 2007–2013. Approximately one third of these projects concerned the installation of boilers based on biomass fuels for the district heating systems of towns and villages. Apart from the installation of green boilers, most projects concerned the installation of modern public lighting in municipalities (including some based on LED technologies), or improving the energy efficiency of buildings, including their heat cladding. Thanks to the harmonization of the relevant national legislation with that of the EU, as well as to adopted measures and implemented projects, the share of renewables in the total energy consumption of Slovakia grew from 6 per cent in 2005 to 12 per cent in 2014.[140] Slovakia is able and willing to share with Ukraine its experience in adapting national legislation to the EU's energy and climate policy (including when it comes to the regulatory framework for providing energy services), energy auditing, strategies for the renovation of buildings, financial mechanisms for implementing projects, and raising public awareness in the field of energy savings. In addition, an added value for Ukraine in Slovakia's acquired know-how in the field of energy efficiency is that it has already adapted green technologies to centralized district heating systems, a task that should also be undertaken by Ukraine, with its huge potential in the field. Slovak and Ukrainian municipalities share similar centralized district heating systems at the municipal level, which is their common infrastructural heritage from the former communist period.

Integration of Ukraine into the emerging regional Central European energy market

Ukraine and Slovakia share the largest gas transmission system in Europe, which is relevant to ensuring the gas supply security of the wider region of Central and Southeastern Europe. Keeping in mind the strategic importance of bilateral cooperation in the field of energy security, which has a wider regional relevance, Ukraine and Slovakia should approach their bilateral relations as a core element of the wider regional cooperation taking place under the formula V4 plus Ukraine. First, there is room for cooperation on the gradual accession of Ukraine to the ongoing process of creating a regional gas market among the V4 countries, following the Road Map agreed by V4 Prime Ministers in 2013. Second, it is also in the interests of both Slovakia and Ukraine to explore ways for effecting the future integration of Ukraine (and also Moldova) into the market-coupling of electricity markets between the Czech Republic–Slovakia (established in 2009)–Hungary (accessed in 2012) and Romania (in 2014).

On October 31, 2012, the V4 ministers responsible for energy signed an MoU on the integration of the V4 regional gas market, setting out a timetable of actions leading to the endorsement of a Road Map towards a Regional V4 Gas Market, which was subsequently adopted by the V4 prime ministers during the V4 summit on June 16, 2013.[141] The key priorities of the Road Map are: First, to maintain coordinated support for developing a key gas infrastructure in the region – i.e. the interconnectors between V4 countries and internal gas networks that are needed to ensure a free flow of gas in the region. Second, to continue working on an optimal market model for the region – a "no-regret" open approach that takes account of changes in the market and the challenges likely to occur in the coming years. This includes coordinating the implementation of EU gas network codes in the region, drafting an operational study to implement the multi-coupled market zones model in the V4, and taking decisions about its future shape and progress. This should result in the standardization of national gas market regulations in the V4 region, thus guaranteeing optimal use of the gas transmission infrastructure created. And finally, to establish the V4 Forum for Gas Market Integration, and to use it as an institutional basis of cooperation. The forum should serve to strengthen cooperation between decision makers and gas sector representatives, with a view to developing an optimal market model.[142]

The formation of the V4 regional gas market cluster fully corresponds with the stated priority of the Energy Union program of the European Commission to achieve a fully integrated energy market within the European Union. After the creation of regional market clusters within the EU, the next step will be their gradual interconnection, which in the end will result in the creation of a single energy market in natural gas and electricity among EU member states.[143] In addition to the V4 countries' regional gas market initiative, there is the ongoing process of the formation of a regional electricity market in Central Europe.

The project of regional integration of electricity markets started from the coupling of day-ahead electricity markets between the Czech Republic (CZ) and Slovakia (SK) in 2009. Hungary (HU) joined the CZ–SK project in 2012, followed by Romania (RO) in 2014. On November 19, 2014, the CZ–SK–HU–RO Market Coupling (also called 4M Market Coupling or 4M MC) was successfully launched, integrating the Czech, Slovak, Hungarian and Romanian day-ahead electricity markets. The project started in August 2013 with the aim of extending the CZ–SK–HU Market Coupling to Romania and implementing the PCR (Price Coupling of Regions) solution. Transmission system operators (ČEPS, SEPS, MAVIR and Transelectrica), together with power exchanges (OTE, OKTE, HUPX and OPCOM), and supported by national energy regulators (ERÚ, ÚRSO, MEKH and ANRE), collaborated to develop and implement all the solutions necessary for ensuring the technical and procedural compatibility of 4M MC with the target European solution, which is already implemented in other coupled European regions. Market coupling allows higher efficiency of trading and capacity allocation, which should lead to higher security of supply, higher liquidity and lower price volatility.[144]

The NES of Ukraine identifies Ukraine's integration into the energy market of the EU as the long-term priority.[145] The only way for Ukraine to implement this priority is first to get access to the emerging regional energy market in Central Europe, with respect both to natural gas and electricity. As Slovakia is a part of both regional initiatives, both Slovakia and Ukraine should improve their engagement with the existing regional formats that have been established with the aim of facilitating cooperative planning on the further development of regional interconnection and cross border infrastructure in the field of transmission of natural gas and electricity.

First of all, the government of Slovakia, together with its V4 partners, should consider the option of including Ukraine in the work of the V4 High Level Group on Energy Security (V4 HLGES) under formula V4 plus Ukraine. The V4 HLGES has proved to be a very efficient platform for achieving regional agreement on the development of priority interconnectors, which, first, have significantly strengthened the security of gas supply in the region (as compared with the situation before the 2009 gas crisis), and second, comprise the physical fundamentals of the future regional energy market. Accordingly, Ukraine should consider the option of applying for observer status in the CZ–SK–HU–RO market-coupling in electricity, as has Poland, for example. Although the gradual inclusion of Ukraine in the creation of the regional Central European energy market is rather a long-term goal, it should be viewed as a strategic framework for bilateral Slovak-Ukrainian cooperation in the field of energy.

Another important regional energy forum in which Slovakia and Ukraine should coordinate their activities is the CESEC (Central East South Europe Gas Connectivity). The CESEC initiative was launched by the European Commission in February 2015 along with the Energy Union program, with the aim of identifying key infrastructural projects in Central and South Eastern Europe that should enhance the security of the natural gas supply. The participants of the CESEC are EU member states (Austria, Bulgaria, Croatia, Greece, Hungary, Italy, Romania, Slovenia and Slovakia, as well as the European Commission represented by Vice-President for Energy Union Maroš Šefčovič and Commissioner for Climate Action & Energy Miguel Arias Cañete), whereas contracting parties to the Energy Community, including Ukraine, will participate in the work of the CESEC HLG upon ad hoc invitation. The aim of the CESEC HLG is to establish a regional priority infrastructure roadmap and to advance its implementation, in order to develop missing infrastructure and improve security of gas supplies so that each EU member state in the region can have access to at least three different sources of gas. The CESEC is a relevant regional format for cooperation between EU member states and non-members that are contracting parties to the Energy Community.[146] Slovakia and Ukraine might work together within the CESEC with the aim of bridging the Energy Union and the Energy Community, at least in the field of security of natural gas supply.

In order to follow a strategic framework for Slovak–Ukrainian energy cooperation as recommended above – and to achieve the ability to work together within the regional formats – first, Slovakia and Ukraine must upgrade their existing trilateral and bilateral formats for energy dialogue, these being the two main formats for the relevant energy dialogue, as follows: the trilateral format (Ukraine–Slovakia–European Commission) on the supply of natural gas, and the Working Group on Energy established as a part of the bilateral Slovak–Ukrainian Intergovernmental Commission for Economic, Industrial and Scientific Cooperation. Again, with the strategic importance of bilateral Slovak–Ukrainian cooperation in the field of energy security having a wider regional relevance, both Ukraine and Slovakia should approach their bilateral relations as a core element of the wider regional cooperation.

4

POLISH CASE

by Katarzyna Jarecka-Stępień, PhD / by the Polish NGDO Platform - Grupa Zagranica

POLAND'S DEVELOPMENT AID AND FOREIGN DIRECT INVESTMENT IN MOLDOVA

Systemic challenges based on a case study

Trade and Investment policies play a key role in the Policy Coherence for Development concept. If development and foreign investment policies are implemented in cohesion, they can make a given market more attractive for future investment and encourage entrepreneurs to initiate cooperation, which in the long term can benefit the overall development of the beneficiary state. The case study of Polish investment in Moldova aims to show the practical implementation of the Development Cooperation Act in foreign direct investment practice abroad. The article draws attention to the important role of institutions, both government institutions as well as institutions supporting foreign trade and investment policy, in implementing the PCD, and points out that a lack of systemic solutions results in weak coordination and a lack of efficient mechanisms and tools.

THE CONCEPT OF POLICY COHERENCE FOR DEVELOPMENT

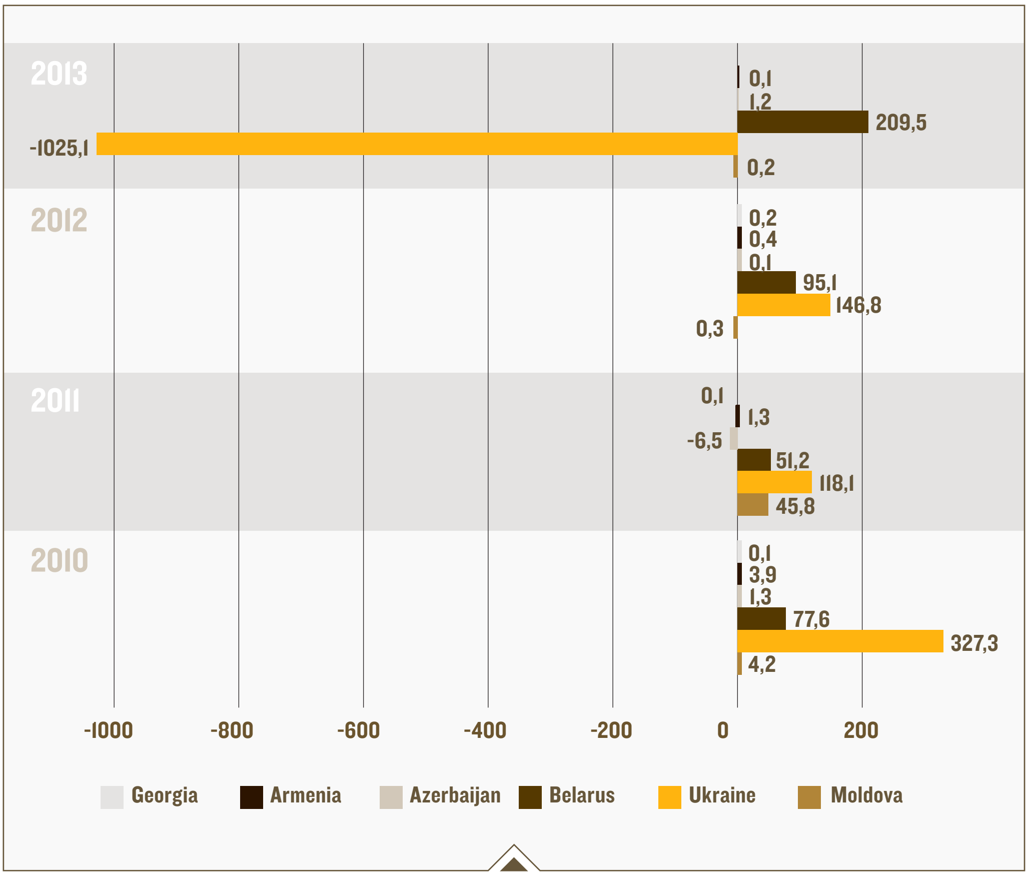
The Policy Coherence for Development with other state policies and strategies is still a relatively new concept for the European Union and its member states. Although the Maastricht Treaty introduced this legislation for the amelioration of coherence of the European development policy over 20 years ago, its goal remains distant and vague. The policy's core aim is to eliminate the contradiction wherein developed countries provide development aid to less affluent countries, while at the same time continuing activities that inhibit development and ultimately neutralize any positive effects of aid programmes and projects.[147] Currently, the emphasis is on working to bring only positive effects rather than just cancelling out the negative effects of a donor's activities.[148] The concept of *development beyond aid* was introduced into the terminology of the policy coherence a few years ago, meaning the comprehensive political, economic and social development of less developed states which stems from many factors and processes initiated by the donor, not just its aid actions. Alan Hudson and Linnea Johnson write that "*these 'Beyond Aid' issues include trade, migration, investment, environmental issues, security and technology. In the context of globalisation, it is these issues, rather than aid alone, that will shape the development prospects for many countries*".[149]

Since joining the European Union, Poland has committed itself to fulfilling a number of obligations of the Policy Coherence for Development. The Development Cooperation Act passed by the Polish parliament in 2011 formally launched mechanisms favourable to the PCD. This Act is the legal basis for the implementation, monitoring and evaluation of the PCD in Poland; it strengthened the position of the Minister of Foreign Affairs, giving the Minister the role of National Coordinator of Development Cooperation.[150] Following the act's directions, the "Long-term Programme for Development for the Years 2012-2015" was accepted by the Council of Ministers in March 2012. This document underlined that one of the main foundations of development cooperation would be ensuring the coherence of government programmes and strategies with the aims and priorities of development cooperation.[151] More recently, the weight and priority of the PCD were upheld in the new "Long-term Programme for Development for the years 2016-2020" from 2016.[152]

POLAND'S FOREIGN DIRECT INVESTMENT IN MOLDOVA

The above mentioned integration of policies is especially relevant in one area of economic policy that of foreign direct investment, as investment influences the deepening of the globalisation process, encourages the internationalisation of enterprises and is part of their global development. According to data gathered for the *United Nations Conference on Trade and Development*, UNCTAD, the global value of capital locked in the form of FDI reached 1,2 bn EUR in 2014.[153] In the case of Polish entrepreneurs a dynamic increase in the amount of FDI can be noted from the year 2005. The amount of capital invested by Polish entrepreneurs in FDI is the highest among Eastern European countries and the size of these investments is progressively rising.[154]

At the same time, experts more and more frequently draw attention to the fact, that locking capital outside of an enterprise's native state, adds not only to the international prestige of the company itself, but also directly influences the economic and social development of the beneficiary state. In this context Polish investments are especially important for developing countries. Moldova is among them, and last year, in 2014, signed an Association Agreement with the European Union. The agreement includes the establishment of a Deep and Comprehensive



GRAPH 1: Polish Foreign direct investment in selected countries of the Eastern Partnership (net total, PLN, m)

Source: Own study based on the Polish National Bank statistical data

Free Trade Area (DCFTA). The trade part of the agreement has already been in operation on temporary terms, which has raised Moldova's attractiveness for investment and favoured the development of mutual trade turnover. There are currently 57 companies with Polish capital registered in Moldova.[155] The largest of these is the National Sugar Company "Polski Cukier" JSC, a state-owned enterprise. In an unofficial estimate the company has invested over USD 15 m in the Moldavian market. In comparison capital invested by the other Polish companies is approximated at USD 500,000.[156]

POLISH OFFICIAL DEVELOPMENT AID IN MOLDOVA

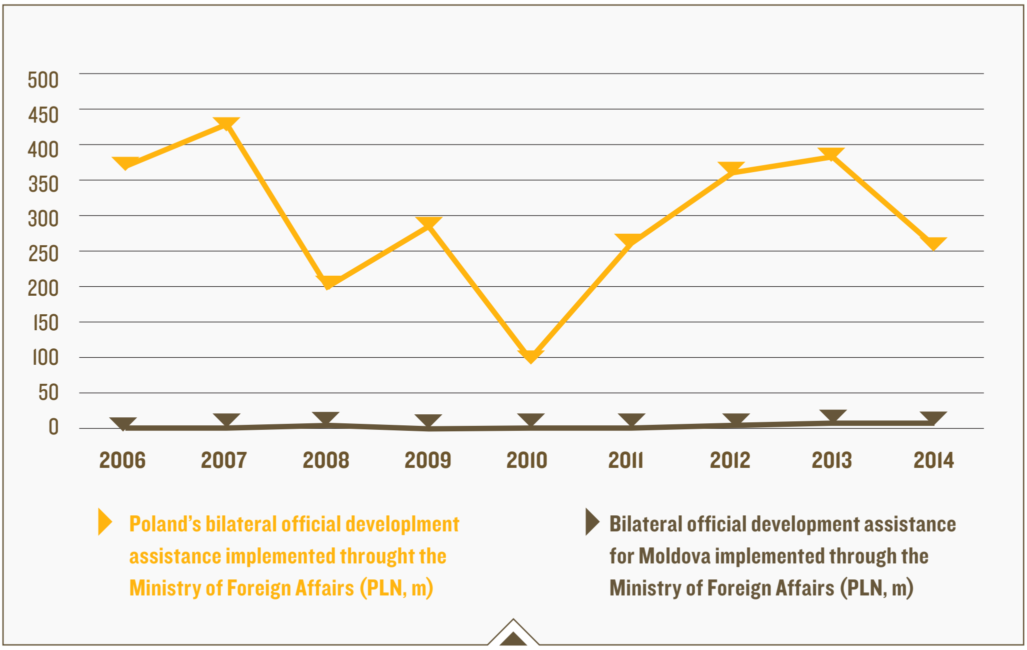
The intensification of activity in the Foreign Direct Investment area has lead the Ministry of Foreign Affairs to pay closer attention to the question of its cohesion to the activities of Polish foreign policy, as the latter has long crossed the threshold of a narrowly defined diplomacy. In its document from March 2012 entitled "Priorities of Polish Foreign Policy 2012-2016" the government declared, that in coming years "*mechanisms of coordination will be developed, aiming for the best implementation of Poland's security and development interests*".[157]

The Ministry of Foreign Affairs has taken over the coordination of a series of activities conducted by administrative organs outside Polish borders. Among these is the development cooperation policy. Poland's development aid is delivered to those countries, with whom Poland has active economic and political ties and which are going through a transitional process, especially those in Eastern Europe.[158] Poland's official development assistance (ODA) passes through a variety of channels (the majority as contributions to the EU budget and payments into the European Development Fund) and through contributions to specialized international development agencies, programmes and international funds.[159] The Ministry of Foreign Affairs allocates its bilateral aid funds by opening annual tenders for development aid projects. These are primarily directed towards non-governmental organisations. There is also a separate programme coordinated by Polish embassies abroad (called the Small Grants Programme). Every year the Ministry of Foreign Affairs provides funding for a couple of hundred projects, in total amounting to a tens of millions zloty.[160] The majority of Polish funds is designated to countries of the Eastern Partnership (Ukraine, Belarus, Moldova, Georgia, Armenia and Azerbaijan). The Polish Aid programme is complimentary to its four thematic areas.[161] The Development Aid Programme promotes projects that draw from Poland's experiences of social and economic transition and integration into European Union structures. According to the programme these experiences are key to an efficient and sustainable development of developing states in this region.

Moldova is one of the six countries of the Eastern Partnership and as such has been one of the most important beneficiary countries of Polish aid. It has been on the list of priority countries ever since the launch of the Polish Aid programme by the Ministry of Foreign Affairs.[162] Since 2004 the aim of Polish aid activities in Moldova has been the support of processes aiming for transition to a lasting and stable democratic system, strengthening the central and local administration, respecting human rights and deep systemic transformation. Systemic reforms play a key role in economic development, especially in the development of farming and rural areas, and in increasing the economy's competitiveness. The majority of projects are directed towards: supporting the agricultural sector in moving towards a market economy, supporting the growth of a sustainable local economy (especially of small and medium enterprises), planning and governance of economic development processes. Funding is also provided for the development of special economic zones and attracting Foreign Direct Investment, as well as for privatization schemes. Education projects are considered just as important, seen as complimentary to the above economic activities, funding is given to projects promoting a better understanding of the mechanisms of liberal market economy and elicitation of rural communities.[163]

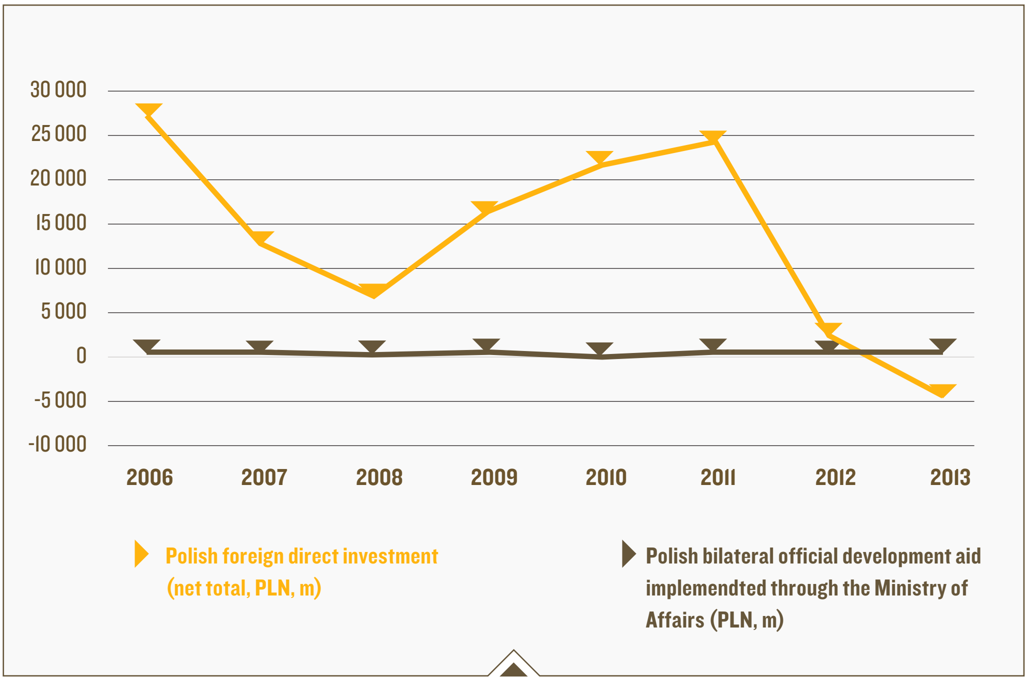
FOREIGN DIRECT INVESTMENT AND DEVELOPMENT AID

Assuming that the development aid policy and the investment policy, especially FDI, are separate areas is fallacy, as the two are strongly intertwined. On the one hand development aid policy often determines and facilitates decisions on local investment. Development projects, through investment in infrastructure allow for the lowering of transportation costs, which can alleviate access to markets and necessary resources. Likewise, the development of the energy web, an amelioration of energy supply and the quality of communication can lower the costs of production for *green field* investments. Indirectly, projects that aim to raise the level of education and know-how (for example directed to administration officials and the education sector) can help lower corruption levels, through improving the conditions of doing business.



GRAPH 2. Bilateral official development assistance implemented through the Polish Ministry of Foreign Affairs (PLN, m)

Source: Own study based on data from the Ministry of Foreign Affairs



GRAPH 3. Polish foreign direct investment and official bilateral assistance (2006-2013) (PLN, m)

Source: Own study based on data from the Ministry of Foreign Affairs and the Polish National Bank

In many countries aid activities are such an important part of the economy, that governments are willing to introduce legislation changes in favour of investments planned by donors, just to avoid losing the favour of the donor and therefore aid inflow.[164] On the other hand the UNCTAD report from 2004 already showed that "*FDI Inflows accounted for 72% of all resource flows to developing countries, six times higher than official flows. This contrasts with the latter half of the 1980s and the early 1990s, when official flows and FDI flows were almost the same, and with the mid-1990s, when portfolio flows and FDI flows were roughly equal. FDI is therefore recognized in the Monterrey Consensus as an important source of financing for development*".[165] Thierry Mayer, OECD expert, also emphasizes the importance of a systematic correlation between FDI and ODA for the social and economic development of developing countries.[166]

All the above points to the conclusion that in order to meet the international aims for global development such as the *Sustainable Development Goals* (SDG's) or the *Addis Adeba Action Agenda* donor states will be required not only to raise the amount of nominal aid, but mainly to coordinate aid activities with other policy areas. It is emphasised more and more often, that actors on the international political scene should concentrate their attentions not only on the quantity of development aid funding, but should aim to better integrate investment, trade, migration and energy policies with the aims of development cooperation policy. Without this integration the implementation of development goals for the Global South is weakened, and so are economic growth and the reduction of poverty in the world. Experts from the Center of Global Development emphasize the importance of cohesion in their annual publication, the *Commitment to Development Index* (CDI), and "*remind the world that reducing poverty in developing countries is about far more than giving money*".[167]

Therefore a cohesive policy for development becomes increasingly important if we assume that the role of FDI is not only the strengthening of Polish brands and companies on the global market, but also stimulating the country's economic and social development by supporting development cooperation and working to increase the benefit from the investment for the beneficiary state.

GOOD PRACTICES OF FOREIGN DIRECT INVESTMENT IN MOLDOVA

The investment of the National Sugar Company "Polski Cukier" JSC in Moldova is a good example of cohesion between the development cooperation policy and foreign direct investment. The legal basis for the investment contract refers to the international agreement between the government of the Republic of Poland and the government of the Republic of Moldova from 2006[168], which is supported by additional agreements: for the mutual promotion and protection of investments[169] and the convention on avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital.[170] The agreement for mutual promotion and protection is one of few tools, that can be used by developed countries to increase the value of FDI in developing states, at the same time minimalizing investment risk and ensuring legal protection of their investments. The inclusion and implementation of this agreement as part of a package of bilateral agreements between countries is already considered by many experts to be a positive example of cohesion between FDI with the development policy.[171] However these agreements are often outdated and do not address the contemporary challenges and problems faced by developing countries. These agreements do not take into account the beneficiary states level of development nor its needs. As a consequence both the donor's and beneficiary's ability to influence the scope and quality of the planned investment through institutional action is limited. Most importantly this directly stops developing states from protecting their markets from dishonest practices.[172]

The National Sugar Company's investment in Cupcini is the largest Polish investment in the agricultural sector in Moldova. The Company is owned by the Polish State Treasury. This investment is aligned with Polish development policy and in harmony with government aid projects. It has brought an increase of employment in agriculture, support for rural development, and raised the qualifications and know-how of the local workforce. In cooperation with a local non-governmental organisation the company completed a Polish Aid project, with funding from the Small Grants Fund manager managed by the Polish Embassy in Chisinau.[173] In 2013 farmers producing for the company took part in a project, which aimed to raise the skills and qualifications of farmers from the Cupcini region in modernisation of cultivation and operation of agricultural machinery.[174] The project was one of many Polish Aid activities in Moldova, of which the majority is directed at restructuring rural areas. In this context Polish development aid for Moldova and the National Sugar Company investment is an interesting example of good practices of the Policy Coherence for Development as it corresponds with a strategic document of the Moldovan government entitled *Strategy for Economic Development and lowering the poverty level*, which determines the directions of the economic policy for improving the standards of doing business.[175]

COHESION BETWEEN INVESTMENT AND DEVELOPMENT? THE POLITICAL DIMENSIONS OF INTERDEPENDENCE

For many government organisations, investment in Moldova is identified as an ideal model for good practice; one that promotes cohesion around investment policy and development. However, it is rather an anomalous example in the context of analyses of Polish investment in Eastern Partnership countries.

In comparison to many EU countries, Poland lacks the systemic solutions that would form the basis for the organisation and tools required to create a cohesive development policy. Due to the significant number of institutions involved in international trade and investment policy, the absence of a properly functioning overarching mechanism for making decisions and coordinating activities of individual institutions has a negative impact on the nature of decision-making with regards to developing countries. The decision-makers themselves have identified that "*one of the main problems of Polish policy promotion with regards to the economy is the poor coordination of activities of independent institutions*".[176] However, the essence of a coherent development policy is not only to ensure cohesive activity within a given sector, but to ensure that specific institutional mechanisms are in place that would better identify and streamline any decision-making process of international significance, while also taking into account the effect that they would have on poorly-developed countries.

Currently, this role is satisfied by the Policy Coherence for Development coordinators. Designed in 2012, PCD points of contact are run by those employed in different ministries and institutions. Their task is to ensure that all home department activity takes development and aid issues into account and maintains a relationship with the Ministry of Foreign Affairs – the coordinating body.[177] However, data collected suggests that, thus far, the Ministry of Economy and the Polish Information and Foreign Investment Agency (PAIiIZ) have played a marginal role as a point of contact. This is a consequence of, among other things, an absence of detailed regulations, tools and solutions that could otherwise be deployed during routine activity, as well as a lack of interest and awareness of PCD matters amongst employees. As a result, the implementation of PCD principles in the FDI sector remains limited. There is a strong indication that these contact points will become more important, following the adoption in May 2015 of new guidelines for assessing the impact of regulation, including the impact on the socio-economic development of countries that are a development aid priority for Poland.[178] The aim of the document adopted by the Council of Ministers, the *Guidelines for Impact Assessment and Public Consultation on the Government's Legislative Process* is to ensure that the results of this regulation remain properly assessed (with regards to both the preparation of legal solutions and assessment of their activity). The advocacy of Grupa Zagranica, a federation of non-government organisations involved in development projects, led to the introduction of a clause, which requires an assessment of the impact of the regulation on the international situation to also determine the impact on the socio-economic development of countries that are listed as priority states for Poland.[179] The introduction of this possibility is an undoubtedly positive step in the direction of realising the main guideline principles for coordinating development objectives and satisfying international obligations under the PCD. However, it now appears that the execution of this requirement in the realm of foreign direct investment also reveals some of its disadvantages and limitations, drawing from, among other things, the specific nature of Polish investor activity.[180] FDI requires the introduction of adequate impact assessment tools. The current absence of which would suggest a *de facto* lack of oversight, control and influence with regards to decisions made by investors. Current practice would suggest that the Ministry of Economy does not possess the necessary tools to carry out talks and negotiations, or to exert pressure on private investors, even in the case of official complaints or intervention from the beneficiary state on an international level. As a result, in the event of an obvious conflict between the investment and the development strategy of a beneficiary country, as well as activity detrimental to the latter, the Ministry of Economy has at its disposal only informal tools (e.g. telephone calls, meetings and written correspondence). Whereas, adhering to any changes recommended by the ministry depends solely on the goodwill of the investor.[181] At the same time, the above mentioned *Guidelines for Impact Assessment* are not communicated with other documents, such as agreements on mutual investment for example. This weakens the implementation process of political change and prevents the possibility of achieving synergy. Moreover, this lack of cohesion restricts the growth-oriented investment potential of Polish businesses in development.

Basic coordination mechanisms are insufficient to deliver a coherent development policy in the investment area. The absence of a concrete action plan and of specific institutional programmes means that the potential of diplomatic posts, and especially the Trade Promotion and Investment Departments (WPHI) of Polish Embassies also remains untapped. WPHI were set up to support Polish companies, especially small and medium-sized enterprises, in their process of international expansion.[182] However, the economic diplomacy divisions have not been provided with appropriate tools for the implementation of PCD. Through their double role of, on the one hand, the delivery agency of development aid through the Small Grants Fund, and on the other hand, as a broker of development processes of a beneficiary country through the supporting of economic cooperation, these posts could provide an important link in the process of coordination of a cohesive development policy, above all through its monitoring.

Likewise, the potential of domestic export support agencies, when it comes to fostering effectiveness of implementation of PCD principles in the areas of export and foreign investment, has remained untapped, despite the fact that the very system has actually been functioning in Poland for many years. The export policy tools that the Polish Information and International Investment Agency JSC (PAIiIZ), the Domestic Management Bank (Bank Gospodarstwa Krajowego – Poland's only state owned bank) and Export Credits Insurance Corporation JSC (KUKE – Korporacja Ubezpieczeń Kredytów Eksportowych S.A.) all have had at their disposal, has nevertheless made little difference to the quality and character of such policy.[183] Since 2009, BGK together with KUKE have been delivering a government programme providing financial assistance to exporters, called *Supporting Polish Export through BGK credit for foreign buyers of Polish goods and services, or their banks, with export credit insurance by KUKE S.A.*. In accordance with the European Commission Directive, the programme offers among others, export credit and investment insurance, directed at nonmarket risk countries, such as Moldova.[184] In terms of PCD, even the BGK credit offer alone, directed at the Moldovan market, will be regarded by many experts as a positive step. However, one needs to note, that the bank and/or investor is not obliged to carry out an assessment of the impact of the investment on the beneficiary country's development. Thus, the institution does not make its assistance dependent on the impact of the project on social, environmental or economic situation in the developing country. This may lead to misuse of law, as well as cause expending of the funds contrary to international standards supporting and promoting sustainable development.[185]

Export Credits Insurance Corporation JSC (KUKE) is another institution supporting Polish investors abroad, which has not embraced the cohesion coordination mechanisms in development policy. KUKE offers finance insurance and insurance guarantees to Polish businesses and institutions financing the export of goods and services. It is the only Polish insurer that offers products guaranteed by the

(...) The example of Polish investment in Moldova shows that a cohesion of development and FDI policies can make a given market more attractive for future investment and can encourage entrepreneurs to initiate economic cooperation, which in the long run can contribute to the development of the beneficiary state and raise the quality of life of its citizens (...)

State Treasury.[186] Nevertheless, in the *General guidelines for direct foreign investment insurance guaranteed by State Treasury (IBZ)* endorsed by the Finance Minister in 2011, there is no mention of any assessment of the impact investment projects may have on the beneficiary country. It is only at the implementation stage of investment projects, that KUKE warns, that insurance does not include losses incurred by the policyholder, if such losses were caused by, among others, conducting activities prohibited in the country, in which the investment project is implemented, or by illegal actions by the policyholder. Moreover, the agreement rules out provision of insurance in cases, when the policyholder has committed a bribery offence involving a person performing a public function in a foreign country. This is an important element of a fight against corruption.[187] However, generally there is lack of systemic efforts in the operations of state administration, which would aim to raise the awareness of entrepreneurs about corruption as a criminal offence. As a result, the Agency merely encourages applicants to reflect the following documents in their investment strategies: *OECD Guidelines for Multinational Enterprises* and *UN Guidelines* concerning business and human rights. However, it cannot officially refuse support if the guidelines are not reflected.[188] This means that there is still a scenario possible in Poland, when the insurance agency offering State Treasury guarantees does not assess or verify submitted proposals for investment projects to be undertaken in developing countries, for their adherence to human rights principles, or standards in international industrial law or environmental protection.[189]

KUKE uses state guarantees and acts as a representative of the state. Thus, in cases when a private investor acts against the law of the beneficiary country or international law, the responsibility for such misuse of law, as well as for insufficient protection of the developing countries, may indirectly be borne by the Polish government. Such lack of compatibility and coherent objectives essentially weakens the process of PCD implementation and confirms that the MFA's coordinating function is inadequate. This also shows that systemic solutions are inadequate or in many cases even non-existent - not only in the new area of a cohesive development policy - but also in international trade and development aid, although both these areas have been a complementary part of Poland's international endeavour for many years.

Amongst the organisations supporting international trade, it is the Polish Information and Foreign Investment Agency that is the most active in its undertakings in the field of foreign investment. The promotion activities for FDI in Moldova include training, investor meetings, industry conferences or study visits.[190] Many of these activities aim to build organisational strength, because in the words of experts "*providing support for host investment promotion agencies is another measure developed countries can take to facilitate FDI flows to developing countries. A well-staffed and up-to-date investment promotion agency – complete with real-time links to relevant ministries and satisfied investors – can play a key role in attracting new investment projects, even in poorer developing countries*".[191]

One of such projects was a three-month training programme on attracting direct foreign investment to Moldova. The main objective of the programme was to improve the country's investment climate through increasing the potential of MIEPO - the Moldovan agency responsible for investment.[192] Good practice in administration has positive impact on the promotion of economic cooperation. This was a typical activity aimed at supporting the organisation as a tool, which, when supported and strengthened, can assist in building a better investment climate in developing countries.[193] Policies supporting the principles of fair competition, measures to lower the cost of production, or investing in infrastructure development, are all part of an attractive offer for foreign business. An additional argument for supporting institutions is that this provides an opportunity to lower corruption.[194] Thus, in the long term, institution-based promotion of foreign investment may assist in the general growth and development of the beneficiary country.

PAIiIZ, through the Ministry of Economy, also carries out projects co-financed by the Polish Aid programme. Many of these projects aim at strengthening partner agencies, which support foreign investment. In 2014, as part of one of these projects, representatives of the Moldovan and Ukrainian agencies for investment promotion, were able to share Polish experiences in attracting and servicing of foreign business, as well as creating a favourable business environment.[195] Most of these initiatives aim to create and implement mechanisms and instruments for achieving economic reform and improving business climate in Moldova, as a state included in the programme. This is why these kinds of initiatives are an important tool of support for the coherent development policy, which helps to strengthen its effects especially on the level of inter-agency cooperation between the donor and the beneficiary.

The OECD National Contact Point, managed by the agency, provides a similar function. The centre promotes the OECD Guidelines among multinational companies in Poland, which is especially important given the fact that corporate social responsibility (CSR) is regarded as one of the areas of coherent development policy.[196] PAIiIZ encourages Polish enterprises to implement these guidelines by way of participation in the project "I am implementing OECD Guidelines. Responsible Business". In this context, it should be stressed that despite the fact that for enterprises the benefits from participation are insignificant, (giving only the right to use the above logo in company promotion material and CSR reports), there has been a growing interest in the project. An increasing number of companies are striving for the certificate and are successful in the verification process.[197]

As early as in 2011, the authors of the World Investment Report emphasised the significance of CSR in the trade and investment policy development of countries and regions. Meanwhile, the role of Polish state agencies in shaping coherent policy and institutional framework for the purpose of properly addressing challenges and opportunities that arise from the implementation of quality standards remains limited. Activities in this area should ensure compliance with domestic and international law, as this will maximise the positive impact of investment projects on socio-economic development. The CSR unit at the Ministry of Economy acting as a CSR coordinating agency, was established as late as 2014, which means that Poland is ranked low in comparison to other European countries.[198] A low level of engagement by the state in the promotion and support for the principles of corporate social responsibility is particularly detrimental for the coherence policy in the FDI area. Practice shows that FDI directed at developing countries don't always assist in creating prosperity, growth and jobs. Among the negative effects of foreign direct investment are: increasing levels of corruption, abuse of industrial law, or operations harmful to the environment.[199] Thus, including the CSR argument in the economic policy of the country, while at the same time focusing on developing support mechanisms for businesses actively implementing CSR principles, seems to be one of the key objectives to be achieved in the nearest future.[200]

CHALLENGES FOR THE PCD IN THE AREA OF FOREIGN DIRECT INVESTMENT

Foreign Direct Investment is an important source of external financing for developing countries. Over 60% of global net FDI outflows come from Europe, which makes the Union's investment policy important for the development of the Global South and for implementing a number of development goals.[201] The increase in Polish direct investment is taken as significant of changes taking place in the Polish economy, especially regarding the level of its global penetration. The dynamic growth of Polish FDI that can currently be observed shows a rising potential of these companies, which become active participants in the international trade of investment capital. This is a noteworthy moment, as it means the change of Poland's international investment position. From the position of a recipient of international capital, Poland is becoming its donor, albeit as yet in a narrow degree.

This change of roles is being consequently enacted. Furthermore, as a result of their close neighbourhood, Poland has a strategic interest in advancing the partnership with countries such as Ukraine, Belarus and Moldova. Their development is key to maintaining stability and security in the entire region. And in this context, the implementation of a cohesive development policy is of utmost importance. So far, the Polish experience of implementing the PCD has shown, that many ministries still do not have a sufficient knowledge and understanding of foreign policy and development policy. These are considered relevant only to activities of the MFA.

There are a number of challenges ahead. The situation in the grassroots remains the same, even though a number of higher-level legislation and political decisions have brought significant progress in the last decade. Specific actions have been initiated, that have been integrated into sector policies to support the goals of the development policy.[202] Having given this praise, the PCD remains a difficult and multidimensional challenge. It requires the active engagement of all political actors to achieve its goals. This will mean including representatives of the partnership countries in the discussion on the PCD, where until now their role in shaping the PCD has been limited.

The Policy Coherence for Development is assessed in seven areas in the *Commitment to Development Index* (CDI), published annually by the Centre of Global Development since 2003. These areas are: development aid, trade, finance/investment, migration, environment protection, security and technology. Poland ranks a low 23 out of 27 countries. The finance/investment category compares the activities of OECD members in providing support tools for investment, financial security and the transparency of financial transactions. Here Poland is rated quite highly, on the 10 position.[203] The authors of the Index draw attention to the functionality of the legislative base and other mechanisms such as: institutions that offer services supporting export, providing assistance in finding trade partners and indicating best directions for investment in developing countries. However, gathered data shows the legal basis established in 2011, has not been implemented effectively. As of yet, Poland, on the level of political obligations, has not accepted

PCD MECHANISMS AND TOOLS USED BY THE POLISH FOREIGN DIRECT INVESTMENT POLICY. DATA FROM MOLDOVA.		
	Present	Absent
LEGAL AND TREATY BASIS		
a) agreements on the mutual promotion and protection of investment	+	
b) mechanisms for avoidance of double taxation	+	
c) clause of most favoured nation in trade relations	+	
INSURANCE ON INVESTMENT RISK		
a) operations of the national insurance agency	+	
b) insurance offer on investment in higher risk nations	+	
c) verification of projects directed for insurance in light of their respecting human rights, environmental protection, and labour laws		+
FINES TO GOVERNMENTS OF DEVELOPING COUNTRIES FOR LOBBYING THE BREACHING OF HUMAN RIGHTS, LABOUR LAW STANDARDS AND ENVIRONMENTAL PROTECTION IN ORDER TO ACHIEVE BETTER INVESTMENT CONDITIONS		+
ADVOCACY FOR ADHERING TO INTERNATIONAL STANDARDS OF HUMAN RIGHTS, LABOUR LAW AND ENVIRONMENTAL PROTECTION IN ALL FOREIGN DIRECT INVESTMENT AGREEMENTS		
a) support from public administration and agencies promoting FDI	+	
b) support from international organisations such as the OECD in promoting good practice	+	
c) government institutions promoting CSR practices in business	+	
PREVENTING CORRUPTION OF COMPANIES FROM RICH COUNTRIES IN POORER COUNTRIES		
a) raising companies awareness of the criminalization of corruption		+
b) committing public administration officials to overseeing and reporting any suspicions or allegations of corruption crimes		+
OTHER MEASURES USED TO FACILITATE THE FLOW OF FDI TO DEVELOPING COUNTRIES		
a) promoting direct investment	+	
b) comprehensive programmes used to support FDI		+
c) supporting companies in identifying investment opportunities	+	
d) promoting specific pro-development investments, or projects that guarantee the development and prosperity of beneficiary states		+

the PCD policy aims, nor prepared a strategy for its implementation. Neither have any specific, institutional mechanisms for the coordination of a cohesive policy for development been agreed upon. This is especially worrying in the area of foreign investment policy, where this negligence could have long-term negative consequences. It is striking that there are no direct, institutional mechanisms that would align the competences granted to ministries with those of organisations supporting the trade and investment policy.

Both experts and practitioners emphasize that the Polish coherence policy for development is still in an experimental stage, not only in the area of foreign direct investment. At the same time everything points to the increasing importance of the PCD in cooperation activities for development. The coordination of policies, establishing key mechanisms and aligning all necessary resources with the PCD is therefore a *sine qua non* of Polish involvement in the debate on the future development of the Global South.

The co-dependence of aid and investment is constantly growing. The example of Polish investment in Moldova shows, that a cohesion of development and FDI policies can make a given market more attractive for future investment and can encourage entrepreneurs to initiate economic cooperation, which in the long run can contribute to the development of the beneficiary state and raise the quality of life of its citizens. However, what first needs to be done to achieve these goals, is the introduction of specific, institutional mechanisms of a coherent policy for development, as well as an engagement of key actors, including entrepreneurs. Most importantly, it must be acknowledged that the development of poorer countries is only partially dependent on the quantity of development aid but primarily on complementary and complex activities of the donor country throughout other sectors.

RECOMMENDATIONS

1. Adopt a comprehensive understanding of development seen as a process for which all ministries, government and public administration units are equally responsible. Raise employee awareness of their ministry's role in shaping the PCD. Actively consult all ministries whose mandate may affect developing countries in the policy consultation process.

2. Set clearly prioritised and time-bound action agendas for progress on the PCD in FDI.

3. Integrate elements of the PCD into the Investment Policy. The government should consider including elements of the coherence policy for development into investment and trade agreements, by insisting on additional clauses in contracts specific to sustainable development. The long-term result should be establishing a new framework and guidelines for all investment agreements.

4. Invest in education raising awareness of the importance and building support for the PCD among employees of public administration and supporting/cooperating institutions.

5. Raise awareness of global challenges and problems among shareholders and employees of international companies, which in a long-term perspective, will lead to their supporting the PCD.

6. Organise regular consultations and cooperation of experts, to ensure technical support for decision-makers and ministry employees, who often represent conflicting interests and viewpoints.

7. Provide institutions and organisations involved in foreign trade and investment policy with the appropriate tools to play an active role in the shaping of the PCD and give them a voice in the debate on its form and future.

8. Build a strong monitoring and evaluation framework for the FDI area, which ensures the effective implementation of PCD standards. Local embassies have an important role in the monitoring process, as they have access to grassroots information and resources that allow for the assessment of the real impact of investment on development.

9. Introduce Corporate Social Responsibility (CSR) into enterprises investment, trade and company development policies. This requires the government to play an active role in promoting PCD in national and international investment projects. Special incentives should be introduced for companies choosing responsible investments, and meeting global CSR standards.

10. Involve civil society organisations in the PCD. Collaboration is especially important when implementing Polish Aid development programmes. Successful development aid can attract investment; it is therefore worth noting to which area it is directed, as that can raise the attractiveness of a given region or state and the interest of private investors.

NOTES

1. Ázerbájdžán: Obchodní a ekonomická spolupráce s ČR; http://www.businessinfo.cz/cs/clanky/azerbajdzan-obchodni-a-ekonomicka-spoluprace-s-cr-19314.html
2. Programové prohlášení vlády ČR; http://www.vlada.cz/cz/media-centrum/dulezite-dokumenty/programove-prohlaseni-vlady-cr-115911/
3. Oficiální kurz ČNB pro rok 2014 je 27.533 Kč za 1 Euro
4. EGAP zvýšil teritoriální limity; http://www.egap.cz/o-spolecnosti/aktuality/zpravy/aktuality.php?aktuality_id=48
5. Výroční zpráva o kontrole vývozu vojenského materiálu, ručních zbraní pro civilní použití a zboží a technologií dvojího užití v české republice za rok 2014; http://download.mpo.cz/get/35863/60803/635476/priloha002.pdf
6. Statistika Českého statistického úřadu; http://apl.czso.cz/pll/stazo/STAZO.STAZO
7. Aktualizace státní energetické koncepce České republiky; http://www.mpo.cz/dokument158012.html
8. Bezpečnostní strategie České republiky 2015;http://www.vlada.cz/assets/ppov/brs/dokumenty/bezpecnostni-strategie-2015.pdf
9. Východiska ke koncepci surovinové a energetické bezpečnosti České republiky; http://www.mpo.cz/dokument91585.html
10. Surovinová politika České republiky 2012; http://www.mpo.cz/dokument106134.html
11. Strategie působení ČR v EU, Aktivní politika pro růst a konkurenceschopnou Evropu; http://www.vlada.cz/assets/media-centrum/aktualne/Strategie-pusobeni-CR-v-EU.pdf
12. https://eiti.org/eiti
13. Ministr Jan Mládek jednal s ministrem financí Ázerbájdžánu. Navštívil největší evropský terminál ropy a zemního plynu Sangačan; http://www.mpo.cz/dokument156270.html
14. Ministr Zaorálek v Ázerbájdžánu; http://www.consilium.europa.eu/en/policies/climate-change/2030-climate-and-energy-framework/ http://www.mzv.cz/jnp/cz/udalosti_a_media/tiskove_zpravy/x2014_06_03_ministr_zaoralek_v_azerbajdzanu.html
15. Ministr Zaorálek v Ázerbájdžánu; http://www.mzv.cz/jnp/cz/udalosti_a_media/tiskove_zpravy/x2014_06_03_ministr_zaoralek_v_azerbajdzanu.html
16. Předseda Poslanecké sněmovny Parlamentu ČR Jan Hamáček v Baku; http://www.mzv.cz/baku/cz/vzajemne_vztahy/predseda_poslabnecke_snemovny_parlamentu.html
17. Koncepce zahraniční politiky České republiky; http://www.mzv.cz/jnp/cz/zahranicni_vztahy/analyzy_a_koncepce/koncepce_zahranicni_politiky_cr.html
18. Evropská rada (23. a 24. října 2014) Závěry o rámci politiky v oblasti klimatu a energetiky do roku 2030; http://www.consilium.europa.eu/cs/workarea/downloadasset.aspx?id=40802193010
19. A European Energy Union is an umbrella term for legislative package which aims to ensure affordable, secure and sustainable energy. The Energy Union strategy is made up of five closely related dimensions: supply security, a fully-integrated internal energy market, energy efficiency, emissions reduction and research and innovation. ENERGY UNION PACKAGE; http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf

ENERGY UNION PACKAGE; http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf

20. The Connecting Europe Facility (CEF) supports trans-European networks and infrastructures in the sectors of transport, telecommunications and energy. It would also make Europe's economy greener by promoting cleaner transport modes and facilitating the use of renewable energy in line with the Europe 2020 Strategy. The funding for energy networks should help to further integrate the internal energy market, reduce energy dependency and bolster the security of supply.
21. List of actions selected for receiving financial assistance under the 2014 CEF Energy call for proposals; https://ec.europa.eu/energy/sites/ener/files/documents/20141121_cef_energy_lists.pdf
22. The second Orbán government has been pursuing a stated policy of Eastern Opening [Keleti Nyitás] since a few months after its formation in May 2010. The objective of this policy has been to reduce the dependency of Hungary's economy on trade with the West, particularly fellow European Union members, through increased commerce with countries in the East, particularly China.
23. http://azerbajdzsan.com/azerbaijan-hungary/
24. http://www.mfa.gov.hu/NR/rdonlyres/5628B828-47CF-4D13-B917-6FBCBEDB6E3B/0/Gazdas%C3%A1gikapcsolatok.pdf
25. Minister of Foreign Affairs and Trade at an international conference about the region's energy security in Budapest in March 2015.
26. http://ec.europa.eu/transport/media/publications/doc/trends-to-2050-update-2013.pdf
27. http://ageconsearch.umn.edu/bitstream/188137/2/6%20L%C3%A1szl%C3%B3k.pdf
28. http://www.mg.gov.pl/node/24058
29. http://bip.mg.gov.pl/files/PEP2050_v.0.2.pdf
30. http://www.msz.gov.pl/pl/aktualnosci/wiadomosci/motywowane_politycznie_aresztowania_azerbejdzanskich_dzialaczy_spoleczenstwa_obywatelskiego
31. http://inwestycje.pl/gospodarka/Piechociski-w-Azerbejdzanie-a-prawa-czlowieka;259334;0.html
32. http://www.rt.com/business/264513-russia-eastring-gas-slovakia/
33. http://www.eastring.eu/page.php?page=project
34. http://www.mzv.cz/file/1565920/Koncepce_zahranicni_politiky_CR.pdf
35. Koncepce transformační politiky; http://www.mzv.cz/jnp/cz/zahranicni_vztahy/lidska_prava/transformacni_spoluprace_1/koncepce_transformacni_spoluprace_1.html
36. Koncepce zahraniční rozvojové spolupráce České republiky na léta 2010 – 2017; http://www.mzv.cz/jnp/cz/zahranicni_vztahy/rozvojova_spoluprace/koncepce_publikace/koncepce_zrs_cr_2010_2017.html
37. RLP28: ČR k lidskoprávní situaci v Číně, Rusku a Ázerbájdžánu; http://www.mzv.cz/mission.geneva/cz/lidska_prava/rada_osn_pro_lidska_prava/rlp28_cr_k_lidskopravni_situaci_v_cine.html
38. RLP29: Čína, Ázerbájdžán, Venezuela, Bahrajn, Írán, Egypt, Sýrie, Rusko v centru pozornosti; http://www.mzv.cz/mission.geneva/cz/lidska_prava/rada_osn_

pro_lidska_prava/rlp29_cina_azerbajdzan_venezuela_bahrajn_1.html

39. http://www.icij.org/offshore/offshore-companiesprovide-link-between-corporate-mogul-andazerbaijans-president

40. http://www.worleyparsons.com/ InvestorRelations/ASX/Pages/ TransAnatolianNaturalGasPipelineProject(TANAP)EPCMContract.aspx

41. http://www.indexoncensorship.org/2012/04/azerbaijan-idrak-abbasov-beaten/

42. https://www.iea.org/newsroomandevents/pressreleases/2012/november/name,33015,en.html

43. Commission Staff Working Paper: Impact Assessment accompanying the document: Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions Energy Roadmap 2050, December 2011, http://ec.europa.eu/energy/energy2020/roadmap/doc/sec_2011_1565_part2.pdf

44. In some of the scenarios there is a temporary increase around 2030 and 2040, however these seem to be some of the least realistic scenarios currently, given that they assume quite wide usage of CCS. In any case, these temporary import increases amount to less than the current import capacity would be able to provide for.

45. GIE presentation at IFRI Energy Breakfast Roundtable, Brussels, 29 April 2014, http://www.ifri.org/?page=detail contribution&id=8074&id_provenance=79&provenance_context_id=; GIE presentation at the 25th meeting of the European Gas Regulatory Forum, Madrid, 6-7 May 2014: Gas infrastructure and security of supply, http://www.gie.eu/index.php/publications/cat_view/3-gle-publications

46. Jonathan Gaventa: Energy Security and the Connecting Europe Facility: Maximising public value for public money, September 2014, http://www.e3g.org/docs/E3G_Energy_Security_ and_the_Connecting_Europe_Facility_110914.pdf

47. European Commission (2014) Impact Assessment: Energy Efficiency and its contribution to energy security and the 2030 Framework for climate and energy policy http://ec.europa.eu/energy/efficiency/events/doc/2014_eec_ia_adopted_part1.pdf (40% scenario)

48. CEE Bankwatch Network: No Half measures: Investment Needs in Energy Efficiency and Renewables in Central and Eastern Europe, 2012 http://bankwatch.org/publications/no-halfmeasures-investment-needs-energy-efficiencyand-renewables-cee-countries

49. http://www.sanceprobudovy.cz/english-section/our-studies

50. Due to the tumultuous history of the region, it is referred to by various names. The name of the administrative unit of Ukraine is today Transcarpathia (Zakarpattya), which reflects the view from Kyiv: the region is situated beyond the Carpathian Mountains. Locals and Budapest refers to the region as Subcarpathia (Pidkarpattya, Kárpátalja), which reflects their geographical view of the region being at the feet of the Carpathian Mountains (Ferenc-Tóth 2014: 165). Since we are discussing activities implemented on the territory of the administrative unit in this paper, we find it more appropriate to refer to the region as Transcarpathia.

51. When talking about policy coherence for development, we have in mind the goal targeted by the European Union, as defined in Article 208 of the Lisbon Treaty. This highlights that "[t]he Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries".

52. The Antall government (1990-94) declared that the Hungarian communities abroad form an organic part of the Hungarian nation. It took responsibility for supporting their prosperity also through financial means, while encouraging their attempts to gain self-governance and autonomy. Therefore, it did not refrain from confrontation with the neighboring states either. The subsequent Horn government (1994-98) put normalization of neighborly relations to the fore, and reformulated the rhetoric concerning HCA. The main goal now was to support their prosperity in their native country, also through supporting the establishment of the economic foundation of such prosperity. The rhetoric about the unity of the nation returned to the limelight again during the first Orbán government (1998-2002), which revived a more symbolic, more national identity-driven approach of kin-state policy. It was during this government that the so-called Hungarian Card (*Magyar Igazolvány*) was introduced offering various benefits to its holders in the field of culture, science, education, employment, health care and travel, part of which were later on revoked by the Medgyessy government (2002-04) in order to appease neighbors who considered the introduction of these benefits controversial (for a more extensive review, see Bárdi 2008).

53. The referendum was preceded by a discussion on Hungary's visa requirements as EU member toward neighboring countries with significant Hungarian ethnic minority which did not have EU accession in sight at that time (Ukraine, Serbia and Montenegro). To find a solution to maintaining easy contact with and among the Hungarian communities in Hungary and in these neighboring countries, the idea of making Hungarian citizenship available without residency in Hungary was raised. Following the successful initiative of the World Federation of Hungarians (Magyarok Világszövetsége), a referendum was held to answer the question whether the Parliament should adopt legislation in order to give – upon individual request – Hungarian citizenship through a simplified naturalization procedure to non-Hungarian citizens who do not live in Hungary, but who identify as ethnic Hungarian. While the governing party of PM Gyurcsány campaigned against such legislation, warning about potential social consequences and international repercussions, Fidesz, the party of Viktor Orbán, adopted the position of representatives of HCA and campaigned in favor (Bárdi 2008: 373).

54. "2010. évi XLIV. törvény a magyar állampolgárságról szóló 1993. évi LV. törvény módosításáról" Available at: http://www.complex.hu/kzldat/t1000044.htm/t1000044.htm. Last accessed: September 28, 2015.

55. The Fundamental Law of Hungary. Available at: http://www.kormany.hu/download/e/02/00000/The%20New%20Fundamental%20Law%20of%20Hungary.pdf. Last accessed: September 28, 2015.

56. The first institutions overseeing kin-state policy were established as early as 1990 but, depending on the views and preferences of the incumbent governments, they changed fairly frequently. In 1990, the Secretariat for Hungarian Communities Abroad was established in the Prime Minister's Office, just to be turned into the Office for Hungarian Communities Abroad under the supervision of the Ministry of Foreign Affairs. After 1994 it returned to the Prime Minister's Office, after 1998 to the Ministry of Foreign Affairs and in 2002 back again to the Prime Minister's Office. In 2006, the Office was shut down and the issue was taken up on a much lower level, by a department in the Prime Minister's Office (Kántor 2013: 27; Bárdi 2008).

57. The foundations supporting the implementation of the policy have changed over time. The very first structure focusing on supporting culture, media and education under the Antall government was the Illyés Public Foundation. Under the subsequent Horn government the Illyés Public Foundation was complemented with the so-called (Új) Kézfogás Alapítvány supporting economic development. Later on, under the first Orbán government

the Illyés Foundation focused on the support of media and the new Apáczai Public Foundation covered support for education institutions. The last structure before the current framework entered into force was the Szülőföld Program (Native Land Program) under the Gyurcsány government in the 2000s (Bárdi 2008).

58. The website of the Bethlen Gábor Fund is available at: http://bgazrt.hu/

59. Depending on the exact areas of competences at various times, the name of the department has changed several times over the past 12 years. For the sake of simplicity, it will be referred to as development department in this paper. The current website of the department is available at: http://nefe.kormany.hu/

60. As the competences of the ministry now include external trade as well, it was renamed Ministry of Foreign Affairs and Trade in late 2014. For the sake of simplicity we will refer to it as MFA.

61. Source: OECD. Preliminary data as of September 28, 2015.

62. For further details on Hungary's IDC policy, see HAND (2014a).

63. The strategy is available at: http://nefe.kormany.hu/download/5/f0/a0000/El%C5%91terjeszt%C3%A9s_NEFEstrat%20v%C3%A9gleges%20strat%C3%A9gia_561NEFEFO.pdf. Last accessed: September 28, 2015.

64. The law is available at: http://www.kozlonyok.hu/nkonline/MKPDF/hiteles/MK14183.pdf. Last accessed: September 28, 2015.

65. Point 1.2.2 states that the policy strategy is aligned to the government's goals and serves well the national interests and goals of kin-state policy.

66. In the pre-2014 period, only three country strategies were made available publicly in 2006: for Serbia, Bosnia-Herzegovina and Vietnam. They all expired in 2010 and no new strategy followed. (Szent-Iványi – Lightfoot 2015: 69).

67. Starting in 2003, with the launch of Hungary's IDC policy, coordination among the various ministries took place on two levels: on the strategic level with the participation of state secretaries at the Interdepartmental Committee for International Development Cooperation that decided on the strategic directions, partners and sectoral priorities of the policy (see: 2121/2003. (VI.6.) Government Decree); and on the working level at the Interdepartmental Expert Working Group that comprised of the heads of departments for international cooperation of the line-ministries and served as a forum both for coordinating the international development activities of the line-ministries and the MFA, and for helping the work of the Interdepartmental Committee. For matters of European relevance, the 29th international development cooperation expert group under the European Coordination Interdepartmental Committee (Európai Koordinációs Tárcaközi Bizottság, EKTB) was set up in 2004 and has been in place ever since (see: 1007/2004. (II. 12.) Government Decree).
This framework was in place until 2008, when the International Development Cooperation Governmental Committee took the place and the tasks of the Interdepartmental Committee and lifted strategic decisions to the level of ministers (see: 2191/2007. (X. 20.) Government Decree). The Interdepartmental Expert Working Group continued its operation. The Governmental Committee was established at a time when international development cooperation received a higher stand in the country's new foreign policy strategy adopted in 2008, and its creation suggested a higher legitimacy. Nonetheless, work on a higher level distanced decisions from where expertise lied. The Governmental Committee as such was fairly short-lived as in 2010 under the new government its operation was annulled (see: 1119/2010. (V. 13.) Government Decree). According to the IDC report of the MFA, informal consultations continued in a similar framework effectively in 2010 (MFA IDC report 2011: 5), but in the following years' reports there was no mention of any inter-ministry consultations nor on the formal neither on the informal level.

68. Ministry of Foreign Affairs and Trade. "Nemzetközi Fejlesztési Együttműködés Koordinációs Tárcaközi Bizottság alakuló ülése [The forming meeting of the Interdepartmental Committee for the Coordination of International Development Cooperation]" December 22, 2014. Available at: http://nefe.kormany.hu/nemzetkozi-fejlesztesi-egyuttmukodes-koordinacios-tarcakozi-bizottsag-alakulo-ulese Last accessed: September 23, 2015.

69. Interview with representatives of the Ministry of Foreign Affairs and Trade, August 2015, Budapest.

70. Bethlen Gábor Fund. "Általános információk a pályázati rendszerről [General information about the grant system]" Available at: http://bgazrt.hu/tamogatasok/bemutatkozas/altalanos_informaciok_a_tamogatasi_rendszerrol/ Last accessed: September 24, 2015.

71. The interviews are listed at the end of the paper. All interviewees remain anonymous.

72. Interview in the Hungarian MFA, August 2015, Budapest.

73. Ministry of Foreign Affairs and Trade. "Ukrajna [Ukraine]". Available at: http://nefe.kormany.hu/ukrajna Last accessed: September 23, 2015.

74. Scholarships provided through the Ministry of Human Capabilities (previously Ministry of Human Resources) stand for another significant lump sum. Scholarships likely benefit both ethnic Hungarians and Ukrainians, however, no data is available on the beneficiaries.

75. To calculate this, we rely on data from national and international sources. To assess the support for HCA in Ukraine that is considered development assistance, we rely on the data in the MFA's annual reports. We reach the yearly nominal totals by adding up the budget lines under the Native Land Fund (Szülőföld Alap) in 2010 and those under the Bethlen Gábor Fund starting in 2011. This however is in Hungarian Forints. To reach a somewhat comparable amount, we convert the totals using the individual yearly averages of the HUF/USD conversion rates calculated based on the data provided by the Hungarian National Bank. For the overall Hungarian ODA to Ukraine, we rely on OECD data and take the current prices which are not corrected for inflation and also give us nominal amounts. The sums in HUF were as follow: in 2010: 338,934,000 HUF; in 2011: 353,875,000 HUF; in 2012: 347,790,000 HUF; in 2013: 1,354,320,751 HUF.

76. Source: All-Ukrainian Population Census 2001. Available at: http://2001.ukrcensus.gov.ua/eng. Last accessed: September 23, 2015.

77. Source: State Statistic Service of Ukraine. Available at: https://ukrstat.org/en. Last accessed: September 23, 2015.

78. Kárpátinfó.net. "Húszezerrel nőtt a munkanélküliek száma Kárpátalján [The number of unemployed increased by 20.000 in Transcarpathia]" May 17, 2015. Available at: http://www.karpatinfo.net/cikk/belfold/huszezerrel-nott-munkanelkuliek-szama-karpataljan Last accessed: September 23, 2015.

79. Further activities, for example economic, trade, agricultural, environmental activities as well as tourism, which can potentially be conducted under a kin-state policy hat, are beyond the scope of our present inquiry.

80. Interview with a representative of the Cultural Association of Hungarians in Subcarpathia, August 2015, Mukachevo, Ukraine.

81. For a discussion on the development of the trends of school selection see also: Csernicskó 2011.

82. Kárpátalja. "Hrinevics: A kisebbségi gyerekeknek nem anyanyelvként, hanem államnyelvként kell tanulniuk az ukránt [Hrinevics: Children from minority should not learn Ukrainian as mother tongue but as state language]" August 5, 2015. Available at: http://karpataljalap.net/?q=2015/08/05/hrinevics-kisebbsegi-gyerekeknek-nem-anyanyelvkent-hanem-allamnyelvkent-kell-tanulniuk-az Last accessed: September 24, 2015.
83. Interestingly, the number of people who were granted this support gradually decreased between 2011 and 2013, which could point to demographic reasons. The number of beneficiaries in 2011: 20,028; in 2012: 19,778; in 2013: 19,547.
84. Kárpátinfó.net. "Brenzovics: sem az ukrán alkotmány, sem a törvények nem tiltják a kettős állampolgárságot [Brenzovics: Neither the Ukrainian constitution, nor laws forbid dual citizenship]" January 6, 2015. Available at: http://www.karpatinfo.net/cikk/tarsadalom/brenzovics-sem-az-ukran-alkotmany-sem-torvenyek-nem-tiltjak-kettos-allampolgarsagot Last accessed: September 24, 2015.
85. Politics.hu. "Over 700,000 apply for Hungarian citizenship" February 26, 2015. Available at: http://www.politics.hu/20150226/over-0-7-million-apply-for-hungarian-citizenship/ Last accessed: September 24, 2015.
86. HVG.hu. "Az állampolgárság-üzlet nem szűnt meg [The citizenship business has not disappeared]" August 22, 2015. Available at: http://hvg.hu/itthon/201534_allampolgarsaguzlet_jut_is_marad_is Last accessed: September 24, 2015.
87. ibid.
88. Átlátszó. "Kovács Miklós: Árucikk lett a magyar állampolgárság Kárpát-Ukrajnában [Miklós Kovács: Hungarian citizenship became a commodity in Carpathian Ukraine]" May 8, 2013. Available at: http://atlatszo.hu/2013/05/08/kovacs-miklos-arucikk-lett-a-magyar-allampolgarsag-karpat-ukrajnaban/ Last accessed: September 24, 2015.
89. Five interviews out of the ten conducted touched upon this issue. These included interviews with public officials, researchers and representatives of NGOs to get a variety of views.
90. Kárpátinfo.net. "Brenzovics: A kárpátaljai magyarság az egyik legnehezebb sorú kisebbség [Brenzovics: Hungarians in Transcarpathia is one of the minorities with the most difficult faith]" August 17, 2015. Available at: http://www.karpatinfo.net/cikk/belfold/brenzovics-karpataljai-magyarsag-az-egyik-legnehezebb-soru-kisebbseg Last accessed: September 24, 2015.
91. Many governmental as well as non-governmental organizations had been active in Ukraine since the early 1990s.
92. See "Medium-Term Strategy for Official Development Assistance 2003 – 2008," Ministry of Foreign Affairs of the Slovak Republic, 2003. Available online: http://wbc-inco.net/object/news/3778/attach/koncepcia_en-1.pdf (accessed on August 31, 2015).
93. For data on Slovakia's ODA between 2003–2015 see annual report of UNDP Trust Fund in Slovakia. Available online: http://europeandcis.undp.org/uploads/public1/files/Trust-Fund%20Report-1.pdf (accessed on August 1, 2015); annual reports of Slovak Agency for International Development Cooperation. Available online: http://slovakaid.sk/sk/dokumenty-publikacie/vyrocne-spravy (accessed on August 1, 2015); as well as *DEV Development Cooperation of Slovak Republic* webportal http://www.slovakdev.sk/ (accessed on August 1, 2015). For more details see Medium–term strategies of Slovak ODA at www.slovakaid.sk
94. See "Robert Fico: Sme pripravení spustiť vyššiu kapacitu plynu na Ukrajinu," [Robert Fico: We are ready to launch higher capacity of gas transit to Ukraine] *TASR*, February 6, 2015.
95. The Czech Republic will focus on the field of education and civil society, Hungary on SME and implementation of DCFTA, and Poland on public administration reform, including decentralization.
96. "Ukrajina: Konkrétna pomoc SR a V4 pri reformách," [Ukraine: a concrete assistance to reform by Slovakia and the V4] Ministry of Foreign and European Affairs of the Slovak Republic, December 16, 2014.
97. Before 2015, Ukraine was part of the Eastern partnership package of countries, with an overall amount of 300,000–500,000 euros on average for all of the countries.
98. "Grantové výzvy 2015," [SlovakAid. Call for proposals]. Available online: http://www.slovakaid.sk/sk/grantove-vyzvy/grantove-vyzvy-2015 (accessed on 29 August 2015).
99. It must be added that only one organization applied for support within the field, and there is the apparent will to support more similar projects and activities, even beyond the scheme of *SlovakAid*.
100. For a review of the basic definitions of energy security see e.g. Winzer, C., "Conceptualizing energy security," *EPRG Working Paper 1123*, Cambridge Working Paper in Economics 1151, Electricity Policy Research Group, July 2011.
101. See the official website of International Energy Agency at http://www.iea.org/topics/energysecurity/ (accessed on August 30, 2015).
102. "Loss of Crimea changes Ukraine's energy picture: Robert Bensh," *Environment News Service*, March 21, 2014. Available online: http://ens-newswire.com/2014/03/21/loss-of-crimea-changes-ukraines-energy-picture-robert-bensh/ (accessed on September 6, 2015); see also Daly, John C. K., "Ukraine claims energy losses for Crimean annexation reach $300 billion," *Eurasia Daily Monitor*, August 1, 2014. Available online: http://www.jamestown.org/programs/edm/single/?tx_ttnews[tt_news]=42704&cHash=6a6354000881df040fb503d87da7cade#.VewwkpfnQ58 (accessed on September 6, 2015).
103. Data on the share of natural gas and coal in the primary energy consumption of Ukraine are for 2012. Source: "Nova enerhetychna stratehiya Ukrayiny: bezpeka, enerhoefektyvnist, konkurentsiya," [New energy strategy of Ukraine: security, energy efficiency, competitiveness]. Ministry of Energy and Coal Industry of Ukraine, 2015. Available online: http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245032413&cat_id=244946928 (accessed on September 5, 2015).
104. Transportation. *Gazprom Export*. Available online: http://www.gazpromexport.ru/en/projects/transportation/ (accessed on September 13, 2015).
105. "Slovakia reaches reverse gas flow deal with Ukraine," *Reuters*, April 22, 2014. Available online: http://www.reuters.com/article/2014/04/26/ukraine-crisis-slovakia-gas-idUSL6N0NI0HU20140426 (accessed on September 13, 2015).
106. "Predstavitelia spoločností skupiny SPP a Gazprom Export sa stretli v Bratislave," [Representatives of SPP Group and Gazprom Export meet in Bratislava] SPP, 3.12.2008, http://www.spp.sk/sk/vsetky-segmenty/o-spp/media/46-predstavitelia-spolocnosti-skupiny-spp-a-gazprom-export-sa-stretli-v-bratislave/ (accessed on September 13, 2015).
107. Robert Fico..., op. cit.
108. "Lajčák: It's necessary to formulate our expectations of the future Ukrainian Government to be formed after the parliamentary elections," Ministry of Foreign and European Affairs of the Slovak Republic, October 20, 2014. Available online: http://www.mzv.sk/App/WCM/

Aktualit.nsf/EA51CA63AD2CE05FC1257672004E2408/E896A80E94BCB4C5C1257D7900285C02 (accessed on September 13, 2015).

109. "Arseniy Yatsenyuk: one of the Kremlin's political ideas was the economic blockade of Ukraine," *Governmental portal*, December 30, 2014. Available online: http://www.kmu.gov.ua/control/en/publish/article?art_id=247853281&cat_id=244314975 (accessed on September 13, 2015).

110. "Nova enerhetychna stratehiya…," op. cit.

111. *Statistical review of world energy 2015*, BP, June 2015.

112. *Global economic prospects: Europe and Central Asia*, World Bank, June 2015, pp. 5–6. Available online: http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015b/Global-Economic-Prospects-June-2015-Europe-and-Central-Asia-analysis.pdf (accessed on September 13, 2015).

113. "Increased efficiency, improved livelihoods: transforming district heating in Ukraine," The World Bank, May 22, 2014. Available online: http://www.worldbank.org/en/news/feature/2014/05/22/increased-efficiency-improved-livelihoods-transforming-district-heating-in-ukraine (accessed on September 8, 2015).

114. The metallurgy and chemical industries generated around 70 per cent of national GDP before 2014.

115. *Ukraine 2012*. International Energy Agency, 2012, p. 33. Available online: https://www.iea.org/publications/freepublications/publication/Ukraine2012_free.pdf (accessed on September 7, 2015). Calculations are based on the data from 2010.

116. "Nova enerhetychna stratehiya…," op. cit. The draft of the NES is currently available for public debate on the internet site of the Ministry of Energy and Coal Industry of Ukraine. If approved by the Government it will replace the previous "Energy security of Ukraine till 2030," adopted by the Azarov pre-Maydan Government in 2013.

117. Data for Crimea is excluded. See: "Naftogaz Europe," 2015, http://naftogaz-europe.com/article/en/GasConsumptioninUkraine (accessed on September 8, 2015).

118. Ibid

119. Ibid

120. A. Mayeda, "IMF approves Ukraine aid package of about $17.5 billion," *Bloomberg Business*. Available online: http://www.bloomberg.com/news/articles/2015-03-11/ukraine-wins-imf-approval-for-17-5-billion-to-rescue-economy (accessed on September 11, 2015).

121. "Ukraine raises natural gas price for public," *Ukraine Today*, March 3, 2015. Available online: http://uatoday.tv/news/ukraine-raises-natural-gas-price-for-public-413105.html (accessed on September 11, 2015).

122. "Slovakia reaches reverse gas flow deal with Ukraine," *Reuters*, April 22, 2014. Available online: http://www.reuters.com/article/2014/04/26/ukraine-crisis-slovakia-gas-idUSL6N0NI0HU20140426 (accessed on September 10, 2015).

123. "Naftogaz Europe," 2015, http://naftogaz-europe.com/article/en/Gasimports2014 (accessed on September 10, 2015).

124. "Nova enerhetychna stratehiya…," op. cit., p. 19.

125. *Liga Biznisinform*, August 17, 2015. Available online: http://www.liga.net/infografica/246501_beg-po-grablyam-kak-ukraina-dokatilas-do-energeticheskogo-krizisa.htm (accessed on September 10, 2015).

126. "Nova enerhetychna stratehiya…," op. cit.

127. Ibid, p. 85.

128. "Ukraine 2012," op. cit., p. 33.

129. *REMAP 2030. Renewable energy prospects for Ukraine*, International Renewable Energy Agency IRENA, April 2015. Available online: https://www.irena.org/remap/IRENA_REmap_Ukraine_paper_2015.pdf (accessed on September 12, 2015).

130. D. Wnukowski, "Improving energy efficiency: a key task for the Ukrainian economy," *Polish Institute of International Affairs, Bulletin* No 60 (655), May 7, 2014.

131. Ibid

132. Ibid

133. Data on the installed capacity for generation of thermal energy and electricity on the basis of RSE are taken from: "Renewable energy. Current state," State Agency on Energy Efficiency and Energy Saving of Ukraine. Available online: http://saee.gov.ua/en/activity/vidnovlyuvana-enerhetyka/suchasny-stan (accessed on September 12, 2015). The data do not include the regions of Dnipropetrovsk, Odessa or Lviv, or the city of Kyiv.

134. "Renewable energy. Potential," State Agency on Energy Efficiency and Energy Saving of Ukraine. Available online: http://saee.gov.ua/en/activity/vidnovlyuvana-enerhetyka/potentsial (accessed on September 12, 2015).

135. "Vidnovlyuvana enerhetyka," [Renewable energy]. State Agency on Energy Efficiency and Energy Saving of Ukraine. Available online: http://saee.gov.ua/uk/activity/plany-rozvytku/vidnovlluvalna-energetyka (accessed on September 12, 2015).

136. "Nova enerhetychna stratehiya…," op. cit., p. 85.

137. "ÚRSO bude pomáhať regulačnému úradu Ukrajiny," [URSO will be providing assistance to Ukrainian regulatory authority], Regulatory Office for Network Industries, June 4, 2015, http://www.urso.gov.sk/?q=Aktuality/%C3%9ARSO%20bude%20pom%C3%A1ha%C5%A5%20regula%C4%8Dn%C3%A9mu%20%C3%BAradu%20na%20Ukrajine (accessed on September 13, 2015).

138. "Ukraine, Slovakia to cooperate on energy efficiency area," *Interfax-Ukraine*, September 11, 2015, http://en.interfax.com.ua/news/economic/289579.html (accessed on September 13, 2015).

139. Ibid

140. "Ročná správa o pokroku pri dosahovaní národných cieľov energetickej efektívnosti za rok 2014," [Annual report on the implementation of national goals in the field of energy efficiency in 2014] Ministry of Economy of SR. Available online: https://ec.europa.eu/energy/sites/ener/files/documents/SK_Annual%20Report%202015_sk.pdf (accessed on September 13, 2015).

141. "Road map towards the regional gas market among Visegrad 4 countries," Polish Presidency of the Visegrad Group July 2012–June 2013. Available online: http://www.acer.europa.eu/Gas/Regional_%20Intiatives/South_South-East_GRI/Documents/Road_Map_toward_%20the_V4_regional_gas_market.pdf (accessed on September 13, 2015).

142. Ibid

143. "Energy Union package. A framework strategy for a resilient Energy Union with a forward-looking climate change policy. Communication of the European Commission," COM(2015) 80 final, February 25, 2015. Available online: http://eur-lex.europa.eu/legal-content/EN/TXT/DOC/?uri=CELEX:52015DC0080&from=EN (accessed on September 13, 2015).

144. O. Stanciu, "The Czech-Slovak-Hungarian-Romanian day-ahead electricity market coupling successfully started," *Visegrad Plus*, November 27, 2014. Available online: http://visegradplus.org/czech-slovak-hungarian-romanian-day-ahead-electricity-market-coupling-successfully-started/ (accessed on September 13, 2015).

145. "Nova enerhetychna stratehiya…," op. cit.

146. *Central East South Europe Gas Connectivity*. Available online: https://ec.europa.eu/energy/en/topics/infrastructure/

central-and-south-eastern-europe-gas-connectivity (accessed on September 13, 2015).

147. Paweł Bagiński, *Spójność polityki na rzecz rozwoju jako element reformy światowego systemu pomocowego*, [in:] K. Czaplicka, *Wyzwania międzynarodowej współpracy na rzecz rozwoju*, Warsaw 2008.

148. OECD Ministerial Statement, *Action for a Shared Development Agenda,* Paris: OECD, 2002.

149. Alan Hudson, Linnea Jonsson,*'Beyond Aid' for sustainable development*, OECD Project Briefing, No. 22, May 2009, p. 1.

150. U*stawa o współpracy rozwojowej* [The Development Aid Act] from September 16, 2011.

151. Ministry of Foreign Affairs, *Wieloletni program współpracy rozwojowej na lata 2012–2015. Solidarność, demokracja, rozwój* [The Long-term Programme for Development for the years 2012-2015. Solidarity, Democracy, Development] Warsaw 2012.

152. Interview. Department of Development Cooperation, Ministry of Foreign Affairs, Warsaw, July 7, 2015.

153. *World Investment Report 2015: Reforming International Investment Governance*, p. iii.

154. In 2013, as in 2012, the value of Polish FDI was negative and amounted to EUR -1.063 m against EUR -2.067 m the previous year. See: Ministerstwo Gospodarki, Departament Strategii i Analiz, *Polskie inwestycje bezpośrednie w 2013 r.,* Warsaw 2015, p. 5; See: Krzysztof Ratnicyn, *Kierunki polskich inwestycji*, www.polandgoglobal.pl/artykuly/kierunki-polskich-inwestycji#.Vdww4fnSkT8 [Accessed online: July 7, 2015].

155. Interview. Department of Economics, Ministry of Foreign Affairs, Warsaw, July 7, 2015.

156. Ministry of Economy, Department of Promotion and Bilateral Cooperation, *Mołdawia. Informacja o stosunkach gospodarczych Polski z Mołdawią* [Moldova. Information on Economic Relations between Poland and Moldova] Warsaw 2015.

157. Ministry of Foreign Affairs, *Priorytety polskiej polityki zagranicznej 2012–2016* [Priorities of Polish Foreign Policy 2012-2016], Warsaw 2012.

158. Ministry of Foreign Affairs, *Raporty programu Polska Pomoc 2000-2013* [Reports of the Polish Aid programme 2000-2013]. It is important to note that in the new 'Project of Long-Term Development Priorities for 2016-2020' Poland's geographical priority areas were chosen based on specific criteria such as development needs, previous experience of development cooperation, cohesion with the security policy and cohesion with EU activities.

159. Grupa Zagranica Report, *Polska współpraca rozwojowa 2014* [Polish Development Cooperation 2014], Warsaw 2014 http://zagranica.org.pl/publikacje/monitoring-wspolpracy-rozwojowej/polska-wspolpraca-rozwojowa-raport-2014 [Accessed online: August 8, 2015].

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