

POZNAŃ SCHOOL
OF DEVELOPMENT ECONOMICS

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**LOOKING FOR WAYS OF COMBATTING
ECONOMIC UNDER-DEVELOPMENT**

research editor
Przemysław Deszczyński



Wydawnictwo Poznańskiego Towarzystwa Przyjaciół Nauk

Poznań 2022

THE POZNAŃ SOCIETY FOR THE ADVANCEMENT OF THE ARTS AND SCIENCES
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Cover design and typesetting
Trevo – Martins

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Poznań 2022



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ISBN 978-83-7654-466-3

Wydawnictwo Poznańskiego Towarzystwa Przyjaciół Nauk,
Poznań 61-725, ul. Mielżyńskiego 27/29

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Introduction

Przemysław Deszczyński

So far, in international relations, four basic periods can be distinguished, in which the perception of the role of developing countries has fundamentally changed. The first one was related to their political drive to liberate themselves from colonial oppression – the political determinant. Its apogee was at the turn of the 1950s and 1960s. The second one took place in the 1970s and was initiated by the global energy and raw materials crisis. As a result, a postulate was born to create a new international economic order – the economic determinant. The third period was opened by the terrorist attack on the towers of the World Trade Center in New York on September 11, 2001. It brutally exposed the underestimation or even disregard of cultural and religious antagonisms – the social determinant. Moreover, after the collapse of the bipolar system in 1991, it was the conflict between highly developed and developing countries that determined the system of international relations in the 21st century, which was announced by the theses of Samuel Huntington about the “clash of civilizations” or of Francis Fukuyama about the “end of history”. The turning point for the fourth period was the outbreak of the pandemic at the turn of 2019 and 2020 – the deglobalizing determinant. For developing countries, COVID-19 means that the focus of the West’s attention will not be on actions aimed at eliminating or at least mitigating the economic underdevelopment of these countries, but on eliminating the economic consequences of the pandemic, focusing on internal problems,

in particular on ensuring the security of one's own society and economy. Western politicians in the third decade of the 21st century adopted the axiom that it is not being that determines consciousness, but broadly understood security. Therefore, there will probably be a temporary freezing or even a reduction in funds allocated to development aid, a reduction in foreign direct investment in developing countries, and even a reduction in trade. Most developing countries will not be able to overcome economic underdevelopment without the support of the West. Therefore, it is possible to petrify and aggregate it, with all possible negative effects (Banaszyk, Deszczyński, Gorynia, Malaga, 2021, p. 77).

Contrary to the fourth period, the first three observed an increase in the role of developing countries on the international forum. Each time the processes taking place in them were also an impulse for the increased interest of scientists in the problems of developing countries. This was also true for me. The fascination with economics while studying economics and organization of foreign trade at the Poznań Academy of Economics coincided with a violent global crisis in energy and raw materials, followed by an economic crisis, and then the emergence of demands from developing countries to create a new international economic order. However, I did not immediately decide to undertake research in the field of developing countries. At that time, I was already aware of the complexity of this issue. So, at Professor Ludwik Jankowiak's MA seminar, I proposed the topic of "Federal Republic of Germany's capital export to the USA" ("Eksport kapitału RFN do USA"), which on April 10, 1978. during the oral exam in the subject "Foreign trade planning and forecasting" ("Planowanie i prognozowanie handlu zagranicznego"), at the suggestion of the then associate professor Henryk Wojciechowski and with the full approval of the supervisor, I changed to "Eksport kapitału RFN do krajów rozwijających się" ("Federal Republic of Germany's capital export to developing countries"). And so, a bit by chance, I started to study the problems of this group of countries. My PhD thesis, written in Bonn and Hamburg thanks to a scholarship from the Friedrich Ebert (Friedrich Ebert Stiftung), was devoted to the "Policy of Republic of Germany's economic expansion towards developing countries" ("Polityka ekspansji gospodarczej RFN wobec krajów rozwijających się"). After that

the F. Ebert Foundation awarded me a scholarship again, this time to finance research in Germany on the role of German Social Democrats in solving the problems of developing countries. I presented its results at the international scientific conference of the F. Ebert Foundation “Leben in der einen Welt” in Potsdam in October 1991. It also became the basis for my future habilitation dissertation *Kraje rozwijające się w koncepcjach ekonomicznych SPD. Doktryna i praktyka* (“Developing countries in the economic concepts of the SPD. Doctrine and practice”). On October 19, 2001, the Council of the Faculty of Economics of the Poznań Academy of Economics awarded me with a postdoctoral degree in the field of economics with specialization in international relations. Therefore, I became an independent researcher with the ambitious intention of promoting PhDs specializing in developing countries and thus creating the Poznań School of Development Economics.

Development economics as a scientific discipline was established after the Second World War. Despite the formulation of more than three hundred theories devoted to the economic problems of developing countries, none of them has contributed to overcoming economic backwardness, and some of them, implemented in an orthodox manner in the practice of economic life, have even deepened this underdevelopment. The theories of development economics should explain the phenomena occurring in the economy, they should be helpful in making decisions in the economic sphere, but they cannot be an end in themselves, because it is only a matter of time when such an orthodox attitude, regardless of whether it concerns supporters of neoliberal solutions, or state interventionism, will lead to the implementation of assumptions opposite to those assumed by them. The reason for that is that the economic situation of each developing country has its own specificity, related to political and social conditions, as well as historical and cultural traditions.

Interdisciplinarity seems to be a *sine qua non* for constructive dealing with developing countries, and it is precisely this that is a characteristic feature of the Poznań School of Development Economics, where scientific research has been conducted in this way since the very beginning. The scientists who are part of it are graduates of not only the University of Economics in Poznań, but also such faculties as law, political science,

history, English studies, German studies at the Adam Mickiewicz University in Poznań, the Jagiellonian University and the University of Łódź. PhD theses were defended at the University of Economics in Poznań, but also two at the Adam Mickiewicz University in Poznań and one, in political science – at the Western Institute in Poznań. Four habilitations were obtained in economics at the former Faculty of Economics of the University of Economics in Poznań, and two in politics at the Faculty of Political Sciences and Journalism at the Adam Mickiewicz University in Poznań. The achievements of the Poznań School of Development Economics also include one professorship, obtained in 2012.

Apart from interdisciplinarity, the Poznań School of Development Economics is characterized by focusing on research in the field of development aid. It was assumed that the condition for overcoming underdevelopment in developing countries is the creation of the Marshall Plan II for this group of countries (Deszczyński, 1992, pp. 55–59), since for the vast majority of them it is not possible to independently enter the economic growth “take off” path without external support. The negative experiences of development aid so far do not mean that the implementation of the idea of the Marshall Plan, which saved Western Europe from communism, cannot be equally effective in the fight against liquidation, or at least in significantly mitigating the negative effects of underdevelopment not only for the developing countries themselves, but for the entire international community. The current situation with the pandemic made everyone realize that our planet Earth in the 20th century, and even more so in the 21st century, has become a global village, that we operate in the paradigm of “communicating vessels”, that what is happening not only in the Middle East but also in the Far East, North and sub-Saharan Africa, Latin America, directly affects Western societies. Under these conditions, the need to jointly solve global problems has been increasing. Most often they include, apart from global warming and the progressive destruction of the natural environment, the deepening economic disproportions between developing countries and highly developed countries, uncontrolled population growth, migration crisis, the occurrence of famine in many regions of the world, the risk of serious diseases, including mainly COVID-19, but also AIDS, BSE and

drug addiction, depletion of raw materials, debt crisis, danger of a war, especially nuclear war, international terrorism. The importance of global problems results from the consequences that they may have in the event of their further aggregation – in an extremely pessimistic variant, even the collapse of our civilization. The complexity of the essence of global problems means that their effective and efficient solution requires taking comprehensive actions in many spheres of socio-political and economic life, covering basically all entities of the world economy. The vast majority of these problems are directly or indirectly related to the functioning of developing countries, and their solution without reforming the economic situation of this group of countries will be difficult or even impossible to implement. It is for these reasons that it is necessary to initiate the Marshall Plan II, free from the instrumentalisation of the political and economic goals of the West – the original sin, which for decades had a negative impact on the efficiency and effectiveness of development aid (Deszczyński, 2001b, pp. 125–142). It is assumed that the pandemic and the growing, also because of it, of egoisms among Western politicians and societies will have only a short-term negative impact.

The third feature of the Poznań School of Development Economics is the pragmatic approach and the perception of economic theory, including in particular the theory of development economics, in these categories. Its essence is to take into account the conditions accompanying economics as a scientific discipline. Economics is a social science and, unlike natural sciences, e.g. physics, which deals with the study of the general properties of matter and phenomena occurring in it, as well as the detection of general laws governing these phenomena, identifying the regularities occurring in the economy does not mean that they are universal and timeless. Even if we discover them, we cannot be sure whether they will also occur elsewhere (broadly understood territorial determinism) and whether they will become obsolete over time (time determinism). Economics therefore has a limited ability to anticipate what will happen in the future, and that is at virtually all levels – mega-, macro-, meso- and microeconomic. One can make predictions, but there is no guarantee that the adopted hypotheses will prove successful in practice, especially in the long term. What is more, despite the deepening computerization of life,

this task becomes even more difficult with the dynamically progressing globalization and the constantly increasing number of entities affecting the global economy, and with it – an increasing amount of information to be processed and verified in terms their quality and data reliability. In an open economy, in contrast to an autarkic economy, it is much more difficult to formulate a universal economic theory. The world economy covers a specific area in which various economic, political, social and intellectual forces cooperate, but also compete with each other.

At the Poznań School of Development Economics, doctorates in the field of development aid were prepared, dealing with the development aid of three former colonial metropolises – Great Britain, France and the Netherlands, and Sweden. The culmination of this achievement is a professor's monograph by Przemysław Deszczyński, *Konceptualne podstawy pomocy rozwojowej* ("Conceptual Fundamentals of Development Assistance").

Under the scientific supervision of Professor Przemysław Deszczyński, doctoral theses were prepared in the field of economics of development:

- Katarzyna Anna Nawrot, PhD – on December 1, 2006 defended her doctoral dissertation *Determinanty rozwoju gospodarczego państw ASEAN w latach 1990–2003* („Determinants of economic development of ASEAN countries in the years 1990–2003”), for which she received a grant 1 H02C 070 28;
- Marcin Nytko, PhD – on June 1, 2007 defended his doctoral dissertation *Rozwój bezpośrednich inwestycji zagranicznych w Indiach w latach 1991–2005* („Development of foreign direct investment in India in 1991–2005”);
- Ireneusz Barczak, PhD – on May 7, 2010 defended his doctoral dissertation *Pomoc rozwojowa Szwecji dla krajów rozwijających się w latach 1995–2006* („Sweden's development assistance for developing countries in the years 1995–2006”), for which he received a grant NN112212834;
- Katarzyna Andrzejczak, PhD – on June 18, 2010 defended her doctoral dissertation *Pomoc rozwojowa Francji dla krajów rozwijających się w latach 1981–2007* („France's development assistance

for developing countries in the years 1981–2009”), for which she received a grant B/H03/2009/37;

- Edyta Wojtyła, PhD – on March 2, 2012 defended her doctoral dissertation *Pomoc rozwojowa Unii Europejskiej dla Maroka w latach 1995 – 2009* („European Union Development Assistance for Morocco in the years 1995–2009”);
- Grzegorz Grabowski, PhD – on September 6, 2013 defended his doctoral dissertation *Współpraca gospodarcza Wielkiej Brytanii i Indii w latach 1991–2010* („Economic cooperation of Great Britain and India in the years 1991–2010”);
- Michał Postracha, PhD – on December 2, 2016 defended his doctoral dissertation *Podejście sektorowe we współpracy rozwojowej Holandii w latach 1998–2012* („Sectoral approach in development cooperation in the Netherlands in the years 1998–2012”);
- Aleksandra Rabczun, PhD – on September 23, 2020 defended her doctoral dissertation *Pomoc rozwojowa Wielkiej Brytanii dla krajów rozwijających się* („Great Britain’s development assistance for developing countries”).

The Poznań School of Development Economics also includes professor Filip Kaczmarek, who, being a member of the European Parliament of the 6th and 7th term in the years 2004–2014, dealt with the development policy of the European Union. The culmination of his achievements was the habilitation thesis *Dylematy polityki rozwojowej Unii Europejskiej wobec Afryki Subsaharyjskiej w latach 2000–2015* (“Dilemmas of the European Union’s development policy towards sub-Saharan Africa in the years 2000–2015”), published by the Poznań University of Economics and Business Press in 2018. Katarzyna Andrzejczak (now Świerczyńska) was the first of the promoted doctors to obtain the title of habilitated doctor on the basis of her habilitation thesis, *Uwarunkowania i różnicowanie rozwoju gospodarczego Afryki Subsaharyjskiej* (“Conditions and diversification of the economic development of sub-Saharan Africa”), published in 2019 by CEDEWU. Katarzyna Anna Nawrot, PhD prepared her habilitation thesis *Współpraca i integracja gospodarcza Azji Wschodniej. Studium teoretyczno-empiryczne* (“Cooperation and economic

integration of East Asia. A theoretical and empirical study”), published by the Polskie Wydawnictwo Ekonomiczne in 2021.

The achievements of the Poznań School of Economic Development include several hundred works published in reputable publishers and magazines around the world. There are four hypotheses present in them, similarly to this monograph:

1. Disastrous economic situation of developing countries was caused by accumulation of negative impact of entire catalog of internal and external factors.
2. Solving the disastrous economic situation of developing countries is impossible without thorough internal reforms and external assistance.
3. Low efficiency of the development aid to date resulted from its political and economic instrumentalisation which also negatively affected transparency and coherency of the methodology of development aid.
4. The problems of developing countries cannot be solved solely on the basis of the theories of development economics, economic calculus, knowledge and experience of economists. What is needed here is an interdisciplinary approach and awareness of the existence of Eurocentric burdens that effectively prevent the development of solutions adequate to economic, political and social reality of developing countries.

The work is empirical- analytical in nature. It uses inductive inference, i.e. generalizations are derived from the information material collected in the course of empirical research. The wide range of the studied issues, enabling the extension of the field of observation and the framework of the analysis, and the hypotheses made resulted in the adoption of several research methods in the monograph. The comparative historical method was very helpful here, because the work covers a very long period of time, from the beginning of decolonization to the second decade of the 21st century. There are, therefore, a number of planes that have common features (e.g. for individual decades of development) as well as a number of

differences (e.g. between theories of economic development in developing countries, in the perception of individual geographic regions or groups of developing countries). Finally, the comparative historical method allows not only to get to know specific phenomena and facts, but also to explain them in the light of the known causes, conditions and premises of a given behaviour.

The research procedures introduced into the methodology by the system analysis were also used. Their use is especially advisable when the research subject is of an interdisciplinary nature, and this is exactly what the analyzed issues are. Development aid can be treated as a system, the components of which should contribute to the success of the whole, i.e. to its full and possibly quick realization. The elements of the system are the institutional structure of development aid in a multilateral and bilateral system and in the European Union, as well as its various forms. Therefore, there are several levels of analysis: general, relating to the global development aid system, and detailed, at the level of bilateral aid, each time with regard to individual continents, regional groups, and individual developing countries. The interactions between systems and subsystems and between subsystems are also taken into account.

The concept of the work presented above has determined the formal structure of its content. The book consists of three parts, nine chapters in total. The first part is devoted to the conceptual foundations of development economics. It is a kind of starting point and theoretical structure of the whole monograph. The author of the first two chapters is Przemysław Deszczyński. In the first one, the term “developing countries” has been conceptualized and the author’s classification of developing countries based on the criteria of political, economic and social dualism has been presented, which is the contribution of Poznań School of Development Economics to science. In the second chapter, four main groups were distinguished from among more than three hundred theories of economic development, based on the primacy of factors: internal, external, external-internal and global. The first part ends with the third chapter by Katarzyna Nawrot. It conceptualizes the quantification of economic development broken down into classic quantitative indicators and – becoming more and more important – qualitative indicators. Among

the latter, social, institutional, ecological, and sustainable development indicators have been distinguished.

The second part, titled “Development Aid – Conceptualization and Practitce”, contains five chapters. Chapter four is conceptual in nature. Its essence is conceptualization of the term “development aid” and classification of forms of development aid, which is another manifestation of the contribution of the Poznań School of Development Economics to science. It was made on the basis of five criteria: the channel of transfer, the way of transfer and usage by the donor, the beneficiary’s repayment burden and the beneficiary’s freedom of managing it. On the basis of these criteria at least two basic forms were distinguished each time. The authors of chapters six and seven refer to and submit to the convention of analysis adopted in their works. In the fifth chapter, by Aleksandra Rabczun, and the sixth, by Katarzyna Świerczyńska, an analysis of development aid in relation to Great Britain and France was carried out. In both cases, the same four criteria were used: development aid conditions, institutional and geographic structures of development aid and its most important forms. Adopting such a methodology makes it possible to compare the functioning of the development assistance of the two largest colonial metropolises and is a valuable achievement in the context of recommendations for Polish development policy. The second part ends with two chapters devoted to the development policy of the European Union. Chapter seven by Filip Kaczmarek contains basically the same criteria of analysis, adjusting them to the specificity of the functioning of the European Union in this area. At this point, it is worth emphasizing the uniqueness of the texts by Filip Kaczmarek, on the one hand co-creator of the European Union development policy and its attentive observer from the perspective of the European Parliament, on the other – a scientist.

The monograph ends with the third part – the role of communication in the implementation of development policy and economics. In spite of appearances, this is of key importance for the success of the Marshall Plan II. It is not enough to create a successful concept of development aid in scientific circles. We still need to convince influential politicians both from the West and developing countries to accept it, and then place great emphasis on the economic education of both donor and recipient societies

and make them aware that we operate in the paradigm of “communicating vessels”. US President J. F. Kennedy learned how difficult this task was. Initiating development aid for developing countries in the early 1960s, he argued that “If a free society cannot help the many who are poor, it cannot save the few who are rich” (Deszczyński, 2009a, p. 8). Continuing to tolerate the deepening imbalance between developing and highly developed countries could lead to the storming of the starving poor people of the “Third World” on the West’s “Bastille of Prosperity” and its value system. The terrorist attack of September 11, 2001 on the skyscrapers of the World Trade Center in New York and on the Pentagon building in Washington, as well as the emigration crisis of 2015, are only a prelude to what may happen in the near future, if we do not show prudence and the ability to anticipate and draw logical conclusions from the current situation. It is therefore about the elimination of the information gap – a specific asymmetry of information present in societies, additionally petrified by the perception of reality only in terms of short-term political, economic or national interest. Professional communication based on scientific research can fill this gap. Such an attempt was made in part three. In chapter eight Izabela Janicka deals with the role of the media in the dissemination of development policy and economics, and Marcin Leszczyński writes about the reputation of developing countries. The specificity of the media in the 21st century and the resulting changes in communication have been highlighted and the misconceptions in the media, as well as – particularly important from our point of view – development policy in Polish media have been presented. Reputation has been considered from the perspective of shaping the international position of developing countries, pointing to the limitations existing in this respect. In chapter nine Jacek Trębecki deals with the convergence of internal communication areas, pointing to the role of internal communication in the context of development economics. Waldemar Rydzak emphasizes the importance of communication in crisis situations in developing countries. He presents information activities of developing countries that are being undertaken in the international area and intercultural differences in the context of effectiveness of communication in crisis situations. In the latter case, knowledge and skills are particularly important due to the high probability of its occurrence.

Part one

**CONCEPTUAL
FOUNDATIONS
OF DEVELOPMENT
ECONOMICS**

Chapter I

Conceptualization of the term “developing countries”

Przemysław Deszczyński

The concept of developing countries (DC) is the subject of controversy and terminological disputes among scientists dealing with this issue. They result in the introducing into science many terms describing this group of countries. However, none of these terms, despite various methodological premises and various criteria used in their selection and formulation, was deemed fully satisfactory, for none of them avoided serious substantive flaws. The objections concerned not only semantic issues, but – above all – the impact of adopting a given term on choosing a specific research and – in the period of the bipolar system of international relations – also ideological perspective. Each of these concepts is also burdened with the perception of the world through the prism of Eurocentrism, which makes it difficult to find appropriate solutions to the problems that these countries have been struggling with for years. Many authors adopt a priori a specific concept, ignoring its scientific interpretation altogether, or even worse, use the terms interchangeably, without due concern for terminological precision or the theoretical content behind these concepts.

1.1. The criteria for classifying developing countries¹

Initially, to define the community of these countries, their characteristics related to the achieved level of economic development were taken into account in the first place. Thus, adopting the economic criterion, they were called underdeveloped, delayed in economic development, backward, low developed, less advanced, low-income countries, economically undeveloped or underdeveloped countries, peripheral countries. In all of the above-mentioned concepts, the reference to the economy of Western countries was considered the most important, treating the historical development of Europe as an example to follow on other continents.

Scientists and politicians representing the countries of Africa, Latin America and Asia pointed out that in terms of demography and territory countries called underdeveloped constitute the vast majority of our planet. In this situation, they believed that the level of economic development achieved by them should be treated as typical for most countries of the world, and not in terms of backwardness. However, if one takes such a point of view, the economic situation of these countries would not require extraordinary measures and special regulations. And yet it is not so. Without external aid, not limited to development aid, the vast majority of these countries have no chance of breaking the “vicious cycle of poverty” or the process will last indefinitely.

The economic criterion is highly helpful in dividing DC within the framework of a heterogeneous and increasingly differentiating group. This grouping simplifies donors’ granting of development aid, and facilitates trade exchange, creating the possibility of granting additional economic preferences mainly to those countries which found themselves in a very difficult economic situation, often through no fault of their own.

Referring to the geographical criterion, this group of countries was called the poor South, tropical countries or countries of Africa, Latin America and Asia. By adopting these terms, it was suggested that their difficult economic situation was a result of their geographic location, unfavorable climatic conditions, and the presence of rich natural resources, which gave these countries an unfavorable place in the international

¹ Further on the criteria for classification of DC see Deszczyński (2001c, 13–30).

division of labor. While the geographic factor did play a very important role in international relations in the past, in the era of dynamic development of economic and technological progress it can at best condition economic development, without, however, prejudging its final result.

The use of the geographical criterion raises also reservations of a formal nature. To the south of the equator lie such highly industrialized countries as Australia and New Zealand, and in Asia – Japan belonging to the G7 and China which is ambiguous to classify. Rich resources of raw materials do not always lead to a disadvantageous place in the international division of labor – the case of the oil-rich Arab states. Due to its static nature, the geographical factor also does not make it possible to take into account qualitative changes taking place in the economies of DC. After all, many countries of the South have more GDP per capita than some countries of the North.

The term "South" has become relatively widely popular, among others, thanks to the Report of the Independent Commission on International Development Issues under the Chairmanship of Willy Brandt "North – South: A Program for Survival". Its use seems justified precisely in the context of analyzing the North-South conflict. In this case, the very name "South" should not be strictly associated with the geographical criterion. It has a broader character, serving as a synonym for poverty, just like "North" serves as a synonym for wealth.

This criterion can be helpful in grouping these countries precisely according to their geographic location. This is because countries located in Africa, Latin America or Asia have their specificity. This was also the guiding principle behind the creation of the African Development Bank (AfDB), the Asian Development Bank (AsDB), the Caribbean Development Bank (CDB) and the Inter-American Development Bank. Moreover, apart from the continental criterion, there are also other, no less important, geographical reasons for the creation of further subgroups of countries, such as, for example, countries with or without direct access to the sea, located only on an island or islands, equatorial, covered with tropical forests, desert or semi-desert etc. All of this should be taken into account when deciding on adopting a specific economic strategy and providing these countries with development aid.

In turn, based on the historical criterion, the studied group of countries was called post-colonial or newly liberated countries. The justification for these terms is the colonial legacy, in particular the colonial past or the past of a dependent, semi-colonial country still weighing on the economic, social and political structure.

Without denying the accuracy of most of the above assessments, the term “post-colonial countries” does not meet the formal requirement on the basis of which it was distinguished. In accordance with historical facts, the former British colonies – the United States, Canada, Australia and New Zealand – should also be included among the postcolonial countries. The term “post-colonial countries” but also “newly liberated countries” lacks sufficient precision for another reason as well. In this group of countries there are also countries that have never been colonies – Afghanistan, Ethiopia, Iraq, Iran, Liberia, Nepal, Thailand, Turkey. Therefore, if we accept the claim that the colonial legacy was such an enormous burden on the economic development of the former colonial territories, why are Afghanistan and Ethiopia among the poorest countries in the world? There is also the question of how long these countries can be called postcolonial or newly liberated. Are Latin American countries, some of which gained independence as early as the 19th century, still newly liberated countries? Is the use of the term “post-colonial countries” still legitimate in the 21st century? This term carries the risk of throwing all misfortunes, including mistakes made by already independent states, only on the legacy of colonialism. It can therefore be an obstacle in looking for appropriate solutions to the complex problems of these countries and only strengthen their demanding attitude.

The terms “developing countries” and “the Third World”, most frequently used in the literature, were distinguished on the basis of the political criterion. In 1956, the concept of DC was introduced into the official nomenclature and disseminated by the United Nations Organization – UN. It contains a lot of optimism and has been adopted, *inter alia*, in order to cover the negative connotation of terms previously used by economists.

The concept of developing countries, for obvious substantive and methodological reasons, raised many reservations in the economic

environment. It also turned out to be unacceptable to politicians from former colonies. It was emphasized that the concept of developing countries determined *ex ante* something that could only be stated *ex post*, and above all moved the problem of economic underdevelopment out of sight. In the conditions of the beginning of the struggle for creating a new international economic order in the 1970s, the term became an uncomfortable burden for the economic and political elites of this group of countries and was replaced by the term "the Third World".

This name was formulated in 1952 by a French demographer and sociologist A. Sauva. He referred to the work of priest E.J. Sieyes, published during the Great French Revolution. In it the author asked: "What is the Third Estate? Nothing. What does it desire to be? Everything". In 1956 A. Sauvy, together with G. Balandier, popularized this concept to describe the countries gaining independence in the process of decolonization. In the term "the Third World" a clear analogy was seen between the "Third Estate" struggling for equality during the Great French Revolution and the newly formed states demanding equality within the international community.

1.2. Dualism of the classification criterion of developing countries²

None of the terms presented above, despite the fact that various methodological premises and various criteria were used in their selection and formulation, has so far been considered fully satisfactory, for none of them avoided serious substantive flaws. The doubts concerned not only semantic issues, but above all the consequences of adopting a given term for the selection of a specific research – and in the period of the existence of a bipolar system of international relations, also ideological – perspective. Each of these concepts is also burdened with the perception of the world through the lens of Eurocentrism, which makes it difficult to find appropriate solutions to the problems that these countries have been struggling with for years.

² The classification based on the criteria of duality was presented during the 8th Congress of Polish Economists (Deszczyński, 2009, pp. 346–349).

In this situation, it would be advisable to refer to the UN proposal, the more so as a whole network of concepts based on the term DC has already been created, such as: Development Decades, Development Assistance, Development Assistance Committee, International Development Association, regional development banks and international statistics accompanying these institutions. While the term DC is related to the countries' economic situation, it by no means signifies that they are developing. At best, it can be said that they face the problem of development or that some of them strive for economic development. The concept of developing countries should not be treated literally in its semantic dimension, but as an attribute of an aggregation function that allows, based on an external political and geographical criterion, and above all – on internal ones related to the occurrence of dualisms, to distinguish this group of countries. Scientists from the Poznań School of Development Economics believe that a country should be considered a developing country if it has at least one of the dualisms: political, economic or social. They are closely related, pass into each other and constitute a powerful internal barrier that effectively prevents from overcoming economic underdevelopment. The economic history of the world to date confirms that in the long run only states based on the triad of political, economic and social freedom are able to ensure their own society a long-term and stable economic and social development.

1.2.1. Political dualism

Political dualism is the result of lack of democracy and democratic traditions. Its emergence is related to the commencement of the process of colonization of overseas territories by European countries. Gaining and then maintaining their dependence required the metropolises to create a management system operating directly – with the help of colonial administration – or indirectly – with the use of local state or tribal bodies. In both cases, there was a process of establishing two groups: the political elite associated with the colonial metropolis and the vast majority of society that did not identify with this form of statehood. This duality did not disappear with decolonization, but became even more significant. The

best example of this is the excessive expansion of state administration and the police and military apparatus in most developing countries. This is because the current rulers very often (even if they were democratically elected) do not accept the principle of alternation of power (the case of Robert Mugabe in Zimbabwe) (*Die Millenniums-Entwicklungsziele*, 2006, pp. 122–124). As a result, the effectiveness of the political system is diminishing, and it is necessary to replace democratic procedures with the use of massive violence by the authorities in order to ensure their existence and to stay in power. Political institutions in developing countries are also still more an adaptation of foreign models by the intellectual and political local elite than an authentic product of domestic political development. The inadequacy of Western political systems is manifested by the lack of political stability, generated by contradictions between political institutions and the socio-economic structure and political culture, which is an emanation of cultural and religious traditions. The institutions of Western representative democracy do not work in the conditions of social dualism. Therefore, their success depends to a large extent on the elimination of social dualism which in turn largely depends on the existence of economic dualism. It should also be remembered that democracy in the West was not introduced overnight, but developed gradually over a long period of time by extending the passive and active electoral law to an ever wider group of citizens (e.g. by abolishing property qualification, lowering the age of eligibility for participation in elections, covering women with electoral rights) and introducing fully democratic, i.e. universal, equal, secret and direct elections. We deal with political duality in a state when at least one of the following situations occurs:

1. There are not fully democratic elections.
2. Political freedoms are violated and fundamental human and civil rights are not respected.
3. There is no political and social pluralism.
4. There is no principle of alternation of power.
5. Trade unions and non-governmental organizations cannot function freely.

1.2.2. Economic dualism

The essence of the economic dualism consists in the functioning of the modern and capital-intensive industrial sector (now more and more often the service sector) in the economy, next to the very backward, traditional agricultural sector and small-scale crafts. So far, no precise definition of the dual economy has been formulated. Describing it, P.R. Krugman and M. Obstfeld indicate its characteristic features:

1. Much higher production value (usually several times, in extreme situations even fifteen times) per employee in the modern sector than in other sectors of the economy.
2. Existence of similar disproportions in the income of employees of both sectors and of people who are unemployed or occasionally employed for extremely low wages. Nevertheless, wages in modern sectors lag far behind wages in highly developed countries.
3. The returns on capital invested in the industrial sector may not always be higher than those invested in the traditional sector.
4. The high value of production per employee in the modern sector is largely due to the higher capital intensity. In most developing countries, agricultural workers use primitive tools, while those used in industry often do not deviate from world standards (Krugman, Obstfeld, 1993, pp. 171–172).

The emergence of an industrial sector was closely related to the development of the economies of highly industrialized countries and export-oriented production, and not the result of internal transformations of the economies of developing countries, with all the negative consequences for them, primarily in the form of their disintegration. In this situation, the industrial sector has become a kind of enclave, connected with the world economy and almost completely isolated from the local economy. Therefore, it could not become its driving force, as the flows between the two sectors hardly took place. Thus, the increase in income from export production did not increase the sources of accumulation and investment in the economy of a developing country, because usually profits were transferred abroad or industrial and consumer goods were imported.

Economic dualism can be identified by using traditional quantitative measures in the form of GDP / GNI per capita verified with the purchasing power parity (PPP), by analyzing the share of the services and agriculture sectors in GDP / GNI, or by using the EDI and EVI indexes, as well as others, such as, for example, the export concentration index or the Global Competitiveness Index (GCI) introduced in 2000 by The World Economic Forum, aspiring to be the objectivized measure of the economic potential of a state, which includes over 90 variables related to infrastructure, innovation, institutions, macroeconomic policy, technology, management, health and education.

1.2.3. Social dualism

The essence of social duality lies in the fact that, on the one hand, we have a traditional society representing feudal values, and on the other hand, a type of modern-industrial society. There is also a very large ethnic, income and educational diversity. Studies of political culture in developing countries also show a lack of a sense of nationwide, national solidarity as the basis for trust in the political system. On the other hand, there are very highly developed and extremely persistent family or ancestral, tribal, regional, caste and religious loyalties, mostly highly dysfunctional in relation to the political system as a whole. In a situation of distinct historical development of individual tribes, cultural, religious and linguistic differences, opposing political forces are usually not about finding the optimal solution to the problem, but most of all about ensuring the advantage and benefits of their own tribe.

Therefore, social and political dualism constitutes a significant barrier on the way to building a strong and efficient state organization, capable of implementing an effective strategy of economic development in developing countries. It generates phenomena that G. Myrdal calls "soft state". It is primarily about all kinds of social indiscipline in compliance with the law and enforcing it, the quality of law-making, the disobedience of the population and officials to the orders of central state authorities and the corruption of the state apparatus, willing to make informal agreements with persons and enterprises that it should control, low effectiveness

in introducing reforms, low efficiency of using public funds, nepotism, abuse of political and economic power to implement the particular interests of individuals and small groups (Kurth, Körner, Michalowa, 2002, pp. 59–63). The weakness of state structures also creates favorable conditions for the emergence of military dictatorships. With the exception of a few cases (Chile, Asian tigers), not only do they not solve problems, but on the contrary, even aggravate them (cases of Argentina, Brazil or Uruguay). The average share of military spending in the budgets of developing countries in% is at a higher level than in OECD countries and, what is worse, it increases with the growing scale of total poverty.

Therefore, overcoming the social and political dualism and building strong and efficient state structures, resistant to increasing corruption, is an important premise for the elimination of economic underdevelopment in DC. The “soft state” syndrome means that both the financial resources at its disposal and those from foreign sources were, as the practice so far has shown, usually ineffective or wasted (the case of Mobutu in Zaire, Marcos in the Philippines, Abacha in Nigeria, Suharto in Indonesia) (Nuscheler, 2004, pp. 412–415).

One can speak of the existence of social duality when in the state:

1. Citizens are malnourished and starving, which results in a low life expectancy. It is estimated that about 1 billion people are in this situation with a daily income not exceeding \$ 1.
2. The rights of women and children are violated. There is high mortality among infants and young children.
3. There is long-term unemployment and persistently high unemployment rate.
4. There is a low level of adult literacy, lower than 20%, characteristic of Least Developed Countries (LDC), also known as “the Fifth World”.

The phenomenon of social dualism can be identified using the APQLI and Human Assets Index (HAI) indicators, as well as such indicators as, for example, the Gini coefficient, showing disproportions in the distribution of income among citizens, Human Development Index (HDI),

including, inter alia, Life Expectancy Index and Adult Literacy Index, the Human Poverty Index (HPI), which also takes into account long-term unemployment, HPI-1, which in turn takes into account the percentage of underweight children in a given age group, the gender development index (GDI), modeled on the HDI, but allowing to identify the existing disproportions between men and women, Child Risk Measure (CRM), consisting of several measures, incl. informing about the mortality among 1,000 children under five who were born alive, the percentage of underweight children, the proportion of children attending primary school aged 6 to 11 years (Nawrot, 2008, pp. 46–71).

Chapter II

Theories of the development economics

Przemysław Deszczyński

The development economics was created after World War II. Its achievements so far have been marked by three key stages. The first one, determining its emergence was linked to the dynamic process of decolonization at the turn of the 1950s and 1960s. The turning point of the second stage is marked by the outbreak of the energy and raw materials crisis in the 1970s followed by the postulate to introduce a new international economic order in the world economy. The renewed growth in the importance of the development economics is related, on the one hand, to the adoption of the Millennium Declaration and the events of September 11, 2001, and, on the other, to the 2015 migration crisis.

2.1. The genesis and the concept of development economics

The subject of differences in the rate of economic growth was undertaken by the precursors of modern economic thought – W. Petty in England and P. Boisquillebert in France – and then the founders of classical economics A. Smith and D. Ricardo. Extremely important for the emergence of the development economics was the creation by Swedish agrarians of a special methodology for researching the income of the agricultural and urban population. They demanded the spreading of price scissors

between agricultural and industrial products in Sweden to be stopped, mainly through the use of state interventionist instruments. They wanted to ensure the income of the rural population at least equal to the average earnings of the urban population. This original methodology was later applied in R. Prebisch's theory of international trade in the form of terms of trade analysis. In it, Prebisch formulated a thesis about the "hundred-year deterioration" in the terms of trade of developing countries (DC) and – as a further consequence – "unequal exchange".

R. Prebisch's theory provided politicians and economists from DC with scientific arguments for their aspirations aimed at changing the international economic order. Apart from the rapidly occurring process of decolonization, the progressive diversification of developing countries, and the fact that many of them look for their own paths of economic and political development, this was one of the most important reasons for the growing interest of economists in this issue. As a result, more than three hundred theories have emerged that make up the development economics.

Its name derives from the term "developing countries", introduced in 1956 to the official nomenclature by the United Nations – UN. For the same reasons, starting in 1961, subsequent decades in the United Nations were proclaimed Development Decades, and the term "economic aid" was replaced with the notion of development aid, although the name "missed opportunities" would be more appropriate for these decades, and in most cases the aid provided by the West did not serve the development of these countries. On the contrary – it benefited donors rather than nominal beneficiaries (Deszczyński 2006, pp. 189–206).

In this situation, how to define the concept of development economics, how to identify it within the achievements of economic sciences? It seems justified to accept the proposal of Z. Dobrska, who, while defining the research scope of development economics, indicated five of its characteristic features:

1. It examines the specificity of backward (dual) economies and the conditions for their activation.
2. The achievements of traditional economics are not denied, but they are made concrete (how a given law works under given conditions).

3. It covers a wider range of social, political, cultural and natural issues that affect management methods and effects.
4. The surrounding conditions, i.e. the functioning of the world economy and the pressure of highly developed economies, are of great importance (while in orthodox models they were often omitted and analyzes were conducted within a closed economy).
5. It draws largely from the experience of practice – how to get out of stagnation when the market does not work, how to create (or replace) it (Development, 2010, pp. 64–65).

2.2. Classification of the theories of development economics

In the literature on theories of economics, the classification was made on the basis of various criteria. In this study the theories were divided into four groups, using the criterion of the primacy of factors on which their theoretical structure was built.

2.2.1. Development theories – the primacy of internal factors¹

Theories explaining the economic condition of developing countries (DC) based on internal factors are among the oldest. The underdevelopment of DC was usually explained by their unfavorable geographic location, lack of natural resources or their non-utilization, and above all, social and cultural barriers to development. This group includes theories of stages of economic growth by W.W. Rostow and cumulative circular processes by R. Nurkse, as well as the socio-psychological one by D. Lerner.

W.W. Rostow distinguished five stadia – traditional society, preconditions to takeoff, takeoff, drive to maturity, and age of high mass consumption. Based on economic indicators, he classified DC into four types:

- pre-start economies (where savings and investment rates, including limited net capital imports, approach 5% of GDP);

¹ More about development theories – the primacy of internal factors is discussed in the work by Deszczyński (2011a, pp. 17–18).

- start-up economies (exceeding 5% of GDP);
- growing economies (reaching the level of 10% and more of GDP);
- economic enclaves (savings and investment rate $\geq 10\%$, but the preconditions for self-growth have not been met) (Deszczyński, 2001c, p. 33).

Rostow's theory of economic growth was intended to show the governments and societies of the DC the path which they should follow to achieve the economic level of highly industrialized countries. Western critics of the theory of economic growth stages pointed to its descriptive character. Thus, they questioned its aspirations to be a universal theory of growth and reduced its role to a description of the historical phases of development of industrial societies. They also accused Rostow of a number of methodological flaws, such as inconsistent (economic and non-economic) criteria for classification or imprecise terminology and definitions, and failure to explain the reasons for the economic underdevelopment of the DC.

This gap is largely filled by R. Nurkse's theory of cumulative circular processes. In it, he pointed out that the internal barriers to the development of developing countries' economies are the result of a low level of the most important economic figures. Their mutual conditioning means that the effective elimination of one development barrier requires the simultaneous overcoming of others. For this to happen, a broad industrial investment program must be initiated. The problem is that it is difficult to implement such a program both from the point of view of the supply of capital and the potential demand for the goods that were created thanks to this capital. In developing countries there is a small supply of capital, which is closely related to a low propensity to save, which is a consequence of a low level of national income. This, in turn, is the result of low work efficiency resulting from insufficient technical equipment of the workplace due to the shortage of capital. Thus, the first circle of cumulative processes is completed. This led Nurkse to the observation that "the country is poor because it is poor" (Gilpin, 1987, pp. 274–275). Analyzing the situation from the demand side, R. Nurkse pointed to its insufficient size and the resulting very weak incentives to invest in the

DC. The reason is a low purchasing power of the population, caused by low real income. It reflects a low level of labor productivity, resulting from insufficient technical equipment of the workplace and, subsequently, capital shortage. Thus, the second circle of cumulative processes closes. The common factor of both circles is the low level of real income resulting from low labor productivity. All this together creates difficult to overcome barriers of underdevelopment, called by R. Nurkse “the vicious circle of poverty”.

The advantages of Nurkse’s theory include showing in a very precise manner internal limitations of the functioning of DC economies and pointing to the possibility of breaking the economic underdevelopment, mainly through an increase in labor productivity. However, it ignores the negative impact of external factors on the emergence of economic underdevelopment in DC. The failure to take into account the question of how the national income is distributed within the societies of DC was also criticized.

The socio-psychological theory of D. Lerner is based on the assumption that there is a direct causal relationship between commitment, behavior, recognized values and motivations of a society in DC and economic underdevelopment. This is expressed in a belief that a person with a traditional lifestyle is characterized by fatalism, apathy, little creativity and low motivation to efficient work. Lerner proposes to break them out of this state by acquiring a strong and influential personality from the traditional society, capable of initiating its modernization and taking over a new role in modern society (the principle of empathy) and by implementing urbanization programs and spreading Western systems of values and behavior (the issue of social mobility and rational decision making).

Among the basic causes of underdevelopment Lerner lists, in addition to the value system of traditional society, the chronic shortage of capital. Therefore, in order to modernize the economy and society of developing countries, an influx of foreign capital (from private sources and in the form of state economic aid) is needed, which will stimulate traditional society and break the “vicious cycle of poverty”. However, Lerner does not specify how to cause the inflow of this capital.

He attributes particular significance to urbanization, treating it as a universal method of modernization. He ignores the negative experiences related to the process of urbanization which is increasingly becoming a symbol of marginalization and extreme poverty in DC – the case of slums on the outskirts of large cities. The thesis concerning the low creativity and motivation for efficient work of the societies of DC also remains controversial, especially in the light of increasing migratory pressure.

2.2.2. Development theories – the primacy of external factors²

Theories explaining the economic condition of developing countries (DC) only on the basis of external factors are closely related to politicians and scientists coming from left-wing circles – Marxist and socialist. They believed that the economic underdevelopment of the colonial territories, and then of the developing countries, was the result of an inherent feature of the capitalist world economy. It was created by colonialism and imperialism in such a way in order to guarantee profits to the industrialized nations. The essence of the exploitation of the indigenous peoples inhabiting the colonial territories was:

1. “commercial” imperialism, i.e. the need to export raw materials and food products at unfairly low prices and import surplus finished goods that bring the West an increasing income;
2. “capital” imperialism, identified primarily with the activities of multinational corporations in DC;
3. “economic aid” imperialism. It was about establishing political ties to the system of capitalist countries in DC and opening their markets to exports by Western companies (The Global, 2008, pp. 36–40).

The revival of the concept of imperialism and colonialism came with the emergence of the theories of neocolonialism, mainly in Africa, including

² More about development theories – the primacy of external factors is discussed in the work by Deszczyński (2011a, pp. 21–22).

theories of K. Nkrumah, F. Fanon and L.S. Senghor. They were to become an alternative to Western modernization theories. At that time, neocolonialism was understood as a system of unequal relations between the developing countries and the imperialist world, consolidating the exploitation and formal subordination of the independent states of Africa, Latin America and Asia. Thus, it was argued that the exploitation of developing countries remained, and it was only its forms that changed. The direct rule of metropolises during the colonial period was replaced by an indirect influence, encompassing all financial and economic instruments (economic aid, the functioning of international enterprises, the World Bank, the International Monetary Fund), technological instruments (dependence of developing countries on know-how and technology exports from the West), political and military instruments (including developing countries into political, military and economic blocs) and cultural instruments (indoctrination by creating the education system, mass media).

Theories attributing the responsibility for the underdevelopment of developing countries only to external factors assumed overcoming underdevelopment by eliminating these factors. Therefore, it was postulated to liberate developing countries from the chains of world trade, nationalize foreign capital, conduct a social revolution and reject economic aid from the West. The political transformation of countries in Central and Eastern Europe in 1989, the collapse of the Soviet Union in 1991, and the negative experiences of communist regimes in Cuba and North Korea have shown that these postulates, with their strong ideological and political tinge, cannot be successfully implemented in the practice of economic life.

2.2.3. Development theories – the primacy of external and internal factors³

These theories arose in the mid-1960s in Latin America. The impulse for their formulation was, on the one hand, the thesis of P. Baran that “the

³ More about development theories – the primacy of external and internal factors is discussed in the work by Deszczyński (2011a, pp. 22–26).

development of economically backward countries is not possible when they are part of the capitalist economic system”, and on the other hand, the previously quoted theory of R. Prebisch. This group of theories was based on the analysis of the experiences of the economic development of the states of this continent which had been independent since 1825, carried out by native scientists, including F.H. Cardoso, E. Faletto, C. Furtado, H. Jaguaribe, D. Ribeiro, T. dos Santos and A.G. Frank. Their results were highly interesting. They opened a new research perspective – the point of view presented by representatives of the group of economically underdeveloped and dependent countries. They did not limit themselves only to researching economic and socio-cultural relations, but extended their research by including the political and military aspects. At all levels, they noticed a high degree of dependence of developing countries (the periphery of capitalism) on industrialized countries (the center of the world economy). For these reasons, the results of their research were called “theories of dependence”. However, contrary to liberal-conservative and Marxist theories, the problem of underdevelopment was not reduced to only internal or only external factors, but to a combination of them. In their theoretical paradigm, it was usually indicated that:

1. The very difficult economic situation of DC was determined by their peripheral (“satellite”) and dependent location in relation to the more industrialized Center, represented first by colonial metropolises – Spain and Portugal, then England and other Western European countries, and now primarily by the United States. This dependence disintegrated the internal economic structure of colonial territories and still distorts the directions of economic development of DC, exacerbating their underdevelopment.
2. Linking the economies of a peripheral country with the Center in the form of foreign investment, economic aid, activities of multinational enterprises or any other form inevitably leads to its exploitation and structural dependence. Under these conditions, their mutual relations do not stimulate development for the dependent country, but on the contrary – they become its barriers. In the international division of labor, they assign to the dependent

country the role of the peripheral raw material and food base. It generates a heterogeneous structure of the economy and society – a hereditary defect accompanying the process of dividing into the Center and the Periphery.

3. The Periphery–Center relations are also reconstructed in the internal system of dependent countries and operate on analogous principles. The economic centers of the developing world are the footholds of the West. They prosper on the exploited and dependent environment of the Periphery around them. Thus, we are dealing with two levels of dependence. To overcome them, it is first necessary to eliminate its source – the existing economic ties with the West (Cardoso & Faletto, 2008, pp. 9–251).

The essence of the dependency theory therefore consists in the impact of external factors on internal factors. In this sense, the results of their research largely coincided with the theses of the Marxist theory, albeit with a clear nationalist overtone, for it is not a class but a highly developed nation that has been recognized as a vehicle for control and dependence. In theories of dependency, overcoming the underdevelopment of DC was associated with the necessity to undertake, at the same time, a double strategy of equal importance, aimed at the elimination of both external and internal barriers to development. In the case of external factors, it was alleged that their negative impact on the economic development of DC was interrupted by the introduction of the so-called dissociation imperative, which consisted in:

1. Gradually and selectively withdrawing from participation in the capitalist world economy, *inter alia*, by abandoning the traditional export structure, and in particular – abandoning export-oriented industrialization and foreign trade as a key instrument of economic development.
2. Re-arrangement. It was about a temporary break with the world market until the end of an independent, internal market-oriented process of economic development. It was assumed that after that

break the cooperation with the West would be possible, but on new principles, called the Re-arrangement.

3. South-South cooperation, which was considered a very important mechanism of collective emancipation of this group of countries and at the same time strengthening self-reliance of individual DC (Nuscheler, 1991, pp. 88–92).

The adoption of the concept of the “dissociation imperative” towards the world economy was associated with a proposal to actively influence internal factors through the “internal development imperative”. It included:

1. Local use of own resources, e.g. raw materials and arable land, and the creation of an interconnected economic circuit, including the launch of local production to meet mass needs (self-reliance).
2. Deep social reforms, such as: change of property relations, redistribution of income and property, land reform, political activation of the masses. It was assumed that without their implementation internal development would not be possible.
3. Strategy for meeting basic needs. The focus of the independent development process should be the satisfaction of basic human needs (food, clothing, housing, work), and not striving to increase abstract indicators of economic growth (Cardoso & Faletto, 2008, pp. 9–251).

Critics of the dependency theory focused on overestimating the influence of historical and external factors on the underdevelopment of DC. It was primarily accused of being one-sided and overly simplifying the approach to the analysis of this issue. On the one hand, the example was given of some of the poorest countries in the world – Afghanistan and Ethiopia, free from colonialism, and on the other hand, economically prosperous former colonial territories – Hong Kong and Singapore. The imperatives of dissociation and internal development were viewed as fundamentally false, non-historical, and idealistic. Negative experiences of the countries undertaking the import substitution strategy and implementing the assumptions of the dependency theory in practice – Tanzania and Burma

(now Myanmar) were pointed out. The question was also asked how countries deprived of any resources were to implement the concept of internal development. Methodological ambiguities and lack of precision in defining concepts, often very difficult or even impossible to define and empirically verify, were pointed out, such as the key one – dependence (Kaiser, Wagner, 1991, pp. 124–125).

2.2.4. Development theories – the primacy of global factors

Within this group of theories, which more and more resembled a set of postulates to be followed in the economic policy of developing countries rather than strictly economic theories, two division criteria can be distinguished – ecological and political. The first one determined the emergence of global problems, including, in particular, the depletion of raw materials and the rapid destruction of the natural environment. The second is a consequence of the new global balance of power in international relations, which emerged in the early 1990s as a result of the liquidation of the bipolar system. As a result of the collapse of the communist ideology, the values derived from the liberal doctrine no longer had a rational alternative in the world.

The genesis of global problems and the increase in their importance is most often seen in the dynamization of economic development, which is a consequence of civilization progress, especially technical progress, population growth and internationalization of the management process (Międzynarodowe..., 1997, pp. 298–301). All this is conducive to the growth of international trade in goods and factors of production, and at the same time to the steadily increasing interdependence between the economies of individual countries. As a result, the impact of the economic situation of one or several countries on the economy of other countries is increasing more and more. Under these conditions, what becomes an attribute of global problems are their global scope (hence the name) and the dependence on many interrelated factors of an internal and external nature. The importance of global problems results from the consequences that they may have in the event of their further aggregation – in an extremely pessimistic variant, they may even include the collapse of our

civilization. The complexity of the essence of global problems means that their effective and efficient solution requires taking comprehensive actions in many spheres of socio-political and economic life, covering basically all entities of the world economy.

In the theories presented so far, mainly those explaining the then economic condition of DC on the basis of internal or external factors, two axioms were adopted:

1. For our civilization, there are basically no limits to economic and technological progress.
2. With the elimination of barriers to economic development in DC, they will adopt the model of economic growth of the North⁴.

The level of material civilization achieved at that time was widely regarded as a great victory of man over nature. It was not until the beginning of the 1970s that the first critical reflections appeared, initiated by the Report of the UN Secretary General U Thant “The problems of human environment” of 1969. A study from 1977 “Catastrophe or new society? A Latin American world model”, followed by the Commission Report of the G.H. Brundtland, also caused much resonance.

The phenomena that may accompany the further unrestrained economic growth of the world and the promotion of the consumerist lifestyle, so characteristic of societies in highly industrialized countries, began to be considered more deeply. Intellectual elites, and consequently political elites, became more and more aware of the significance of the changes taking place (especially in the long term) between the demographic explosion in DC, the scale of economic activity and the growing aspirations for further material and civilization progress on the one hand, and the possibilities of preserving the natural environment and of supplying of natural resources, fuels and other resources needed by man on the other.

⁴ Thus, we have a typical Eurocentric approach here, consisting precisely in assessing the functioning of the economy, politics, culture and other areas of DC life from the point of view of models, both right-wing and left-wing (assuming their superiority *a priori*), arising from the development experiences of the European population.

In the era of dynamic civilization changes the protection of the natural environment was recognized as one of the most important matters, which at the same time meant the emergence of a new direction of intellectual activity – global issues.

Under these conditions, theories of eco-development and an alternative lifestyle emerged. They questioned the validity of the axiom of unlimited possibilities for the development of the world economy. It was pointed out that many natural resources needed by man are non-renewable. It was also emphasized that the creators of eco-development are not principally against all growth. However, the idea was that it should be carried out on the basis of eco-development, i.e. always in harmony with the surrounding natural environment. Eco-development was defined as independent development based on the effective use of available resources (self-reliance), in such a way as to adapt it to the specificity of the culture, history and ecology of individual developing countries. Its internal boundaries would be determined by the satisfaction of basic human needs, while its external boundaries would be determined by the preservation and not burdening the natural environment. There should also be no uncritical imitation of Western values and economic growth models, including scientific and technical rationality, industrialization and bureaucratization. As one of the representatives of this trend, I.D. Illich, put it, poor nations cannot afford to satisfy their thirst with Coca-Cola and solve communication problems by creating traffic jams (Illich, 1970, p. 129).

A less radical understanding of eco-development was included in the Report of the United Nations World Commission for Environment and Development, chaired by former Norwegian Prime Minister G.H. Brundtland. In the document submitted in 1987, not accidentally called “Our Common Future”, the aim was to make the society, especially politicians, economists and representatives of business circles, aware that:

1. Satisfying the current needs must not limit the possibility of meeting them in the future.
2. There must be intergenerational solidarity and equality, i.e. achieving consumption at the right level today is as important as ensuring it for future generations (*Our Common Future*, 1987, p. 8).

The G.H. Brundtland report served its purpose. It contributed to the adoption of Agenda 21 in 1992 in Rio de Janeiro during the United Nations Conference on Environment & Development, which announced many projects aimed at environmental protection as part of the “One Hundred Years of Ecology” program. Among others, Commission for Sustainable Development (CSD) was established (Nuscheler, 2004, pp. 382–384).

The radical strategy of eco-development, on the other hand, rejected the traditional way of understanding economic development, including universal factors related to it, such as capital, work, and technology. The aim of eco-development was not, as it was called, achieving higher and higher abstract indicators – GDP or investment rate – but improving the situation of a specific group of people who so far lived in a given territory, adhered to a certain system of values and had specific economic resources (Deszczyński, 2009b, p. 237–239).

The theories of sustainable development and alternative lifestyles are imbued with idealism. Representatives of these theories do not show how they intend to encourage highly industrialized Western societies to abandon the prevailing pattern of mass consumption. It is also hard to expect that the societies of developing countries will agree to lower the level of their own consumption, because in order to survive (regardless of the necessity of social reforms), they must, on the contrary, achieve economic growth, also by increasing production in agriculture and industry (Braun, 1991, pp. 101–102).

The theories of eco-development and alternative lifestyle, however, made it clear that achieving the level of consumption of highly industrialized countries by the societies of developing countries is not possible, not only because of internal or external factors inhibiting the development, but mainly due to an ecological catastrophe of a global dimension, threatening mankind in this case. In other words, the fact that a Western citizen can indulge in the charms of mass consumption while consuming many times more, for example, energy and water is due to the extreme poverty of the vast majority of society in developing countries, who simply cannot afford such a waste.

The second group of theories of the economic development of DC, distinguished on the basis of the primacy of global factors, appeared

as a result of a new global balance of power in international relations – the elimination of the bipolar system. The Soviet Union and the countries subordinated to it in Central and Eastern Europe collapsed primarily due to the chronic ineffectiveness of the chosen economic system, and its inefficiency that was worsening over time. Moreover, these patterns, adapted in various forms in developing countries, also turned out to be a misunderstanding and instead of introducing them to the path of development, on the contrary, they contributed to the deepening of economic underdevelopment. In this situation, there was once again a spectacular return to the neoliberal concepts of economic development, called in 1990 by J. Williamson the Washington Consensus.

These were proposals from international financial institutions, primarily the World Bank and the International Monetary Fund, recommended to Latin American governments to accelerate the development of their economies. It was assumed that introducing the basic principles of neoliberal origin, such as the idea of market economics, the theory of limited functions of the state, the right to private property and the theory of freedom and individualism, with the support of the West, mainly the United States, into the economic policy of DC, would be a universal panacea for overcoming their chronic underdevelopment.

The implementation of the Washington Consensus principles was accompanied by a dynamic globalization. Both of these processes supported each other. Opening up to the world was to be an opportunity for faster economic development for many DC. Indeed, the results achieved in the first half of the 1990s seemed to confirm the correctness of the adopted neo-liberal strategy. At that time, however, the negative effects of liberalization and globalization, in the form of, above all, deepening income inequalities in DC, were underestimated. With a low national income per capita, the emergence of an economic crisis always poses an additional threat of an outbreak of an uncontrolled social crisis. Data published in reports by the United Nations and the humanitarian organization Oxfam show that social inequalities have been increasing steadily since the 1980s. Approx. 40% of the world's wealth is in the hands of only 1% of the richest people, and as much as 85% is owned by 10%. In turn,

half of the world's population owns less than 1% of the world's wealth (Deszczyński, 2020, p. 47).

The 1994 crisis in Mexico, followed by the financial crises in 1996–1999, first in Southeast Asia, and then in Brazil and Argentina, revealed the inadequacy of the proposed solutions under the Washington Consensus to the situation in DC. Moreover, it was the countries most integrated with the world economy, such as the countries of Southeast Asia, that suffered the most from the currency and financial crisis, which quickly turned into a deep economic and social crisis. The economic reality of DC once again turned out to be much more complicated than it might seem from the perspective of Washington, London or Paris.

While the blame for causing them could have been placed on the governments of DC, in the case of the 2007–2009 crisis, which first affected the United States, it could not be concealed that its source was the exuberant globalization, and within its framework – primarily the financialisation of the world economy. As a result, the existing solutions began to be perceived by an increasing number of people as doctrinarian and incapable of resolving emerging conflicts on the internal and international levels. There was a progressive loss of faith in the reliability of neoliberal solutions in the economic sphere and the elaborated, current principles of the Washington Consensus began to be questioned (Stiglitz, 2002, p. 21; Rodrik, 2011, p. 32, 2017, p. 41).

The response to this deepening tendency was the emergence of an anti-global and alter-global movement at the turn of the 20th and 21st centuries. Their criticism focused on the attributes of the functioning of the capitalist system – the World Bank, the International Monetary Fund⁵, the World Trade Organization and multinational corporations. They petrify the hitherto unfair social relations on the internal and international level. The argumentation of today's opponents of globalization sounds very similar, and in some cases identical to the formulations of K. Marx and F. Engels in the Communist Manifesto of 1848, which

⁵ The critical assessment of the activities of the World Bank and the IMF, but embedded in a different paradigm, was shared by many economists, not only from left-wing circles, including Nobel laureate in economics J.E. Stiglitz (cf. Stiglitz, 2007, pp. 7–223).

was a reaction to the rapidly emerging first globalization. While in the times of La Belle Époque, according to the Marxist understanding of economic determinism, “being shaped consciousness”, now consciousness is shaped by the growing lack of a broadly understood sense of security. It was intensified by the depletion of the possibilities not only to finance the expansion of social programs, but even to maintain the existing ones, even by the richest countries.

The collapse of the Washington Consensus coincided with the appointment in 2008 of the vice president of the World Bank and chief economist J.Y. Lin. Following the example of J.E. Stiglitz, he used this situation to disseminate his scientific achievements, proposing the “new structural economy” as a panacea for the problems of underdevelopment (Lin, 2011, pp. 193–229). Its undoubted advantage is drawing the right conclusions from the mistakes made by structuralists (Lin, Wang, 2018, pp. 123–141), while its disadvantage is that it is selectively formulated *ex post* based on the experience of industrialization of Asian countries, and above all, similarly to structuralists, it emphasizes the key role of state institutions in development processes, which in the conditions of the “soft” state syndrome common in DC means that the implementation of theoretically correct assumptions is in practice quite difficult, if not impossible (Banaszyk, Deszczyński, Gorynia, Malaga, 2021, p. 77).

Chapter III

Conceptualization of the quantification of economic development

Katarzyna Nawrot

The identification of a new division of the world in the second half of the 20th century, often equated with the publication of A. Sauvy's work, gave rise to considerations on the differentiation of the development of individual regions of our globe and its causes. This led to attempts to define measures of this process, which in turn was to facilitate the classification of individual countries into developed and developing countries. Initially, the disproportions in development were quantified only in terms of quantity, mainly using size and dynamics of gross domestic product growth. However, research conducted in recent decades has shown that this approach is insufficient. Development cannot be reduced only to economic transformations, as it includes both quantitative and qualitative variables, and nowadays, in the case of both developed and developing countries, qualitative variables are gaining importance.

Therefore, in the analysis of development processes, their quantification is indispensable and comes down to the selection of economic, political, social or other features that would allow the comparison of individual countries and their classification according to the adopted typology. So far, it has not been possible to create a single indicator that would allow to

determine the level of development of countries in a satisfactory, versatile and generally accepted way. The fact is that there are justifiable difficulties in creating the optimal measure, but there is also a dilemma of the search itself. Despite research difficulties, the quantification of economic development is high on the agenda in the considerations of development economics. Identification and evaluation of the existing measures of development is of great cognitive and application significance both in the conducted empirical research and in the process of creating economic policy. This chapter conceptualizes, reviews, systematizes and assesses the existing measures and indicators with which attempts are made to quantify economic development. First, quantitative measures were analyzed, and then qualitative indicators, which, apart from economic factors, also include other aspects of life. Only a multidimensional analysis, taking into account economic factors as well as demographic, social, political, ecological and even cultural elements, enables a comprehensive assessment of the level of economic development, and more fully illustrates the existing disproportions between individual countries.

3.1. Quantitative approach to quantification

The most common measure of assessing the functioning of the economy is Gross Domestic Product (GDP) and its derivatives. The rate of economic growth shows the ratio of the change in the amount of real GDP in a given year to the level of real GDP in the base year. Gross domestic product is the amount of production provided by production factors located within the territory of a given country, regardless of who owns them. In international studies, the definition of GDP is often formulated as the sum of the added value generated by producers in the country in a given year, increased by taxes not included in the product valuation (Begg, Fischer, Dornbusch, 1999, pp. 25–26; WDR, 2002, p. 21). By complementing the GDP with the net income of factors of production located abroad, one obtains a measure of the total income achieved by the citizens of a given country, regardless of the place where the services are provided by the factors of production, called the Gross National Product (GNP). On the other hand, by reducing the gross national product in

the prices of production factors by the value of the consumption of fixed capital called depreciation, we obtain the net national product (NNP), i.e. national income. National income informs about the amount of money that the economy has at its disposal for spending on goods and services, after setting aside an appropriate part of it, sufficient to finance depreciation and maintain the existing capital stock at the current level. Both GDP and GNP make it possible to assess the size of the economy of individual countries, and are also a measure of global production.

In compiling the national income account, four types of expenditure making up the gross national product are distinguished. These are: consumer spending, capital expenditure, government purchases, and net exports (current account balance). The purpose of this division of national income is to help identify the causes of recessions or periods of revival by understanding the changes that main categories of spending were subjected to. Thus, the account of national income is a kind of classification of transactions contributing to the creation of national income depending on the type of input that causes their creation (Krugman, Obsfeld, 2002, p. 18). When analyzing the size of economies, it should be noted that they relate to different sizes of societies. Omitting this fact makes it difficult to assess the actual level of economic development, substantially distorting the results of the comparison between different countries. Only the amounts of GDP and GNP divided by the number of inhabitants – GDP and GNP *per capita* – allow a more precise comparison of the level of development of the economies of individual countries and regions. However, it should be emphasized that in a society where there are large disparities in the distribution of income, the GDP / GNP *per capita* indicators significantly distort the picture of the actual situation. Despite the undoubted weaknesses, it is precisely the income criterion that is a basis for specialists from the World Bank to classify individual economies into high-income, middle-income and low-income countries.¹

¹ According to the adopted classification of the World Bank, in 2020, on the basis of the value of the national income *per capita*, the economies with the gross national product *per capita* exceeding the value of USD 12,535 (GNP *per capita* > USD 12,535) were classified as high-income countries. In this group, an additional division was made into OECD countries and non-members of the organization. Among middle-income

When comparing *per capita* income in individual countries, it is worth taking into account the purchasing power of money parity. The prices of similar or even the same goods are at different levels. The simplest measure of purchasing power is a market basket made up of a single commodity.² When analyzing the gross national product in dynamic terms, the nominal value of GNP expressed in current prices should be corrected by the impact of changes in the general level of prices resulting from inflation. The value obtained this way is defined as real GNP, which measures the volume of production at constant prices, i.e. prices existing in a certain period, known as the base year. The general price level index used to implement the inflation adjustment is known as the GNP deflator and takes the following form:

$$\text{GNP deflator} = \frac{\text{nominal GNP}}{\text{real GNP}} \quad (1)$$

W. Nordhaus and J. Tobin, in their opinion-forming article *Is growth obsolete?* published in 1972 by Columbia University Press (Nordhaus & Tobin, 1972), presented the concept of the Net Economic Welfare (NEW) index as a measure that corrects GNP by side effects of growth, the value of non-market goods and services and the value of leisure time:

$$\begin{aligned} \text{NEW} = & \text{GNP} + \text{value of non-market and unregistered activity} \\ & + \text{value of leisure time} - \text{value of side effects of growth} \end{aligned} \quad (2)$$

countries an additional division was introduced into upper middle-income countries (USD 4,046 ≤ GNP *per capita* ≤ USD 12,535) and lower middle-income countries (USD 1,036 ≤ GNP *per capita* ≤ USD 4,045). When the gross national product is below USD 1,036 (GNP *per capita* ≤ USD 1,036), we are dealing with low-income countries. Developing countries include middle-income and low-income countries. Attention should be paid to the changing boundaries between GNP *per capita* ranges in individual groups, dictated by the need to constantly adapt to transformations in the global economy (see World Bank, 2021).

² An example of a measure of the purchasing power of money is the Big Mac index published by the British weekly "The Economist". It shows the prices of the Big Mac sandwich sold in the McDonald's chain in different countries, converted into dollars at the current rate. The Big Mac Index shows whether a country's currency is overvalued or undervalued against the dollar.

Many researchers nowadays point to the shortcomings of GDP (Korten, 2002; Nawrot, 2008a; Anan, Segal, & Stiglitz, 2010; Jacob & Šlaus, 2010; Sandel, 2012; Fioramonti, 2013). It is worth quoting here the Report by the Commission on the Measurement of Economic Performance and Social Progress *Mismeasuring our lives. Why GDP Doesn't Add Up* by J.E. Stiglitz, A. Sen and J.-P. Fitoussi. In the preface to the Polish edition entitled *Błąd pomiaru. Dlaczego PKB nie wystarcza* E. Mączyńska emphasizes that despite its essence, GDP is an insufficient measure to assess the level of national wealth and social welfare, and thus to rely solely on quantitative indicators, without a deepened holistic analysis, including qualitative analysis, may lead to unauthorized conclusions resulting in costly errors in the socio-economic policy (Mączyńska 2013: VIII). Mączyńska refers to the apt Einstein's maxim that "Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted" (ibidem).

Quantitative indicators, regardless of the existing controversy related to determining their level, remain a valuable instrument for evaluating and facilitating the typology of countries. Despite their undoubted weaknesses, they have not yet been eliminated from international rankings as tools for quantifying the level of economic development. It should also be noted that qualitative indicators often take into account the values of GDP and its derivatives, which will be shown later in the chapter. Selected quantitative indicators are compiled in Table 1.

Table 1. Calculation of selected quantitative indicators

Quantitative indicators	
Gross Domestic Product (GDP)	GDP at factor prices = GDP at market prices – Indirect taxes + subsidies = Σ of factor income
Gross National Product (GNP)	GNP in factor prices = GDP in factor prices + net abroad property income
Net national product / national income (NNP / NI)	NNP in factor prices = GNP in factor prices – depreciation
Net Economic Welfare (NEW)	NEW = GNP + value of non-market and unregistered activity + value of leisure time – value of side effects of growth

Source: own study.

3.2. Qualitative approach to quantification

Since the 1970s, scientists from various backgrounds have attempted to propose an index that would cover other aspects of life, besides the economy, adequately evaluating individual countries.³ Among the existing qualitative indicators, one can distinguish those of a homogeneous nature, as well as aggregated indicators. They have significant cognitive and application values, and their comprehensive implementation allows for a multidimensional assessment of the state of the economy. Depending on the adopted research perspective, the measures of economic development include (cf. Fig. 1):

- social indicators,
- institutional indicators,
- ecological indicators,
- sustainable development indicators.

3.2.1. Social indicators

The most popular qualitative measure nowadays is the Human Development Index (HDI) proposed in 1990 by the UNDP as an alternative measure of development. In the next two decades of work of the United Nations, new measures were introduced and the methodology of quantifying the existing ones was modified. The HDI takes into account, apart from the economic aspect (the actual purchasing power of the obtained income *per capita*), also the knowledge and vitality aspects, and its value is determined on the basis of three data:

- human life expectancy index (I_{Life}),
- education index ($I_{Education}$),
- GNP index (I_{Income}).

³ One can point to the APQLI (Augmented Physical Quality of Life Index), calculated on the basis of life expectancy, the amount of caloric consumption *per capita* and the degree of literacy and scholarization, or the EDI (Economic Diversification Index) based on the share of industry in generating GDP, the number of employees in industry, electricity consumption *per capita*, dependence of the economy on exports (see Deszczyński, 2001c, pp. 21–22).

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graph TD
    A[MEASURES OF ECONOMIC DEVELOPMENT] --> B[QUANTITATIVE INDICATORS]
    A --> C[QUALITATIVE INDICATORS]
    B --> D[ECONOMIC INDOCATORS]
    C --> E[SOCIAL INDOCATORS]
    C --> F[INSTITUTIONAL INDOCATORS]
    C --> G[ECOLOGICAL INDOCATORS]
    C --> H[SUSTAINABLE DEVELOPMENT INDOCATORS]
    D --> D1[GDP  
GNP  
NNP  
GDP/DNP per capita  
NEW]
    E --> E1[HDI  
IHDI  
MPI  
HPI-1  
HPI-2  
GDI  
GEM  
GII  
GINI]
    F --> F1[IEF  
FWI]
    G --> G1[ISEW  
EAW]
    H --> H1[ESI  
UNCSD Dashboard  
SDI]

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Source: own study.

Comparing the standard of living in individual countries requires examining differences in national price levels. Consequently, the GNP index is calculated on the basis of the per capita GNP in purchasing power parity. The inclusion of income in the HDI is intended as a proxy for all dimensions of development not reflected in the level of knowledge

and life expectancy. Due to the fact that in order to achieve a decent level of social development, unlimited income is not necessary, the calculation of the GNP index uses logarithmic values for individual income values.

The education index is a product of the mean years of schooling, which is the average number of years of education received by a 25-year-old or older person, and the expected years of schooling, which is the expected number of years for a 5-year-old child to spend at school.

Nowadays, the HDI value is not calculated as the weighted average of the indices in each dimension, but is calculated according to the following formula:

$$\text{HDI} = \sqrt[3]{I_{\text{Education}} \cdot I_{\text{Life}} \cdot I_{\text{Income}}} \quad (3)$$

HDI takes a value from 0 to 1, on the basis of which the classification is made into countries with:

- very high level of development ($\text{HDI} \geq 0,800$),
- high level of development ($0,799 \geq \text{HDI} \geq 0,700$),
- medium level of development ($0,699 \geq \text{HDI} \geq 0,550$),
- low development ($0,550 > \text{HDI}$).

Each of the calculation dimensions is assigned a weight in the range from 0 to 1, determined on the basis of the formula:

$$\text{dimension index} = \frac{\text{present value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (4)$$

Table 2. Assumptions for the HDI calculation

Indicator	Maximum value	Minimum value
Life expectancy	85	20
Average schooling period	15,0	0
Expected schooling period	18,0	0
PNB <i>per capita</i> (2017, PPP USD)	75000	100

Source: UNDP (2020, p. 2)

A big advantage of the HDI is the greater number of criteria and, consequently, greater credibility of the assessment of the development level of a given country. However, it is still a subjective measure and does not take into account all important factors, such as infant mortality, the degree of malnutrition, the extent of economic freedom, and finally inequality in the distribution of income. The introduction of new measures of development by UNDP undoubtedly widened the possibilities of comparisons, but it did not eliminate quantitative measures from international comparisons. Attention should be paid to the ongoing research by both the UNDP and world research centers on the methodology of qualitative development measures. With regard to the HDI, in 2010 a new measure was introduced, correcting HDI by the degree of inequality – IHDI (Inequality-adjusted Human Development Index). In the case of IHDI, each of the dimensions of the HDI calculation is corrected by the degree of existing inequalities. To obtain indices that take into account inequalities in distribution, the sub-indices of the HDI are multiplied by $(1 - A)$, where A is the measure of inequality obtained as the result of $A = 1 - g/s$, with g being the geometric mean and s the arithmetic mean. The IHDI value represents the loss in development measured by HDI, resulting from the existing inequalities.

To better illustrate development trends, in 1995 UNDP introduced the Gender Development Index (GDI) and the Gender Empowerment Measure (GEM). In the proposed GDI, the calculations were made in the same dimensions, based on the same indicators as for the HDI, however, it allowed to capture the disproportions in development between women and men. The larger the recorded disproportions in a given country or region, the lower the GDI index was compared to the HDI index. With complete equality in the development of women and men, GDI and HDI would have the same values.

The GDI value was the average of the equal life expectancy index, the equal development of education index, and the equal income distribution index. The individual equally distributed indices were estimated on the basis of the size of the indices in individual dimensions, calculated separately for men and women in accordance with the methodology

adopted for the HDI. The value of equally distributed indices resulted from the formula:

$$\text{equally distributed index} = \{[\text{share of the female population (female index}^{1-\varepsilon})] + [\text{share of the male population (male index}^{1-\varepsilon})]\}^{1/1-\varepsilon} \quad (5)$$

The ε value determined the aversion to inequality in a given society, indicating the penalty for gender discrimination. The greater the value of ε , the greater the penalty for society as a result of the existing disproportions. A value of $\varepsilon = 0$ indicates that there is no gender development inequality penalty (in which case GDI and HDI are the same). A value of $\varepsilon = 2$ adopted in the GDI and GEM calculations determines, in turn, moderate losses due to inequalities in gender development. Therefore, the equation takes the form:

$$\text{equally distributed index} = \{[\text{share of the female population (female index}^{-1})] + [\text{share of the male population (male index}^{-1})]\}^{-1} \quad (6)$$

The GEM indicator was to show to what extent women are entitled to participate in economic and political life. The calculation of GEM focused on the opportunities available to women rather than on their actual predispositions. The GEM calculation takes into account the participation of women in political and economic life and the disproportions in the distribution of income between different representatives of sexes, thus reflecting economic independence. The GEM calculation was based on the calculation of the arithmetic mean of the EDEP (Equally Distributed Equivalent Percentage) indices. The EDEP index can be defined as an equally distributed index in relation to equality between women and men. Individual EDEP indices were estimated within each of the GEM dimensions in accordance with the formula adopted in the methodology for calculating the GDI index. For the indicator of the participation of women and men in political and economic life, the estimated values were additionally divided by 50. The rationality of such an approach is explained by the fact that in an ideal society where the empowerment of women and men would be

the same, the values of the GEM indicator variables would equal 50%, which means that the share of women and men would be the same for each variable.

Contrary to GDI, the GEM indicator shows the inequality of opportunities in selected areas of social life. This inequality is in no way related to the size of the national income, as evidenced by the analysis of the GEM indicator in highly developed and developing countries.

In response to criticism towards GDI and GEM, the methodology with regard to gender inequality in social development was modified and, in 2008, the GII (Gender Inequality Index) measure was proposed. GII estimates the inequality between the development of women and men in terms of health, empowerment and access to the labor market, illustrating the loss of social development resulting from gender. The value of GII ranges from 0 to 1. The value 0 means no gender inequality, while the value 1 means complete inequality. Calculation in the health dimension is based on the perinatal mortality rate and the birth rate of young mothers. In the case of validation, the number of women and men with secondary education for a given society and the number of seats in parliament held by women and men were taken into account. Labor market participation was estimated on the basis of female and male labor market participation rates.

The evolution of the methodology can also be observed in attempts to measure poverty, which, as a subjective category, reduces quantification to the selection of indicators showing the depravity of human life in the identified dimensions. Poverty means that basic living needs are not being adequately met. The most frequently used measure of poverty is the so-called poverty lines used by the World Bank to determine the percentage of the population living below the poverty threshold. There are one dollar a day poverty line⁴, two dollars a day poverty line, and aurenational poverty line. When a society lives below the one dollar poverty line, it is called extreme poverty, meaning that the individual is unable to meet the basic needs of survival. Moderate poverty means that

⁴ The common name of the one dollar poverty line means that an individual has less than USD 1.25 of income a day.

an individual earns less than two dollars a day, but more than one dollar, and is able to cover basic needs.

In 1997, UNDP introduced the first Human Poverty Index (HPI) to measure the level of development or underdevelopment of countries. The HPI measured the same dimensions as the HDI, namely viability, knowledge, and standard of living. It turned out that countries with the same HDI value had significant differences in HPI values. This was due to the fact that, unlike the HDI, which measures the general level of social development, the HPI poverty index reflected its individual directions and indicated the existing areas of backwardness. Thus, the multidimensionality of the poverty index made it possible to identify the largest clusters of poverty within a given region or within individual countries. The poverty indicators were differentiated into HPI-1 for developing countries and HPI-2 for OECD countries.

HPI-1 index was calculated on the basis of:

- probability life expectancy below forty years,
- adult illiteracy rate,
- percentage of the population deprived of access to a safe source of water,
- percentage of underweight children for a given age group.

HPI-2 was measured in the same dimensions as HPI-1, but with slightly different indicators. The viability was determined by the probability of life expectancy below sixty years. The level of knowledge was measured according to the number of adults (aged 16–65) lacking functional writing skills. The standard of living, in turn, was expressed in the share of the population living below the poverty line. In addition, HPI-2 took into account the dimension of social exclusion, measured by the long-term unemployment rate (12 months or more).

The values of the HPI-1 and HPI-2, unlike HDI, GDI or GEM, were not calculated on the basis of the indices of individual dimensions, but were the expression of the percentage of depravity in the areas of knowledge, viability and standard of living. HPI-1 and HPI-2 were calculated from the equations:

$$\text{HPI-1} = [1/3(P_1^\alpha + P_2^\alpha + P_3^\alpha)]^{1/\alpha} \quad (7)$$

where:

- P_1 – probability of probability life expectancy below forty years, measured at birth,
- P_2 – adult illiteracy rate,
- P_3 – arithmetic mean of the population deprived of access to a safe water source and underweight children for a given age group.

$$\text{HPI-2} = [1/4(P_1^\alpha + P_2^\alpha + P_3^\alpha + P_4^\alpha)]^{1/\alpha} \quad (8)$$

where:

- P_1 – probability of probability life expectancy below sixty years, measured at birth,
- P_2 – the number of adults lacking functional writing skills,
- P_3 – population below the poverty line,
- P_4 – long-term unemployment rate.

The use of α value in the calculation of HPI-1 and HPI-2 was of significant importance for the final value of the indicators. For $\alpha = 1$, the HPI value would be equal to the arithmetic mean of indices for individual dimensions. As the value of α increases, a higher weight would be assigned to the dimensions with the highest depravity.

In 2010 UNDP introduced a new measure of poverty – the Multi-dimensional Poverty Index (MPI). Its purpose is to illustrate the scope of depravity in developing countries in the identified areas, which are to present the problem of poverty in an even more precise way. It is also worth noting that individual areas refer to the “Millennium Development Goals” implemented by the United Nations.

The MPI calculation is performed in three dimensions – analogous to those included in the HDI or HPI, but with the use of different indicators. Child mortality and nutrition were taken into account in the dimension of viability. The number of years of study and the enrollment rate became the basis for calculations in the education dimension. Standard of living is assessed on the basis of the availability of fuel for

cooking, toilet, water, electricity, floor, and household items. Each of the highlighted areas has the same weight within each dimension.

The value of the multidimensional poverty index MPI is the result of the product of the poverty index H (headcount ratio) and the poverty scale A (intensity of poverty), which can be written as:

$$\text{MPI} = H \cdot A \quad (9)$$

Poverty index H , denoting the share of the number of the poor in a given society, is calculated on the basis of the formula:

$$H = \frac{q}{n} \quad (10)$$

where q is the number of the poor and n is the number of people in a given population.

The poverty scale reflects the percentage of weighted partial indicators in which, on average, poor people are disadvantaged. With regard to households identified as poor, the estimated amount of depravity is summed up and divided by the total number of poor. The level of depravity is determined according to the formula:

$$A = \frac{\sum 1^c}{q} \quad (11)$$

where c is the level of depravity.

Indicators showing disproportions in the distribution of income among the inhabitants of a given country are also of significant importance in determining the level of economic development. The Gini coefficient is a measure of the degree to which the income distribution differs from the equal distribution. The value of this coefficient is related to the Lorenz concentration curve illustrating the relationship between the total percentage of income shown on the ordinate axis and the total percentage of households in subsequent income groups presented on the abscissa (Fig. 2). The figure shows the degree of equality or inequality in the distribution of income. The greater deviation of the Lorenz curve L from the straight line inclined at 45° (running ideally along the marked diagonal

OA and called “the line of perfect equality”) indicates greater inequality in the distribution of income.

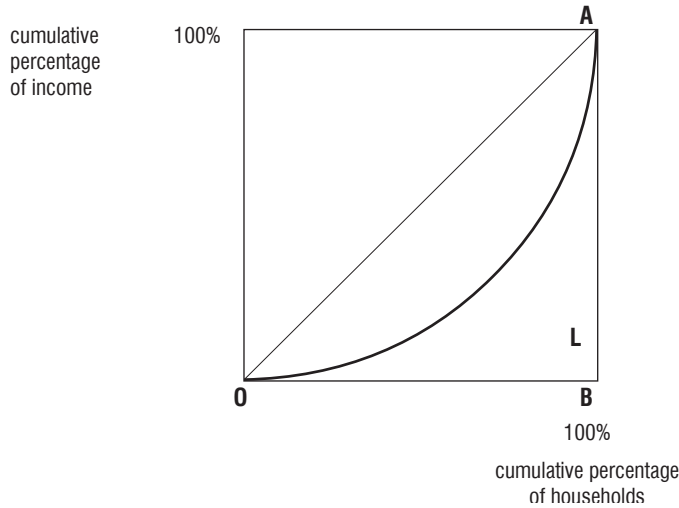


Figure 2. Lorenz curve

Source: own study.

The value of the Gini coefficient ranges from 0 to 1. A value of 0 implies perfect equality (each person from a given community receives the same amount for their work, regardless of its nature), while a value of 1 means perfect inequality in the distribution of income (one person from a given group receives all income). In other words, the greater the value of the coefficient, the greater the degree of concentration, and thus the greater the inequality. Both extremes, for both the egalitarian distribution and the extreme inequality, are only possible theoretically as they have never occurred for the observed income distributions.

The Gini coefficient in an arithmetic form can be presented as follows (Aronson & Lambert, 1994):

$$G = \frac{1}{2\mu n^2} \sum_{i=1}^n \sum_{j=1}^n |x_i - x_j| \quad (12)$$

where:

G – Gini coefficient,

μ – average income,

n – number of all households,
 x_i – a given person's income.

Doubled value of the Gini coefficient informs about the average absolute difference between the pairs of income and is an expression of the average income. This means that if we randomly select two people from a set of people and express the difference between their incomes as a share in the average income in this set, this share (on average) will be twice as large as the Gini coefficient: a coefficient of 0.3 means that the difference between the incomes of two people randomly selected from this group is 60% (2×0.3) of the average income. If the coefficient is 0.5, the difference will be equal to the average income (ibidem).

The geometric interpretation of the Gini coefficient⁵ comes down to determining the area constituting the difference between the perfect equality line OA and the Lorenz curve L , i.e. $OAB-OLAB$ divided by the area of the triangle OAB (determined on the basis of the perfect equality line). With a perfectly even distribution of income among households, the Lorenz curve L would follow the perfect equality line OA , and the Gini coefficient would be 0. At total concentration, the Lorenz concentration curve would follow the OBA line. Thus, the weaker the concentration, the closer the concentration curve is to the line of even distribution.

In research practice, inequalities relate primarily to inequalities in the distribution of income. In the context of the quantification of development processes, however, it is important to emphasize that inequalities refer to both wealth inequality and inequality of opportunities. As part of wealth inequalities, the most frequently analyzed are income inequalities, which relate to both income from work and income from capital. With regard to wealth inequalities, one should also distinguish inequalities due to property, in particular real estate, metals or luxury goods. The

⁵ In the literature on the subject one can find numerous proposals for calculating the Gini coefficient, coming down to determining the area defined by the Lorenz curve both under the curve and between the curve and the perfect equality line of 45°, see e.g. Aronson & Lambert (1994), Kot (2000, p. 114), Rynarzewski, Zielińska-Głębocka (2006, p. 192), Nawrot (2014, pp. 66–67), Parteka (2015, p. 64).

second very important area of socio-economic inequalities are inequalities of opportunities, within which one can indicate (Nawrot, 2017, p. 55): inequalities in the dimension of knowledge and education and access to it, inequalities in the dimension of health and access to healthcare, inequalities in access to financial services, inequalities in access to broadly understood public goods, inequalities in access to new technologies and innovations, inequalities of production possibilities resulting from the provision of production factors, inequalities in the choice of the form of living. Thus, socio-economic inequalities and development disproportions do not only refer to differences in the distribution of income, but also to access to education, health care, work, consumption opportunities, access to information, freedom, respect for human rights, approaches to urban and rural areas and to development in relation to gender. Differences in access to social opportunities, minimum wage or environmental conditions are also significant (Nawrot 2014: 104).

3.2.2. Institutional indicators

The UNDP reports on development emphasize the importance of the broadly understood factor of freedom, which has not been included in the current indicators quantifying the level of development due to methodological difficulties. The issue of freedom was only included in the Alternative Human Development Report on Arab countries, where a new methodology was proposed that took into account the scope of freedom in individual countries. The authors of the report explain this with the significant link between freedom and development, which is especially visible in countries where freedom is restricted and where wealth measured by *per capita* income does not always reflect the level of social and economic development.

The attempt to include the freedom aspect in the aggregated index was made by scientists from the Heritage Foundation (HF) and by a team of researchers from the Fraser Institute and Cato Institute with the support of Nobel Prize winners Milton Friedman, Garry Becker and Douglass North. The result of the research, and at the same time a functional expression of the quantification of economic freedom, were two alternative

indices, namely the index of economic freedom (IEF) formulated in 1995 by scientists from the Heritage Foundation (Heritage Foundation 2004; 2007) and the economic freedom of the world index – FWI (Gwartney & Lawson, 1997; 2002; 2003).

Freedom indices are also referred to in the literature on the subject as measures of the level of globalization, or as institutional measures of sustainable development (Kowalczewski, 2000, pp. 51–73; Piontek, 2002, pp. 97–105), since individual factors and variables are an expression of the development of a given country precisely at the institutional level. The undeniable importance of institutional development in the social and economic development of the state justifies the need to analyze this level and include it in the quantification of the level of economic development. Moreover, some factors and variables of the index of economic freedom are identical with factors of both endogenous and exogenous nature implying economic development. Indices of economic freedom, being a quantitative expression of the scope of economic freedom of a given country, may therefore constitute a measure contributing to the quantification of economic development, as well as serve to study the relationship between economic freedom and economic growth and development. Due to the analogy of indices, the Heritage Foundation index of economic freedom is presented later in this chapter.

The level of economic freedom measured by the HF index of economic freedom is determined on the basis of the analysis of independent economic variables that can be classified into the following categories, also known as economic freedoms:

- entrepreneurial freedom,
- trade freedom,
- monetary freedom,
- freedom from government,
- fiscal freedom,
- property rights,
- investment freedom,
- financial freedom,

- freedom from corruption,
- labor freedom.

Each of the ten freedoms can be assigned a weighting from 0 to 100. The number 100 indicates the state policy most favorable to economic freedom, and 0 – the policy least stimulating the development of economic freedom. Moreover, it is determined whether there has been an improvement/deterioration of individual freedoms. Based on the average of the weights of all the freedoms, the general level of economic freedom of countries is assessed (Heritage Foundation, 2004, pp. 49–70; 2007, pp. 37–53).

Five categories of economic freedom have been distinguished, classifying countries as:

- free,
- mostly free,
- moderately free,
- mostly unfree,
- repressed.

An index value in the range of 80–100 means that the country is economically free; 70–79.9 – mostly free; 60–69.9 – moderately free; 50–59.9 – mostly unfree; 49.9 and below – repressed.

Individual categories of freedom, being the basis for the calculation and assessment of the level of economic freedom of a given country, are of equal importance. Particular categories of freedom, being the basis for the calculation and assessment of the level of economic freedom of a given country, are of equal importance. The authors of the index are aware that the analyzed spheres of economic activity may have a varying impact on the scope of the exercised freedoms, however, they argue on the basis of the conducted research that assigning different weights to individual dimensions of the index would not have a significant impact on the measurement of the scope of economic freedom, and the chosen methodology allows for an adequate quantification (Heritage Foundation, 2004, pp. 39–42). Apart from the discussion on this subject, it should

be stated that there is no doubt that the country's long-term growth and development are conditioned by its proper functioning in all identified dimensions.

3.2.2. Ecological indicators

Initially, the side effects of economic development were not included in the account of the national income. Attention was paid to them together with an attempt to quantify their size and the development of the above-mentioned measure of net economic welfare (NEW). The increase in ecological awareness and the associated exposure of global threats resulting from environmental devastation, resulted in the more and more widespread use of ecological measures in assessing the development of economies.

One of the measures of welfare that corrects economic effects by the amount of environmental devastation is the Daly and Cobb ecological natural resources index, also known as the Index of Sustainable Economic Welfare (ISEW). It takes into account both the management of mineral resources and the so-called intergenerational social justice. The basis for the ISEW calculation is individual consumption weighted by the social inequality ratio. When calculating the ISEW, the following are taken into account:

- value of services from household work,
- value of services from consumer durable goods,
- value of services from roads and highways,
- consumption related to education and healthcare,
- increase in net capital,
- balance of investments abroad and foreign investments in the country,

reduced by:

- costs related to environmental pollution,
- consumption of non-renewable resources,

- expenditure related to health care and education,
- advertising expenditure,
- travel expenditure,
- urbanization costs,
- costs of road accidents,
- expenditure on durable consumer goods,
- costs related to the loss of natural resources and agricultural areas,
- losses related to long-term changes in the environment (greenhouse effect, ozone layer depletion).

When comparing GNP and ISEW, it was noticed that these indicators run in parallel in the early and peak stages of industrialization. In a later phase, the equality is distorted, the reasons for which are believed to be:

- contamination of the natural environment,
- unfair distribution of income,
- living in conditions of competition and full mobility.

Among the environmental indicators of development, it is also worth mentioning the EAW (Index of the Economic Aspects of Welfare), the OECD short-term indicators of environmental protection and the United Nations environmental indicators of sustainable development.

3.2.4. Sustainable development indicators

Nowadays, one of the most comprehensive indicators of development is the SDI (Sustainable Development Index), created by experts from The United Nations University. This measure covers the largest range of variables, both quantitative and qualitative, using and including databases from UNDP, the World Bank and The Freedom House. One can risk a statement that SDI is a synthetic expression of the most important dimensions of economic development and the cumulative value of the existing indicators (see Fig. 1).

The index calculation is based on a comprehensive analysis in seven dimensions:

- human rights, freedom and equality,
- demography and life expectancy,
- health and healthcare,
- education, technology and information,
- economic development and foreign debt,
- consumption of raw materials,
- the environment.

Within each of the dimensions, two factors were identified and assigned to the appropriate variables. Their number was determined by the nature of individual factors, and a total of fifty-eight variables were distinguished (see Table 3). From three to six variables were assigned to each factor. The aggregated value of the SDI index is calculated as the arithmetic mean of the indices of the selected variables. Their weights are the same. The authors of the index are aware that this is the main methodological problem that needs to be resolved. In addition, the indices are quantified for each dimension, which allows for comparability both between countries and within individual areas.

Table 3. Calculation of the Sustainable Development Index

1. Human rights, freedom and equality	
A. Political and human rights	B. Equality
A ₁ – political rights index	B ₁ – income distribution – Gini index
A ₂ – civil rights index	B ₂ – GDI
A ₃ – refugees – country of origin	B ₃ – number of working children
A ₄ – military expenditure	
A ₅ – armed forces	
A ₆ – government commitments	
2. Demography and life expectancy	
C. Demographic issues	D. Life expectancy
C ₁ – population growth	D ₁ – infant mortality rate
C ₂ – population decline	D ₂ – mortality rate for children under five
C ₃ – aging of the society	D ₃ – maternal mortality rate
	D ₄ – life expectancy

3. Health and healthcare

E. Healthcare	F. Diseases and food
E_1 – health care expenditure measured as a share of GDP	F_1 – tuberculosis
E_2 – health care expenditure <i>per capita</i>	F_2 – the presence of HIV
E_3 – immunizing children	F_3 – child malnutrition
E_4 – doctors	F_4 – insufficient daily caloric intake
E_5 – childbirth provided by qualified medical personnel	F_5 – excessive daily caloric intake
	F_6 – access to a safe source of water

4. Education, technology and information

G. Education	H. Technologies and access to information
G_1 – adult literacy rate	H_1 – telephone lines
G_2 – total enrollment index	
G_3 – public expenditure on education	

5. Economic development and foreign debt

I. Economics	K. Debt
I_1 – GNB <i>per capita</i>	K_1 – total external debt
I_2 – PPP GNP <i>per capita</i>	K_2 – present value of the debt
I_3 – annual GDP growth	K_3 – total debt service
I_4 – net domestic savings	

6. Consumption of raw materials

L. Economy – core savings	M. Economy – consumption of raw materials
L_1 – energy consumption	M_1 – energy consumption per GDP unit
L_2 – minerals consumption	M_2 – paper consumption
L_3 – net forest consumption	M_3 – commercial energy consumption
L_4 – CO ₂ damage/costs	M_4 – electricity consumption

7. Natural environment

N. Natural environment – natural resources, land consumption	O. Natural environment – problems of rural and urban areas
N_1 – state protected areas	O_1 – population in agglomerations
N_2 – drinking water resources	O_2 – population density in rural areas
N_3 – forest area	O_3 – growth of an agglomeration above 1 million
N_4 – areas for agricultural use	O_4 – average annual deforestation

Source: own study based on (Nováček & Mederly, 2002, pp. 50–56).

The choice of seven dimensions for the calculation of the SDI index was dictated by the belief that the four dimensions of development identified so far, namely economic, social, institutional and environmental, are insufficient.

The SDI value is between 0 and 1, with a higher value representing better progress towards sustainable development. Human rights, freedom and equality were recognized as one of the most important dimensions of development, according to the argument that development would not be achievable either in the case of totalitarianism or a significant polarization in the distribution of income.

The disadvantage of the SDI is the lack of access to the most representative set of data in each of the surveyed countries and thus the optimal use of the achievable. Despite the existing weaknesses, SDI is a valuable basis for further research on a comprehensive measure of economic development.

The basis for the calculation of the SDI is presented in Table 3, and selected qualitative indicators are compiled in Table 4.

In research on the quantification of development, qualitative aspects are becoming more and more significant. It is important to illustrate the disproportions within a given country, between countries, and in terms of the entire society of the contemporary world economy. In the substantive dimension, this applies in particular to the differences in the distribution of income, but also in the access to education, health care, work, consumption opportunities, access to information, freedom, respecting human rights, in approach to urban and rural areas and in development in relation to gender. Differences in access to social opportunities, minimum wages, and environmental conditions are also important.

There are also differences in consciousness in different parts of the world, and as a consequence, consent to the existing social conditions, relations within a household or society, unconditional consent to treatment and acceptance of the existing opportunities for human development, or rather the lack of them. On the other hand, along with the development of information technologies, network society and a kind of information revolution, the awareness of differences among the poorest

Table 4. Calculation of selected qualitative indicators

Qualitative indicators	
Human Development Index (HDI)	HDI = life expectancy index ^{1/3} education index ^{1/3} GNP index ^{1/3}
Gender Development Index (GDI)	GDI = equally distributed life expectancy index + equally distributed education index + equally distributed income index
Gender Empowerment Measure (GEM)	GEM = equally distributed index for parliamentary representation + equally distributed index for economic participation + equally distributed index for income
Gender Inequality Index (GII)	GII = 1 – equally distributed gender index
Human Poverty Index for developing countries (HPI-1)	HPI-1 = probability of life expectancy below 40 years + adult illiteracy rate + percentage of the population deprived of access to a safe source of water + percentage of underweight children for a given age group
Human Poverty Index for selected OECD countries (HPI-2)	HPI-2 = probability of life expectancy below 60 years + percentage of adults lacking functional literacy skills + percentage of population living below the poverty line + long-term unemployment rate
Multidimensional Poverty Index (MPI)	MPI = the product of the poor index and the poverty scale
Gini coefficient	$G = \frac{1}{2\mu n^2} \sum_{i=1}^n \sum_{j=1}^n x_i - x_j $
Index of Economic Freedom (IEF)	IEF = entrepreneurial freedom + trade freedom + monetary freedom + freedom from government + fiscal freedom + property rights + investment freedom + financial freedom + freedom from corruption + labor freedom
Sustainable Development Index (SDI)	SDI = human rights, freedom and equality + demography and life expectancy + health and healthcare + education, technology and information + economic development and foreign debt + consumption of raw materials + the environment

Source: own study.

classes is growing, which may cause social unrest and antagonism, and, consequently, lead to a social crisis on a global scale.

Important questions arise about the relationship between poverty, inequality and economic development and growth. A dilemma arises as to whether development comes down to reducing poverty, or if it should lead to reducing inequalities, and then whether the consequence of reducing poverty will be leveling development disproportions, as well as to what extent development differentiation becomes an obstacle to development and finally – how economic advancement affects development inequality.

Regardless of the emerging challenges, the diverse nature of developing countries indicates the need to undertake interdisciplinary and multidimensional research, taking into account, in addition to significant economic factors, also aspects of complex political, social and cultural ties, and even those bordering on anthropology or psychology. The diagnosis of the situation in developing countries cannot be limited to only one perspective, or only to the quantitative dimension.

Part two

**DEVELOPMENT
ASSISTANCE –
CONCEPTUALISATION
AND PRACTICE**

Chapter IV

Conceptual foundations of development assistance¹

Przemysław Deszczyński

4.1. Conceptualization of the concept of development assistance

4.1.1. The genesis of development assistance

Decolonization and the bipolar system of international relations are two key reasons for the emergence in the West, primarily in the USA, of the idea of providing aid to developing countries (DC). It was supposed to limit the spread of the influence of the Soviet Union and communism in the world. The experience gained during the implementation of the Marshall Plan was used in developing this concept for DC.

The United States, in the conditions of the escalation of the conflict with Moscow, treated national liberation and revolutionary struggles not so much as a continuation of the post-war decolonization process, but as an extension of the Cold War confrontation to the area of DC. The political transformations in these countries were seen primarily from the point of view of the global interests of the United States. On the other hand, less attention was paid to the internal (subjective and objective) factors that led to such a state, and to the development of large-scale projects aimed at eliminating these causes. Thus, when creating the idea

¹ More on this subject can be found in the work by Deszczyński (2011a, pp. 39-149).

of providing aid to developing countries, a kind of original sin was committed, which will have a negative impact on effectiveness of the help for decades to come (Deszczyński, 2001b, pp. 125–142; Moyo, 2009, pp. 3–68).

4.1.2. The concept of development assistance

As in the case of many other concepts related to the problems of developing countries, the definition of development aid also caused terminological disputes among researchers dealing with this topic. In order to solve them, in 1969 the Development Assistance Committee (DAC) formulated for the first time recommendations as to the interpretation of the definition of official development assistance (ODA). According to the DAC definition, aid is considered development assistance if all four basic conditions are met:

1. Its main goal is to support the economic and social development of developing countries.
2. It is an expenditure of the public sector – governments or other entities acting on behalf of the state or international government organizations (IGOs).
3. Must be partially non-returnable.
4. The recipient country or the international organization has been placed on a special DAC list.

While using this term, one assumes that development aid will contribute to the economic development of DC, and whether this will actually be the case should, according to G. Myrdal's recommendation, be examined *ex post*, and not *ex ante*. Moreover, the practice so far has shown that development aid, if it served economic development, did so rather to donors, not DC, and sometimes, unfortunately, it even contributed to the underdevelopment of its beneficiaries. It also happened that the inclusion of some countries by the DAC on the list of DC was difficult to substantiate. DAC does not include private funds transferred by civil society, foundations, corporations on the basis of voluntary contributions,

e.g. to non-governmental organizations in the donor or recipient country, or directly to citizens (e.g. humanitarian aid), in the development aid. Meanwhile, often such projects undertaken by non-governmental organizations serve the development of DC better than official development assistance. The above remarks confirm once again that the terminological controversy related to the definition of development aid is in fact unavoidable.

4.1.3. Goals of development assistance

In official government documents concerning development policy, ethical and humanitarian motives are heavily emphasized, and much less is being said about one's own interests. Development aid in the first decades of providing it was subordinated to the political and economic goals of Western countries. In the case of the former, it was about realizing the vital interests of foreign policy and promoting the values of the donor's social and political system. Among the economic goals, the following dominated:

1. Consolidation and further development of trade relations with DC.
2. Providing companies with the necessary raw materials, including, in particular, the supply of energy resources to the West.
3. Creation of new sales markets in the short or long term.
4. Maintaining the existing and potentially creating new jobs.

The highly unsatisfactory effects of development aid, the deepening catastrophic economic situation of many developing countries in the last two decades of the twentieth century, the collapse of the bipolar system, China's opening to the world economy and its active participation in the globalization process, the international community entering the third millennium – all this together contributed to the adoption of Millennium Declaration by 189 United Nations member states at the 2000 Millennium Summit in New York City. It includes the Millennium Development Goals (MDGs). They constitute a kind of map on the road to the implementation of development aid. Many declarations and

resolutions are adopted at the UN forum, which are then difficult to fully implement or enforce in the outlined time perspective. This was also the case of the Millennium Development Goals.

4.1.4. The problem of efficiency and effectiveness of development assistance

Development assistance does not meet the conditions for the optimal allocation of resources consistent with the criterion formulated by V. Pareto. It means the flow of resources from Western countries to DC, i.e. to an area where lower productivity can be achieved. Statistical data on the export of capital taking place after World War II, but on strictly commercial terms, confirmed the correctness of Pareto's assumptions, i.e. investments were made much more willingly in the West, so in places where higher productivity can be obtained. In turn, among the DC countries were selected where it was possible to achieve the highest productivity now or in the near future, i.e. countries with high GDP per capita, large population and with raw materials of interest to the West, primarily energy resources. Therefore, it is difficult to refer to the effectiveness of development aid, since it *a priori* does not meet the conditions of optimal resource allocation in order to achieve higher productivity. For these reasons, instead of the category of "efficiency", terms such as "effectiveness", "coherence", "quality", "subjectivity" and "transparency" are used. Development aid effectiveness should be understood rather as the ability to achieve the goals that accompany it and are associated with it.

The effectiveness of development aid in its classic understanding is difficult to test at the mega-, macro- and mezeoeconomic levels. In the conditions of globalization, the economic growth of a state or its collapse is simultaneously influenced by many different factors, often mutually exclusive, also of a psychological and speculative basis, etc. It is much easier to determine whether development aid was effective on a microeconomic, and above all micro-microeconomic scale. However, this means starting a long-term work that is not very spectacular from the donor's point of view, and in addition it does not guarantee lasting success due to many factors beyond the donor's control, such as the risk of changing

the socio-political and economic situation in the beneficiary's country in the future or cultural and religious conditions.

Testing the effectiveness of aid is highly difficult because:

1. It is not comparable. Projects that succeed in one context may not succeed in another.
2. The projects' financing is partially interchangeable. Financing some projects by donors frees up the beneficiary government resources for other, more marginal projects. As a result, donors do not finance the project for which they are putting money, but those that the recipient government deems fit for funding.

Regardless of the presented difficulties with examining whether development aid contributed to the economic development of DC (also because statistical reporting in most of them is underdeveloped), it has been assumed that since the civilization gap (which is actually measurable) between the countries that are highly developed and the developing ones increased, development aid did not meet the expectations associated with it. That is because it served the interests of the donors more than the beneficiaries. This is also confirmed by some studies conducted in Western countries in the context of the impact of development aid provided by donors on their economies.

A more practical term in the evaluation of development aid as compared to the efficiency category is testing its effectiveness. It is about assessing the initiatives taken by the donor in the field of development aid in a specific place and time, taking into account the degree of implementation of the adopted assumptions, his and the beneficiary's expectations, compliance of the goals with the ones declared on the international forum, e.g. in terms of the implementation of the Sustainable Development Goals. Therefore, the possibility of assessing the effectiveness concerns various forms of development assistance, and within its framework – projects, thanks to which it becomes realistic even in the conditions of an underdeveloped state reporting system of DC.

For example, we can examine how effective was the construction of a drinking water intake in town X, in country Y, taking into account

the criteria adopted in advance in the investment project, e.g. in terms of the long-term performance of the water intake device, its efficiency, impact on the health situation of the population using this intake, etc., as well as how much the project cost and if it was built in the assumed time and in accordance with the adopted budget estimate. In a similar way, we can study the effectiveness of implementing a program in town X, country Y, which provides for at least primary education for all children, including girls. We can analyze the percentage in which this was achieved in relation to boys and girls in the first and subsequent years of education, respectively. In the event of ineffectiveness, we should draw general conclusions so as not to repeat the same mistakes in similar cases.

4.2. Classification of forms of development assistance

It was made on the basis of five criteria: the channel of transfer, the way of transfer and usage by the donor, the beneficiary's repayment burden and the beneficiary's freedom of managing it. On the basis of these criteria at least two basic forms were distinguished each time. It is no coincidence that the scheme focuses on bilateral and multilateral aid, considered as crucial in accordance with the accepted practice of development institutions. It should be emphasized that the adopted criteria are not mutually exclusive, which means that individual forms may appear in various configurations, e.g. bilateral aid may take the form of technical, programme, non-returnable or untied assistance.

4.2.1. Bilateral aid

The essence of bilateral aid consists in its direct transfer from the donor state to the recipient state. The transfer is made by the donor government, usually through specially established government aid agencies. The beneficiary country is usually represented by its government or a specialized government institution, and recently, more and more often, aid also goes directly to other entities of the beneficiary country, e.g. non-governmental organizations, citizens or groups of citizens, and even local companies. Bilateral aid creates – unlike multilateral aid – greater possibilities

of political and economic influence on developing countries. Another drawback of bilateral aid is the increased risk of its instability. Decisions on granting it are based on annual budget decisions. As a result, it can be very quickly reduced, even abandoned altogether, and then resumed for political, economic and social reasons, due to the internal situation of the donor or beneficiary country or changed external conditions. Another disadvantage is the lack of coordination with other donors, which often leads to a situation where programs and projects implemented simultaneously by different countries compete with each other, and often are even mutually exclusive.

Within the framework of bilateral aid, donor states most often support countries they have historical and cultural ties with, e.g. colonial metropolises and their former colonial territories, or maintain close economic, political, strategic and military relations (or would like to develop them). Thanks to direct benefits, the donor can count on special treatment of the beneficiary's government and on building prestige among local citizens, and in his country it is easier to gain acceptance by the majority of the public for the implementation of development policy. Bilateral aid also enables the use of practices of making, directly or indirectly, the supplies of goods and services for beneficiaries from the donor country conditional. For these reasons, the bilateral form has often occurred in the past together with the bound form, and vice versa – multilateral form with the unbound form.

Supporters of benefits in the form of bilateral aid emphasize, in turn, that it is usually accompanied by better control of the use of benefits by developing countries. Due to the long-term cooperation and knowledge of local conditions, it can also be better adjusted to the needs of the beneficiaries. Such assistance is often easier to obtain than that provided through international organizations, such as the World Bank Group, which often imposes more stringent requirements. The decision-making procedures for granting funds are also less time-consuming and administrative costs are lower than with multilateral aid (Oden, Wohlgemuth, 2007, p. 18).

As part of bilateral aid, theoretically it is easier to make changes in its amount, but practice shows that usually several years have to pass

before they occur, hence its significant reduction did not take place until the end of the 1990s. The point is not to cause unnecessary damage to the broadly understood own interests of donor states by reducing the current level of benefits and the number of beneficiaries too abruptly. The most frequently used method in such a situation is first to weaken the dynamics of benefits for countries that do not correspond to the current preferences resulting from the assumed development aid goals, and only then to limit or even discontinue the aid.

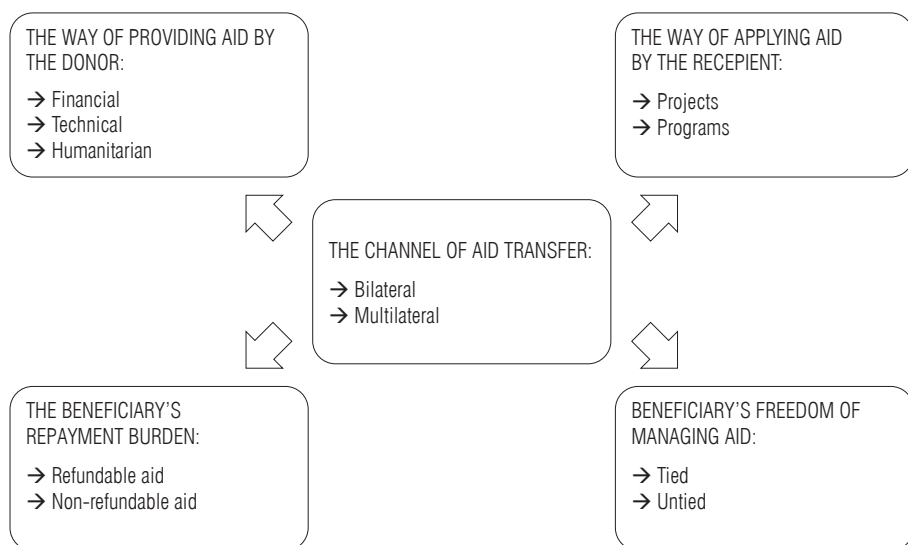


Figure 1. Conceptualization of forms of development aid

Source: own study.

However, among the DAC member states it is difficult to find a universal criterion for making a division between supporters or opponents of bilateral aid. It would seem that bilateral aid is developed primarily by the former colonial metropolises. It turns out, however, that apart from France, which in fact consistently prefers this form, it is equally important for Japan and the USA. In the case of Washington, one should rather expect a high share of multilateral aid, due to the role this superpower plays in international organizations. In turn, the largest colonial metropolis – Great Britain – belongs to the group of countries with a relatively high level of multilateral benefits, along with Denmark. It should also

be noted that the priorities in this area change, e.g. along with the economic situation in the world and macroeconomic situation in individual countries, the assumption of power by other political options, or with the new perception of the role of bilateral aid by scientists and practitioners dealing with the issues of development aid.

DC also do not have a uniform position when it comes to choosing the channel for the transfer of development aid, although most of them favor a multilateral form. They expect that it will be easier for them to obtain approval for their own solutions on the international forum. Moreover, international organizations lean towards the aid distribution principle, according to which the poorer a country, the more aid it receives. Under these conditions, poorer developing countries prefer multilateral aid to bilateral aid. Opposite preferences are reported by countries in a better economic situation, connected with the world market and / or historically with the donor. They rightly assume that they have greater chances of obtaining external support as part of bilateral aid.

4.2.2. Multilateral aid

The essence of multilateral aid consists in its transfer by international organizations to the recipient state. Although international organizations were established and are financed by the same countries that provide bilateral aid to DC, and they also have a decisive influence on the shape of their activities, there is a fundamental difference here. While there is a possibility of direct influence on DC and direct transfer of aid funds to them in bilateral aid, there is no such possibility in the case of multilateral aid. One can only speak of exerting pressure indirectly on this group of states and providing indirect support. As a result, the negotiating position and autonomy of the beneficiary's decisions in relation to a specific donor state increases substantially. However, the above statement does not mean that the scope of discretion in decision-making by developing countries is increasing, because the persuasion power of an international organization, such as the International Monetary Fund (IMF) may be – and in practice is – even greater than that of most individual donor states.

According to the DAC definition, benefits are considered multilateral aid if:

1. They are transferred to international intergovernmental organizations that carry out all or most of their activities for the benefit of developing countries.
2. They lose their national character and become an integral part of the financial assets of the organization referred to in point 1.
3. They are paid with the knowledge and consent of the authorities of the international organizations referred to in point 1.²

Multilateral aid is now provided by many organizations. Their number has steadily increased over time, which should be considered a natural reaction to the emergence of new or growing needs in DC and the need to specialize in specific areas of action. It should be remembered that the new order in international relations after World War II was created when most of today's independent DC were part of European colonial metropolises. For understandable reasons, it does not take into account the economic, political and social conditions of this group of countries. Although it was possible to foresee an approximate scenario (though probably incomplete) that would take place in the colonial territories after World War II, it was not a priority for the then decision-makers of the new international order.

Simultaneously with the increase in the number and scale of problems faced by developing countries, the number of member states of the UN – an organization greatly influencing the functioning of multilateral aid – also grew. All this together resulted in a significant increase in the number of international organizations, but also in bureaucratic costs, often unnecessary division and dispersion of activities, overlapping duties (motivated by the need to specialize), with the often harmful competition of individual organizations, the main motive of which was the desire to preserve their status and acquired prestige.

² www.oecd.org/dac, www.bmz.de/de/zahlen/imDetail/index.html.

Among the international organizations providing development aid, the following should be distinguished:

1. The World Bank Group (WBG) and within it:
 - International Bank for Reconstruction and Development – (IBRD),
 - International Development Association (IDA),
 - International Finance Corporation – (IFC),
 - Multilateral Investment Guarantee Agency (MIGA),
 - International Center for the Settlement of Investment Disputes (ICSID).
2. The International Monetary Fund (IMF).
3. Regional Development Banks, including:
 - African Development Bank (AfDB),
 - Asian Development Bank (AsDB),
 - Caribbean Development Bank (CDB),
 - Inter-American Development Bank.
4. The United Nations (United Nations Organization – UNO) and in its framework:
 - United Nations Industrial Development Organization (UNIDO),
 - United Nations Conference on Trade and Development (UNCTAD),
 - Food and Agriculture Organization of the United Nations – (FAO),
 - International Fund for Agriculture Development – (IFAD),
 - International Labor Organization (ILO),
 - United Nations Educational, Scientific and Cultural Organization (UNESCO),
 - United Nations Children's Fund – (UNICEF),
 - United Nations Development Fund for Women (UNIFEM),
 - World Health Organization (WHO),
 - Joint United Nations Program on HIV/AIDS – (UNAIDS),
 - International Trade Center (ITC),
 - United Nations Office on Drugs and Crime (UNODC),

- United Nations Development Group (UNDG),
- United Nations Development Program (UNDP),
- United Nations Program for Human Settlements – (UN – Habitat),
- Office of the United Nations High Commissioner for Human Rights – (OHCHR),
- United Nations Environment Program (United Nations Environmental Program – UNEP),
- United Nations Population Fund (UNFPA),
- United Nations Office for Project Services – (UNOPS),
- United Nations Volunteers Program (UNV),
- World Food Program (WFP),
- Consultative Group on International Agricultural Research – (CGIAR).

The above list of key international intergovernmental organizations providing multilateral aid is at the same time the best exemplification of the role that the United Nations played in establishing institutional foundations and conceptualizing development policy. It should be remembered here that the World Bank and the International Monetary Fund, separately identified in this paper (due to their importance in providing multilateral development aid), are also specialized organizations of the United Nations. However, despite the common genesis of most of these organizations, the way they are managed and controlled is not the same. Each of them has also developed its own internal functioning mechanisms, rules for providing benefits, as well as evaluating the effectiveness of their use in developing countries.

The European Union plays a special role among all international organizations that provide development aid. It results not only from the size of benefits but also from the specificity of its functioning. The EU, unlike the UN, is not a universal and global organization, but a regional organization with limited membership. Therefore, controversy has arisen as to whether the development aid provided within the EU and earlier the EEC should be considered multilateral. OECD / DAC solved this problem by distinguishing collective bilateral aid from among bilateral and multilateral aid.

Multilateral aid as a form of providing development aid has as many supporters as opponents. Moreover, the opinions of scientists dealing with the issues and the positions of the donor countries have changed over time. The argument for increasing the share of multilateral aid in global development aid is its long-term impact. It is, in fact, not subject to major fluctuations and in its case it is possible to implement the assumed goals step by step. This is important because the problems of DC cannot be solved overnight. One needs to be patient here and assume that their achievement, if in some spheres will take place at all (e.g. democratization of political life), will take place only after many years.

The advantage of multilateral aid is also the possibility of implementing larger projects within its framework. This is because many projects carried out in DC far exceed the financial, technical and organizational capacities of most individual donor countries. In such a situation, international organizations are extremely helpful. They coordinate the actions of individual donors and also mobilize own resources. They also act as a catalyst for the flow of funds to DC, e.g. in the form of the first transfer initiating the start of a development program or project.

A multilateral form of development aid may also be attractive for governments of highly developed countries, not only due to the fact that its costs are spread over a larger number of countries, but also due to the transfer of responsibility for achieving the final success to the international organization – the project coordinator. One should be aware that even with a very well prepared project or program, the probability of failure is usually greater than the probability of success. DC often do not use development aid in accordance with its intended purpose. Expenditure control is sometimes difficult due to the permanent instability of the political situation in many of these countries and / or the lack of transparency that usually accompanies autocratic governments or facade democracies in which the principle of alternation of power has not yet been implemented. There is also uncertainty as to whether the solutions developed by Western economists based on theories of development economics will prove effective in the practice of economic life in DC.

As a result, individual countries try to avoid necessary, from the point of view of DC, but highly risky and costly ventures. International

institutions, however, do not have such great concerns. Moreover, they are seen quite commonly as organizations that take the greatest interest in DC (with the exception of the World Bank Group and the International Monetary Fund). Econometric studies confirmed the hypothesis that multilateral aid took into account the needs of DC more than bilateral aid, even under the conditions of the bipolar system.

A drawback of multilateral aid (with the exception of the World Bank Group and the International Monetary Fund) is the problem of controlling and evaluating implemented projects. The authorities of some international organizations, such as UNESCO, FAO, and the European Development Bank, wasted funds allocated to development aid or tolerated corruption when spending them in DC. For these reasons, G. Myrdal, contrary to the tendencies of the time (the recommendations of the Pearson Commission), opted for a bilateral form of development aid, arguing that in the case of multilateral aid control would always be more difficult, and thus the risk of corruption would increase significantly.

In turn, the advantages of development aid implemented by the institutions of the World Bank Group and the International Monetary Fund, as opposed to bilateral aid, include the powerful persuasion force of these organizations. They dictate specific solutions in the economic policy of the beneficiary and make the release of funds dependent on their adoption and subsequent consistent implementation. At this point, I am prescinding from the final effects of such an economic policy, which, as we know, is controversial, but I see as an advantage the very possibility of stimulating the governments of DC to undertake economic and social reforms. The pressure of these institutions is so strong that politicians from DC decide on reforms painful for the society, but often necessary from the point of view of economic recovery, which under normal conditions (the existence of an alternative) would never dare to carry out. The problem, however, is that the cost of recommendations of the experts of the World Bank Group and the International Monetary Fund borne by the society of DC is often far too high in relation to the effects achieved. This is criticized both by DC and an increasing number of economists, including those who have worked in the past for the World Bank Group or the IMF. This is a broader problem that

cannot be discussed exhaustively and in detail here. Therefore, I refer to the works of the Nobel laureate in the field of economics, J.E. Stiglitz and W. Easterly. Most generally, however, it can be said that it is about too draconian conditions that are imposed on DC and the way these international organizations function, as well as too much influence of the USA on the policy of the World Bank Group and the IMF (Stiglitz, 2007, pp. 7–223; Easterly, 2008, pp. 9–316).

Within multilateral aid, there was also the same trend as in the case of global and bilateral development aid. In the 1990s, it had a decreasing tendency, while in the 21st century – increasing.

4.2.3. Financial aid

There are four basic structural shortages in DC – food, skilled labor, foreign exchange and capital – with the common denominator of an insufficient rate of accumulation. The shortage of capital results from the tendency of the population (both poor and rich) to ostentatious consumption, additionally strengthened by the demonstration effect, high operating costs of an excessively developed state administration, including the police and military apparatus, and the lack of a high propensity to save, so characteristic of entrepreneurs during the formation of capitalism in highly developed countries today. As a result, DC were chronically lacking capital, including foreign exchange, needed to achieve economic growth. Under these conditions, external financial aid was to be an effective instrument to eliminate these two structural deficiencies and to break what R. Nurkse called “the vicious circle of poverty”.

It did play a dominant role in the first Decades of Development. At that time, it was also called capital aid, because it financed mainly specific, often very spectacular investments (e.g. construction of a motorway, airport, bridges) in the sphere of economic, social and, to a lesser extent, institutional infrastructure. The donors, regardless of the expected economic effects, also wanted to discount the propaganda effect. It is always easier to obtain with one large investment than with very many small ones, although the cost of the project may be the same or even greater in the latter case.

It would seem that this type of investment projects is most economically justified for DC, that they will serve their economic growth and development, in situation when for most of them infrastructure was and still is one of the powerful barriers preventing them from entering this take off path. The problem is that many of these investments, especially such as transport and irrigation infrastructure facilities, water supply systems, hospitals, and even turnkey production plants, e.g. fertilizer factories, so necessary to increase the efficiency of local agriculture, after the departure of foreign experts and their transfer to the control and management of local authorities, malfunctioned, and with the passage of time, often stopped functioning altogether. In that case, donors from highly developed countries faced a dilemma whether to accept the fact of wasting funds already spent on very expensive investment projects, or perhaps to ensure their continued operation by fully or partially assuming the costs of maintaining and servicing these investments. Usually they chose the latter solution. As a result, in the structure of capital aid expenditure, also due to the growing reluctance of donors to undertake large and costly investments, the share of funds that were strictly financial, and not investment, was growing. Moreover, it included advisory services that were previously associated only with technical assistance.

Under these conditions, financial aid has become the name more adequate to reality. It is most often provided in the form of loans granted on much more favorable conditions than the market ones in terms of the interest rate, grace period and repayment date. In the case of LLDC states, after the energy crisis that most affected this group of countries, it is given as a donation. Funds allocated under the financial aid could also be used – initially by way of exception – to refinance repayments of liabilities previously incurred by the beneficiary. The debt crisis, which affected many DC in the last two decades of the twentieth century, resulted in an increase of the share of write-offs (total or partial) of previously drawn loans, which in practice turned out to be unpayable, in the structure of financial aid. This applies to the obligations of developing countries both to international financial institutions, such as the World Bank or the IMF, and to countries that provide loans in the form of bilateral aid.

It is worth emphasizing here that only loans not previously included in official development assistance may be eligible for debt reduction. The idea is to eliminate the situation where the same financial resources would be recorded twice in the statistics as development aid – first in the form of an ODA loan, and then, due to inability to repay it, as a write-off. In addition, according to the definition of DAC development aid, subsidies, loans and credits for military purposes are excluded from it, and the same (since 1993) also applies to debt reduction for military purposes.³

Financial aid is granted for the implementation of predefined projects or programs. This goal is served also by the progressive coordination of the activities of institutions responsible for providing financial aid as part of bilateral aid from DAC countries and multilateral aid, as well as by taking care to strengthen the sense of responsibility for the final effects among partners from developing countries.

Financial assistance was also launched in the event of a foreign exchange barrier in developing countries, in order to enable the financing of the import of goods and services necessary for the normal functioning of these economies. Due to the fact that many Western governments used this situation as an instrument of supporting their own exports in the conditions of recession in their economies, and even more so in the economic crisis, as well as a way of helping domestic industries experiencing difficulties, in 1992 the so-called Helsinki Consensus was developed within the OECD, which was aimed at if not eliminating, then at least significantly limiting the procedure of tying financial aid.

The most important goals of financial assistance currently include improving the standard of living of the population of DC, minimizing the likelihood of social and economic tensions, and if they have occurred, then mitigating them, counteracting environmental threats by fighting poverty, supporting the development of social infrastructure (in the sphere of education, health service, construction of clean, suitable for consumption water intakes and sanitary sewage system) and transport and energy infrastructure, as well as the development of the agricultural and financial sector.

³ www.oecd.org/dac.

4.2.4. Technical assistance

Technical assistance is designed to break the barrier of the underdevelopment of skilled labor in DC. It covers the transfer of advisory services, including training services provided free of charge. Within its framework, know-how is transferred in the economic, political, social, technical and organizational spheres in order to increase the potential of people, organizations and society in DC. Technical assistance is also to stimulate the activity of people in these countries at various levels, and especially to teach them entrepreneurship. There is also an increasing emphasis on satisfying the basic needs of the poorest social strata, including improving the social position of women in developing countries. If the implementation of technical assistance exceeds the organizational capacity of the governments of the DAC states, then they outsource its implementation to an institution specialized in this field.

The main reason for the shortage of qualified workforce is the lack of sufficient funds to finance education, as well as religious and cultural conditions resulting in high illiteracy among women. In view of the emergence of financial problems in DC, the governments of these countries first look for savings in this sector. In extreme cases, education systems are even in danger of collapsing. Additionally, the situation is worsened by the demographic boom in these countries. As a result, it is difficult to expect a radical improvement when it comes to building an adequate number of schools and ensuring a sufficient number of jobs and highly qualified teachers. In many DC, the population lives in the countryside, which makes it difficult to recruit teachers. It is not much better in cities, as the migration of people from the countryside leads to an overcrowding of municipal schools and thus a reduction in the quality of education. This can be seen especially in educational institutions on the outskirts of cities.

Technical assistance usually consists in:

1. Sending professionals (e.g. advisers, trainers, appraisers, experts) and financing their activities, but only in situations where the implementation of a given program or project requires their knowledge that employees from a developing country do not have. In

this way, it is possible to implement many projects requiring, for example, an advanced level of technological knowledge.

2. Education and training of professionals and managers from developing countries in the country and abroad. This is because in many developing countries there is a shortage of experts in planning and implementing economic and social reforms, as well as in preparing budgets and managing public finances.
3. Training young staff through the scholarship system and exchange of experience in managerial positions in politics, economics and administration. As a result, managers from developing countries acquire new qualifications and managerial skills, which in the future should lead to a general improvement in the standard of living of the population of developing countries.
4. Co-financing and supporting projects and programs in developing countries. This includes creating new organizations and institutions in developing countries and developing existing ones, which will continue to operate independently after the end of the project or program.
5. Providing loans for the payment of remuneration for domestic and foreign professionals.
6. Providing or financing the purchase of equipment and devices intended for equipping the supported institutions (e.g. schools or hospitals).⁴

Therefore, technical assistance also includes services that were previously classified as financial assistance, which once again confirms that the boundaries between these forms are increasingly fluid.

4.2.5. Other forms of development aid

Among the other forms of development assistance, the following should be distinguished:

1. Humanitarian;
2. Food;

⁴ www.oecd.org/dac.

3. Project;
4. Program;
5. Non-refundable and refundable;
6. Tied and untied.

The genesis of humanitarian aid⁵ is related to the problem of refugee, connected with wars between states, civil and religious wars, revolutions and armed conflicts, and more recently – to the emergence of a new category of refugees, resulting from the climate change. The essence of humanitarian aid is to launch it in extraordinary conditions, such as the occurrence of natural disaster (earthquake, flood, epidemic, drought, hurricanes, tsunamis), man-made disaster, crisis resulting from civil war, ethnic conflict, military action in a given country or in neighboring countries. Its aim is to eliminate as soon as possible or at least to alleviate the critical situation in the country where it occurred, if it is not able to do it immediately on its own. It is primarily about saving the lives of people affected by the cataclysm, reducing their suffering and enabling the victims to maintain their human dignity.

The costs of benefits for refugees are included in humanitarian aid, but only for the first year from the moment the reasons for refugee appear. Such a practice was developed in the 1980s and was formally regulated in 1991 (Development, 2010, p. 268). Humanitarian aid is supposed to retain the features that distinguish it from other forms of development aid, although in reality the benefits are often identical to those in the financial, technical or food form of assistance. It is about the extraordinary nature of the situation and simplified procedures when making the decision to grant it, which means that it can be transferred immediately. This does not mean, however, that a developing country affected by a humanitarian disaster is left alone with its problems after one year, but it is sufficient time to launch other forms of development aid that are characterized by more complex procedures designed to reduce the risk of corruption, nepotism and waste of donor countries' funds.

⁵ In English literature, alongside the term “humanitarian aid”, one can also find the terms “relief aid” and “emergency aid”.

Depending on the needs resulting from extraordinary events, humanitarian aid takes various forms. This may include the supply of drinking water, food, clothing, basic personal hygiene items, tents, sleeping bags and blankets, but also the reconstruction of the necessary infrastructure, e.g. drinking water intakes, power grid, hospitals, schools, with the intention of recovering as soon as possible a minimum level of self-sufficiency and security by people affected by the disaster. For humanitarian aid to be effective, the real needs of people affected by the disaster should be taken into account, and resources should be transferred in accordance with the principles of impartiality, neutrality and broadly understood principles of humanitarianism, without imposing political, economic or social preconditions.

Humanitarian aid has its advantages as well as disadvantages. The former should include the speed of its launch, which in the case of cataclysms is always of colossal importance, because the time factor is here the main determinant deciding about the possibility of saving many lives. The disadvantages include a greater potential risk of corruption and nepotism, insufficient emphasis on existing social networks within recipient groups in DC, and insufficient, despite too much centralization, coordination of own services and activities with other DAC countries, multilateral institutions and non-governmental organizations, which often causes duplication or even, in extreme situations, mutual exclusion of the taken actions.

Food assistance for DC is a consequence of the existing chronic food shortage. This is why the Millennium Development Goals made the eradication of extreme poverty and hunger the number one goal. Food aid was supposed to be an important instrument in its implementation. Within its framework, highly developed countries provided DC with surplus of produced food, mainly in the form of donations. Simultaneously, apart from eliminating or at least alleviating the problem of hunger, they should support economic development in these countries through the possibility of allocating the currency saved in this way to pro-development investments. Food aid was also expected to reduce the risk of rising inflation and to reach the poorest social strata. Thus, the degree of susceptibility to diseases would decrease, which would positively affect

the reproduction of the labor force, contributing to an increase in labor productivity and production.

The provision of food aid to DC has aroused and continues to cause much controversy. Food products remain an important item in the exports of DC, making it possible to obtain the necessary currency for the normal functioning of their economies. And here we are dealing with a specific paradox – the inhabitants of developing countries suffer from a drastic shortage of food, which in practice often means death by starvation, despite the fact that the country of which they are citizens exports food. Food aid mainly covers the supply of grains and other western-produced food commodities. If it was transferred in a financial form and not in kind, food could be purchased much cheaper on world markets, and above all on local markets (not only lower prices, but also lower costs of transport and insurance).

Project assistance covers a specific project and this is what distinguishes it from program assistance in the first place. It is provided at a specific time and place. In the initial period of granting development aid, project assistance was accompanied by capital aid, as it most often took the form of a spectacular infrastructure investment. It is assumed that as part of the project assistance, the donors covered the foreign exchange costs, and the beneficiaries mainly covered local costs. As a result, developing countries often gave up on implementing their own projects, as the funds previously reserved for them were needed to start the project under development aid. Moreover, in this situation, they showed a tendency to prefer projects with a large share of foreign exchange costs financed by donors. It meant, however, that the chances of stimulating their own economy by means of project aid decreased significantly, as Western countries usually preferred their own goods and services (Hemmer, 2002, pp. 945–950).

The disadvantages of project assistance also included the chronic lack of coordination between the donor and the beneficiary and other donors and the resulting risk of duplication of investment projects, the occurrence of the “drainage” effect of qualified workforce from the public sector of a developing country, a deepening disproportion between the needs and funds at the disposal of the beneficiary. In the case of a short-term involvement of a donor in a given project, the project often ended in

failure, while long-term commitment often led to the recipient's dependence on external funds. After the completion of an investment project, a developing country usually found it difficult to guarantee financing at the same level as provided by the donor, which resulted in a waste of development aid funds (Common, 2008, p. 1).

Program assistance consists in supporting the policy of DC both internally (supporting a specific group of the population – e.g. small farmers, the sector – e.g. health care or the region) and externally (e.g. stabilization of foreign exchange reserves, financing necessary intervention imports). Contrary to project aid, it is therefore not aimed at the implementation of a specific in-kind project, but focuses on supporting the general policy objectives of its beneficiary, including, to an increasing extent, macro-economic objectives. It is also more flexible and less prone to corruption. Providing program assistance is closely related to the economic and social strategy adopted by the beneficiary state, its priority needs and the method of managing public funds, which should be correlated with the donor's development aid strategy. This always increases the level of trust between the donor and the recipient, which is particularly important in this form of providing development aid. It is also required that the beneficiary conducts a stable macroeconomic and monetary policy (DAC's Principles, 2001, p. 5).

Recently, the sector-wide approach (SWAP) has been preferred. Its essence consists in building a dynamic and long-term relationship between all partners participating in program assistance, which is systematically consolidated and extended by implementing and improving the existing operating procedures. The sectoral approach is to counteract the dispersion of development aid by adopting a strategy of concentrating aid funds by the donor on one or several sectors, in accordance with the needs reported by the beneficiary state, defined in the development strategy of this sector. SWAP includes program aid for: Sectoral Adjustment Lending – SECAL, Sectoral Budget Support – SBS, and Sector Investment Programs – SIPs. In the latter case, the greatest scope of donor interference is anticipated, in the form of control and conditioning of the continuation of program assistance depending on the current course of the implementation of a given SIP (The Sector – Wide Approach, 2004,

p. 8; Piccioto, 2009, pp. 185–187). In the 21st century, program assistance began to play a greater role than project assistance.

Development aid can be both non-refundable and refundable. Both forms have occurred since the beginning of providing development aid by the DAC countries, and the importance of the non-refundable form has grown over the years. This situation resulted from the more and more effective lobbying of DC, which, since independence, consistently demanded a transition from paid to free form or at least an increase in the share of donations and grants in global development aid. The increase in non-returnable benefits was also fostered by the increasing diversification of GNP per capita within developing countries, e.g. the emergence of the LLDC (Least Developed Countries) group and more and more cases of falling of developing countries previously perceived as financially and economically stable (including Iraq, Nigeria, some ASEAN countries) for various reasons (war, debt trap, Asian financial crisis) into huge economic problems, so great that without external non-refundable aid it would be difficult for them to quickly rebuild their own economies.

Refundable development aid is most often provided in the form of loans granted on much more favorable conditions than the market ones in terms of the interest rate, grace period and repayment date. with the proviso that for all these three conditions, according to the DAC definition, the donation equivalent in the loan should correspond to the amount by which the sum of the real decreasing values of repayments of principal installments and interest is lower than the nominal amount of the loan granted.

The granting of non-refundable or refundable aid does not yet determine which one is more beneficial to DC. Theoretically, it should be a non-refundable form, but in practice it may be different. Non-refundable aid may constitute an even higher burden than loans in a situation where it is intended for purposes that require supplementing with own capital, which would not otherwise have to be spent. And yet such a situation often occurred within the framework of project aid, where donors covered foreign exchange costs, and beneficiaries mostly local costs. As a result, developing countries often gave up on implementing their own projects, more necessary for economic development, which could jointly

bring greater effects than the project preferred by the donor, because the funds previously reserved for them were needed to launch this project under non-returnable development aid.

Non-refundable aid may also be associated with various types of dependence on the donor. The beneficiary state can expect that, once it has received non-refundable aid, it will also receive it in the future. Such an attitude will not be conducive to undertaking its own internal actions aimed at combating economic underdevelopment, including, in particular, efforts to achieve a high accumulation rate. In addition, awarding a grant in kind in the form of equipment and machinery from the donor's country makes the beneficiary dependent on the supply of spare parts and service, which, when provided on market terms, often exceed the value of the donation. It is also worth noting that the provision of refundable development aid does not mean that the beneficiary is charged with its costs. In the final effect, it may turn out to be non-returnable, because the costs of its provision are borne by a third party under the so-called tripartite cooperation, e.g. Saudi Arabia, rich in financial resources (Deszczyński, 1995, p. 82).

Taking into account the scope of freedom in using development aid by beneficiaries as a criterion, we distinguish between the tied and the untied forms. The essence of tied aid, as the name suggests, is to limit the recipient's discretion in regards to the possibility of obtaining goods and services on the free market and the final allocation of the funds received. In the first case, the granting of development aid is conditioned by the obligation to make purchases in whole or in a significant part in the donor country (or it concerns specific goods and services mentioned by name). In this way, the "conservative social welfare function" named by W.M. Corden was implemented, consisting in maintaining jobs and a certain level of income of citizens in the donor country who were employed in sectors of the economy experiencing temporary difficulties or unable to cope with competition (e.g. shipbuilding, agriculture).

In the second case, the beneficiary is obliged to finalize the project or program previously agreed with the donor. Often, especially in the first decades of providing development assistance, this agreement meant in practice the implementation of goals preferred by the donor, usually

more favorable to the donor than the beneficiary, and was most often intended to alleviate the problems that occurred in the donor's balance of payments. Often the prices of goods and services in the donor country were also significantly higher than those offered on the world market. As a result, tying development aid was the subject of severe criticism from the very beginning of the idea of granting it.

Untied aid, on the other hand, means the freedom of choice that the donor leaves to the beneficiary using it. The main point is to provide him with fully autonomous, unlimited decision-making when it comes to making purchases geographically. However, this does not exclude spending the funds obtained under untied aid on the market of the donor state.

And here the problem arises whether, despite the official declaration on the non-tying of development aid, in practice it has a really untied character. For example, the introduction of strictly defined procedures motivated by the desire to increase the effectiveness of development aid (e.g. to eliminate corruption or the purchase of luxury goods) may effectively favor donor's goods and companies. In addition, there may also be informal lobbying or the tendency of beneficiaries to prefer purchases in the donor country for fear that the lack of it will in the future limit or even end aid to developing countries benefiting from untied form. The DAC countries, in turn, explain the high percentage of recovery of funds granted under untied aid in the form of orders on the donor market by the high competitiveness of their capital goods and services.

Chapter V

Great Britain's development assistance

Aleksandra Rabczun

The world is a system of communicating vessels so if the governments of highly developed countries want to maintain their level of development, they cannot ignore global problems such as poverty, hunger, migration, terrorism, environmental pollution and the low standard of living of people in the South. The largest donors of development assistance are some of the most developed countries in the world, i.e. the United States, Germany, Great Britain, France and Japan. The share of their assistance in the total assistance of the Development Assistance Committee after the year 2000 ranged from 61% to 65%.⁶ The analysis of development aid provided by the largest donors is important for many reasons. For instance, it can contribute to increasing the effectiveness of the assistance. The literature review shows that there are studies on development aid provided by the majority of important donors. Works on emerging donors are also becoming more and more popular. However, there is a gap in the scientific literature regarding British development aid⁷, both in Polish- and English-language literature. There is a need for an in-depth study of

⁶ Own study based on OECD (2019). *Net ODA (indicator)*. DOI: 10.1787/33346549-en (accessed: April 7, 2021).

⁷ The author of this text is also the author of the first Polish-language dissertation on British development aid for developing countries in the years 2000–2015.

the conditions, institutional and geographic structure as well as of the UK sectoral aid. Understanding British aid is important as the UK, as a key donor, sets the tone for the international development agenda. Moreover, the British institutional model of delivering development aid, led by the Department for International Development (DFID), is taken by many as an example. British foreign policy, and thus – development policy, is of course related to the colonial past and close ties with Africa and Asia. Criticism of the model of development aid chosen by Great Britain, taking place both inside the United Kingdom and abroad, prompts to take a closer look at its specificity. This chapter analyzes the conditions for providing development aid by Great Britain and presents its institutional structure. Particular attention has been paid to the geographic structure, especially the three main directions in which the British direct their resources. The chapter ends with an analysis of the forms of British aid with an emphasis on the achievement of the MDGs and the adopted strategy in the field of bilateral and multilateral aid.

5.1. Conditions of Great Britain's development assistance

Development policy has its origins in colonialism, mainly in African and Asian countries. The conditions for providing aid by Great Britain were influenced by economic, political and social factors. The international environment was not indifferent to the British development agenda. Continuous changes to internal conditions were *de facto* started by the Colonial Development Act of 1929. With the shifts of the political parties at the head of the British government, a long tradition began of creating new bodies responsible for development policy and then transforming them as new politicians came to power. It is worth noting that, apart from institutional changes, significant changes took place in the budget allocated to development aid, which is related to the economic situation of Great Britain itself.

While it was the Labour Party government that in 1997 made a historic change to the British aid system, David Cameron, who took office in 2010, representing the Conservative Party, had a significant influence on the shape of British development aid today. During his time in office, the

United Kingdom achieved for the first time the benchmark percentage of 0.7% of GDP allocated to aid purposes. Moreover, greater transparency and clarity have been introduced into the development policy agenda, and there have been efforts to make the aid as effective as possible.

The British use a different strategy depending on the region where they direct aid. Before making a decision to invest, Great Britain performs a regional analysis based on various criteria. There are four types of determinants in international economics: structural, institutional, cyclical and technological. In turn, in the field of political science, one can encounter a different division of determinants. It consists of two main groups of factors in international relations: conditioning and implementing. The conditioning factors include geographic, demographic, national, religious and ideological elements. The implementing factors include the economic, technological, military and legal ones (Deszczyński, 2012, pp. 33–43). It is possible to build one's own classification, which is a kind of hybrid of both previously presented factors. With developing countries so diverse internally and externally, rigid schemas are of little use. In order to understand their structure within each region where British aid goes, one can identify at least one additional factor crucial for the absorption of funds.¹

Among other important conditions, the legal basis for the provision of assistance should be indicated, as it determines the formal framework of British development assistance. In the years 2000–2015, this basis was the International Development Act of 2002. It consisted of an introduction, two parts and appendices. This act introduced rules on the provision of assistance to countries outside the United Kingdom, consistent with the activities of international financial institutions as well as the Commonwealth Scholarship Commission and purposes related to them. The new legal act was, in a way, a response to the report entitled “Eliminating World Poverty: A challenge for the 21st century”, highlighting the UK

¹ Given the regions and countries presented later in this chapter, the following elements are identified as an additional factor: in Sub-Saharan Africa – colonialism, in Arab countries (Middle East and North Africa) – religion, and in Central and South Asia – the local power, China, and its relations with other countries in the region.

government's contribution to reducing global poverty. The International Development Act gave the secretary of state the option of increasing development aid expenditure in relation to specific goals. Under the act, the secretary of state could, for example, provide development aid to any country or territory outside the United Kingdom, if he was convinced that it would contribute to poverty reduction (Thompson, 2017, p. 9).

The 2002 act allowed the UK government to use a wider range of financial instruments, not available before, to provide development aid. These include stocks and derivatives, bonds and guarantees. The legal act also made it possible for the bodies designated therein to engage in the provision of foreign aid either independently or with the secretary of state.

The International Development Act provided for payments to be made to development banks and included immunity and privilege provisions for the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association. Finally, the Act includes plans for the continuation of activities by the Commonwealth Scholarship Commission (Thompson, 2017, p. 10).

In addition to the above-mentioned legal act, there are also other documents relating to development issues. These include The International Development (Reporting and Transparency) Act of 2006, International Development (Gender Equality) Act of 2014 and International Development (Official Development Assistance Target) Act of 2015 (Thompson, 2017, p. 3). The United Kingdom, as one of the key donors of development aid, cooperates within international organizations, therefore it is a signatory to international legal and declarative acts regarding development policy. Most often, however, guidelines and declarations at the international level tend to focus on the issue of development assistance effectiveness.

5.2. The institutional structure of Great Britain's development assistance

The British system of aid arose along with the problems that began to affect the colonies in the early twentieth century. Great Britain established various institutions that were to foster development in the colonies, then in the countries of the Commonwealth of Nations, and only at the very end – beyond it. The institutional structure of development assistance was initially organized on the basis of a geographical criterion with a clearly designated division of competences.

Initially, aid provided to other countries was intended to promote the commercial interest of Great Britain and the export of its products. Although at the declarative level (legal acts, speeches of ministers and officials) this principle was broken even before the collapse of colonialism, the actual cooperation was most often based on conditions that were very favorable for the British. The amount of aid provided by Great Britain fairly quickly made it a leader among donors, but the quality and purposefulness of aid was subject to wide international criticism due to gross violations of the interests of the countries at which the help was aimed.

Prior to 1997, the UK institutional system for delivering aid was rather complex and development responsibilities were split between different government departments. The complex organizational structure and the lack of a clear division of competences contributed to ineffective management of public funds. This institutional form was criticized due to its low clarity and transparency. Similar to the case of French aid (Fuchs, 1993, pp. 39–40), it was believed that the duplication of competences within the government generated unnecessary administrative costs. Paradoxically, the recipients of British aid could, under such conditions, apply for co-financing of projects from various sources at the same time. On the one hand, this could lead to abuses, but on the other hand, it was perceived quite positively by developing countries.

The shape of the institutional structure of British development assistance was also influenced by external factors related to the international environment. First, there were commitments under the Millennium Declaration and the Paris Declaration. They influenced not only the amount of aid (in relative and absolute terms), but also the application of

clear and transparent criteria for granting aid as well as the evaluation of implemented projects and programs. The aid was no longer to be general and imprecise. The aim was to be selective and to introduce support mechanisms for the countries that are trying to realistically change their situation, e.g. by improving the quality of governance or fighting corruption. The participation of the United Kingdom in the EU, the UN and the OECD as well as cooperation with the World Bank and the International Monetary Fund were not without significance. The implementation of a policy based not only on British goals, but above all on international interest, resulted in a significant reorganization of the institutional structure.

One of the greatest institutional achievements was the establishing by the Labour Party government a separate department for international development. Since its establishment in 1997, Great Britain has become recognizable as a global leader in development. Set as an example (by *The Economist*) as a “model for other rich countries”, the British DFID was and still is primarily aimed at reducing poverty in the poorest countries in the world. More than once this institution refused to tie aid to UK commercial or political goals, thereby creating a strong international reputation. The Department for International Development is considered a pioneer in creating development concepts and putting them into practice. With strong leadership – the position of the head of this institution has been linked to a high position in the Cabinet and legislative support – it can make real changes. It is the main authority that shapes the UK development policy. From the very beginning, this department was equipped with a budget of USD 6 billion per year (Barder, 2005, p. 2). T. Blair repeatedly emphasized that the creation of such a cell is one of the achievements of which the British can be very proud.

While DFID has played a key role in the British government, other departments have been negative about the new formation since its beginnings. This was because the development department was granted a wide spectrum of opportunities, financial independence, and a broad competence in shaping UK development policy. Both Foreign Office and the Department of Trade and Industry were skeptical about the development agenda in the past, which also resulted in a dislike of DFID.

The ministries focused more on short-term commercial interests for the UK and not necessarily on long-term aid effects such as reducing poverty and improving the quality of life in developing countries. Disagreements between ministries usually took the form of a low-intensity flow of bureaucratic information, not sharing strategic documents with each other, accounting for resolution projects of the UN Security Council, and responsibility and formulation of political documents. Some of the misunderstandings between the ministries were more factual and independent, mostly centered around policy towards Africa (Porteous, 2005).

From the very beginning, DFID built positive relations with the British Treasury and the central bank. Important officials were generally convinced that progress in reducing global poverty would serve the UK's economic interest in the long term. Although relations were generally good, there were many minor tensions at the beginning of the ministry's operation. To date, DFID works closely with three other UK government agencies and public institutions. They are the Commonwealth Scholarship Commission, the Independent Commission for Aid Impact, and the Government Equalities Office.

As early as the end of the last century, the development department faced the task of changing the attitude of British policy so that development policy issues were included in the mainstream of government policy. Other departments saw more and more clearly the need to support developing countries and civil society organizations internationally, finding the DFID useful. The new department has built a network of relations in the government and individual ministries and has taught them to respect values such as efficiency and thinking for the quality of development.

An example of how much DFID was concerned with identifying the causes of poverty was, *inter alia*, a strategy of factors of change, in which attempts were made to create development programs with an understanding of the economic, social and political factors that helped or blocked changes in a given country (Mapping Political Context: Drivers of Change, n.d.). The goal of tackling the causes of poverty has led the Department for International Development to expand building of institutions and reforms to governance, security and access to justice, and

good management programs. The long-term DFID mission meant that British development aid focused not only on poverty reduction, but above all on eliminating its symptoms. As a result, new areas were introduced to development policy, such as conflict prevention, trade, environment and management.

With a new UK approach to government administration, DFID has set itself the goal of making policy evidence-based, focusing on outcomes rather than inputs, increasing transparency in the policy making and the use of resources. The tangible effect of the policy on evidence was the publication by DFID of two White Papers which contained guidance from non-governmental experts, NGOs and academics. The Department for International Development employed a wide range of specialists with the necessary knowledge and skills, ranging from economists to anthropologists, experts in health, engineering, education, statistics, commerce, conflict, environment, population and management. It was also involved in information and promotion activities related to development and carried out social campaigns. An example of this is the Global Citizen campaign co-created with the Ministry of Education, which includes the provision of materials and support for teacher training colleges in the new national curriculum to enable teachers to integrate development issues into the curricula of children in schools from the early stages of education. This was to raise awareness among the British about the necessity to engage with the needs of developing countries.

5.3. The geographic structure of Great Britain's development assistance

After the colonies regained independence, former empires were reluctant to come to terms with the loss of their privileged position. Instead of colonial ties, there was "cooperation" with newly established states, which was mainly based on trade relations. Along with the increased trade between developing countries and Great Britain, the beginnings of specific aid instruments, such as export credits directed to specific countries, appeared.

As the process of decolonization progressed, the priorities of British aid changed. In view of the emergence of a number of developing countries and the dilemma of which countries to help, the criterion was adopted that the focus should be on those belonging to the Commonwealth of Nations and on former colonies. The choice of such a geographical strategy in the 20th century determines the specific directions of development aid delivery to this day.

In the analyzed period, as much as 52.37% of British development aid was allocated to sub-Saharan Africa², 26.04% for Central and South Asia, 6.92% for the countries of the Middle East and North Africa, 6.43% for other countries in Asia and Oceania, 5.03% for Latin America and the Caribbean and 3.20% for the so-called European developing countries.³ Later in the chapter, detailed data for the top 5 recipients of British development aid in the most important geographic directions are presented.

The largest recipients of British development aid in the years 2000–2015 were Nigeria, India, Ethiopia, Pakistan, Afghanistan and Tanzania. Interestingly, in recent years, the amounts for Syria and Pakistan (shown in Figures 2 and 3) have significantly increased compared to previous years. Of the top 15 recipients of British aid in three geographic regions in the 21st century, only Lebanon⁴ received less than USD 1 billion. An analysis of the history of these countries shows that most of them had close relations with Great Britain in the past, although among the recipients are also former colonies of other empires. Detailed data on the annual level of aid for the above-mentioned countries are presented in Figures 1–3.

² The classification of regions adopted in this chapter results from the OECD classification.

³ Own study based on: *Development Co-operation Report 2007*, *Development Co-operation Report 2009*, *Development Co-operation Report 2010*, *Development Co-operation Report 2011*, *Development Co-operation Report 2012*, *Development Co-operation Report 2013*, *Development Co-operation Report 2014*, *Development Co-operation Report 2015*, *Development Co-operation Report 2016*, *Development Co-operation Report 2017*.

⁴ The difference in development aid to Lebanon and Jordan in 2000–2019 is only USD 12 million.

Table 1. The amount of British development aid for the main recipients of development aid in Africa and Asia (in USD million)

Countries	2000	Total 2001–2004	2005	Total 2006–2009	2010	Total 2011–2014	2015	Total 2016–2019	Total 2000–2019
Sub-Saharan Africa									
Nigeria	22.89	243.18	2200.89	3705.80	264.60	1654.90	401.40	1578.2	10071.86
Ethiopia		224.84	75.19	993.53	407.00	2425.20	517.60	1655.6	6298.96
Tanzania	152.73	895.80	220.35	920.27	24.90	916.80	313.00	843.6	4287.45
Democratic Republic of the Congo		325.82	78.42	673.29	250.80	1381.10	218.10	896.1	3823.63
Kenya	73.11	234.73	86.28	341.67	105.20	776.00	237.70	703.7	2558.39
Middle East and North Africa									
Iraq	14.00	481.60	1317.50	959.80	31.00	667.30	84.70	464.4	4020.30
Syria	0.20	0.30	0.20	3.50	2.00	495.00	391.30	1471.3	2363.80
Yemen	4.60	26.70	20.30	109.40	63.90	409.30	125.40	989.3	1748.90
The West Bank and the Gaza Strip	0.00	0.00	0.00	185.60	97.60	434.90	78.60	278.6	1075.30
Lebanon	0.90	1.20	0.60	20.80	4.00	64.90	152.10	634.2	878.70
Central and South Asia									
India	204.20	1217.70	579.20	2103.20	650.30	1794.90	283.50	504.9	7337.90
Pakistan	23.70	299.20	63.10	878.80	298.50	1598.80	571.10	1973.6	5706.80
Afghanistan	12.70	488.80	219.90	1161.90	234.80	1513.70	458.30	1313.9	5404.00
Bangladesh	103.40	729.50	203.30	887.30	228.30	1447.60	250.10	1007.3	4856.80
Nepal	23.00	189.00	61.60	371.60	105.20	544.40	134.80	510.4	1940.00

Source: own study based on the following reports: Geographical Distribution of Financial Flows to Aid Recipients 2006, Geographical Distribution of Financial Flows to Developing Countries 2010: Disbursements, Commitments, Country Indicators, Geographical Distribution of Financial Flows to Developing Countries 2016: Disbursements, Commitments, Country Indicators, Geographical Distribution of Financial Flows to Developing Countries 2017: Disbursements, Commitments, Country Indicators, Geographical Distribution of Financial Flows to Developing Countries: Disbursements, Commitments, Country Indicators Geographical Distribution of Financial Flows to Developing Countries 2021.

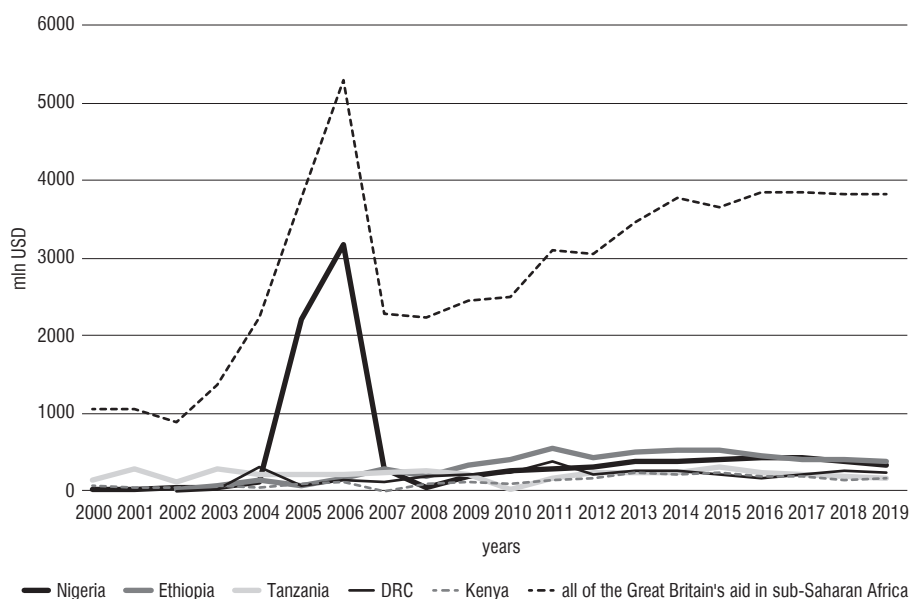


Figure 1. The amount of British development aid for the main recipients of development aid in sub-Saharan Africa (in USD million)

Source: own study.

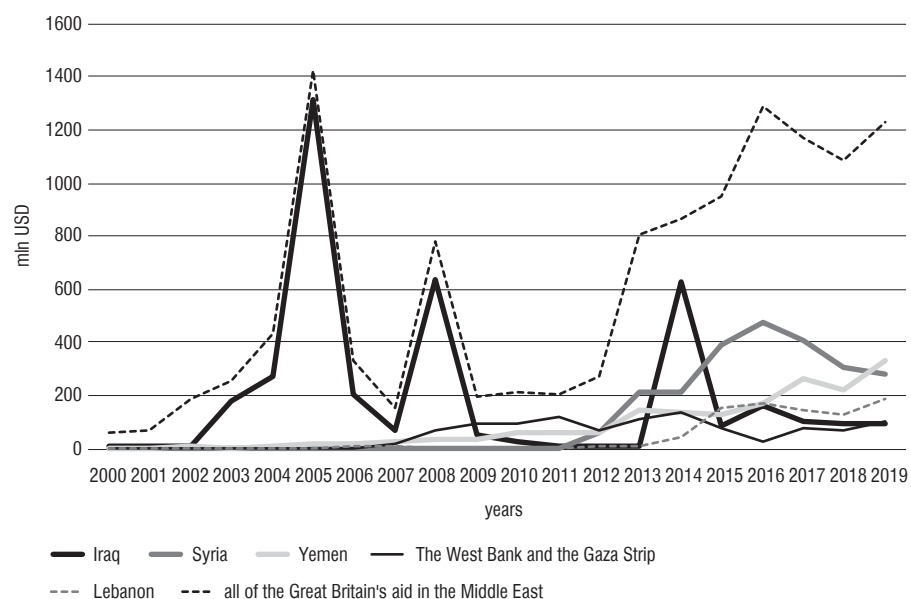


Figure 2. The amount of British development aid for the main recipients of development aid in the Middle East and North Africa (in USD million)

Source: own study.

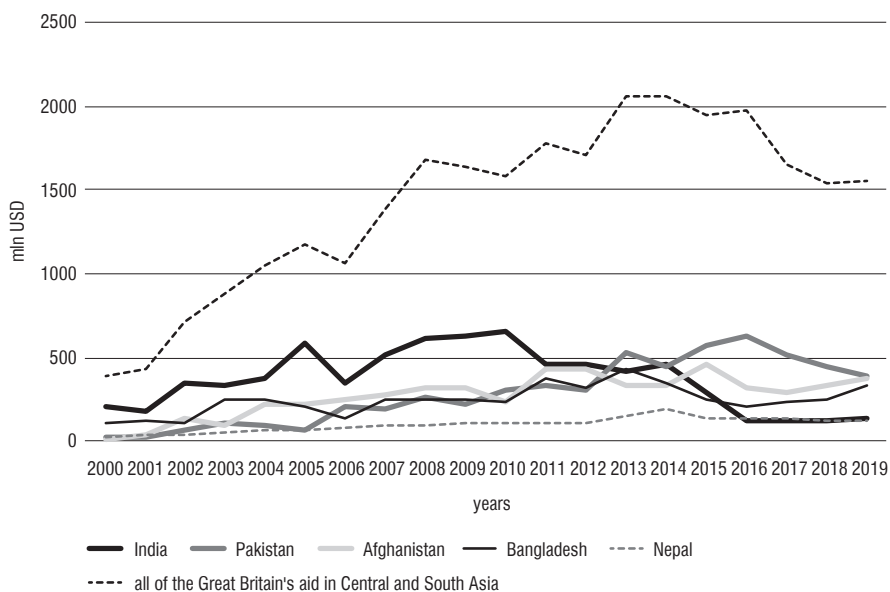


Figure 3. The amount of British development aid for the main recipients of development aid in Central and South Asia (in USD million)

Source: own study.

It is also worth analyzing what percentage of these countries' gross domestic product was development aid from the British. This makes it possible to check to what extent developing countries are independent and to what extent they are dependent on foreign support.

Countries with the highest nominal GDP, such as Nigeria, India and Iraq, have a low development aid-to-GDP ratio (with some minor exceptions, i.e. years when some important external factor was triggered). The places where aid significantly exceeds 1–2% in relation to GDP are the West Bank and the Gaza Strip, Afghanistan, Nigeria, Tanzania, DRC or Ethiopia, which are some of the least developed places in the world. As a rule, the ratio of development aid to GDP fluctuated for each country, depending on the internal situation and international conditions.

Britain and other countries formerly owning colonies have been accused of using strategies to favor former colonies. Authors use a variety of methods to either confirm or deny this claim. In the name of increasing the effectiveness of development aid, it is postulated to direct it where it can be best used and bring the greatest effect. In order to check the extent

Table 2. The amount of development aid in relation to the GDP of the largest recipients of British aid in Africa and Asia in the years 2000–2015 (in %)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sub-Saharan Africa																				
Nigeria	0.03	0.04	0.04	0.04	0.09	1.25	1.35	1.10	0.01	0.06	0.07	0.07	0.07	0.08	0.07	0.08	0.11	0.11	0.10	0.07
Tanzania	1.14	2.10	0.77	1.88	1.29	1.20	1.17	1.06	0.91	0.75	0.08	0.46	0.63	0.52	0.49	0.66	0.50	0.40	0.35	0.28
DRC	n.d.	n.d.	0.10	0.17	2.93	0.66	0.91	0.72	0.99	1.21	1.16	1.48	0.75	0.77	0.76	0.58	0.47	0.56	0.58	0.47
Ethiopia	n.d.	n.d.	0.25	0.71	1.42	0.61	1.10	1.48	0.71	1.06	1.36	1.73	0.97	1.08	0.95	0.80	0.14	0.12	0.08	0.09
Kenya	0.58	0.42	0.41	0.53	0.28	0.46	0.42	0.04	0.25	0.35	0.26	0.34	0.32	0.45	0.36	0.37	0.26	0.25	0.18	0.18
Middle East and North Africa																				
Iraq	0.05	0.05	0.05	0.70	1.06	2.64	0.31	0.08	0.49	0.04	0.02	0.01	0.00	0.00	0.27	0.05	0.09	0.05	0.04	0.04
Syria	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
The West Bank and the Gaza Strip	0.34	0.39	0.55	0.72	0.68	0.55	0.81	0.52	1.58	2.20	2.26	2.81	1.58	2.52	3.18	1.82	0.55	0.99	0.94	1.47
Yemen	0.05	0.03	0.07	0.02	0.09	0.12	0.08	0.12	0.12	0.14	0.21	0.19	0.18	0.37	0.31	0.29	0.20	0.49	0.40	n.d.
Lebanon	0.01	0.00	0.00	0.00	0.00	0.00	0.03	0.03	0.00	0.02	0.01	0.01	0.02	0.03	0.09	0.30	0.33	0.28	0.23	0.37
Central and South Asia																				
India	0.04	0.04	0.07	0.05	0.05	0.07	0.04	0.04	0.05	0.05	0.04	0.02	0.03	0.02	0.02	0.01	0.01	0.00	0.00	0.00
Pakistan	0.04	0.04	0.07	0.05	0.05	0.07	0.04	0.04	0.05	0.05	0.04	0.02	0.03	0.02	0.02	0.01	0.01	0.00	0.00	0.00
Afghanistan	n.d.	n.d.	3.23	2.18	4.29	3.54	3.54	2.76	3.19	2.61	1.48	2.38	2.17	1.61	1.59	2.30	0.22	0.17	0.14	0.14
Bangladesh	0.19	0.23	0.19	0.42	0.39	0.29	0.19	0.31	0.28	0.24	0.20	0.29	0.23	0.28	0.20	0.13	1.76	1.55	1.81	1.93
Nepal	0.42	0.55	0.61	0.84	0.90	0.76	0.83	0.92	0.79	0.80	0.66	0.55	0.58	0.76	0.92	0.63	0.66	0.51	0.44	0.37

Source: own study based on data from the World Bank and OECD.

Table 3. Amount of British development aid for Africa and Asia *per capita* in 2000–2015 (in USD million).

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	mean 2000–2019
Sub-Saharan Africa																					
Sierra Leone	14.90	10.75	10.94	10.56	11.21	10.73	11.25	14.71	15.10	12.80	13.22	11.21	14.82	15.94	55.78	46.38	28.30	20.28	16.34	12.47	17.88
South Sudan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.44	17.01	20.61	26.05	29.66	20.04	19.85	18.39	23.93	9.20
Rwanda	6.64	4.47	6.25	5.01	6.70	9.27	10.55	10.24	10.49	9.19	10.58	13.17	4.25	14.96	7.14	13.62	7.96	6.39	5.93	6.27	8.45
Malawi	8.69	5.59	4.28	8.86	9.70	9.46	7.86	12.81	9.74	7.91	10.18	6.96	12.79	11.19	6.13	7.81	8.06	6.53	6.18	5.58	8.32
Somalia	0.12	0.39	0.32	0.36	1.16	1.02	4.94	2.38	6.68	3.74	5.17	12.29	11.18	12.84	15.18	13.49	14.43	24.90	17.22	14.53	8.12
Middle East and North Africa																					
The East Bank and the Gaza Strip	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	6.44	18.99	25.72	25.78	31.19	17.09	26.64	32.87	18.41	7.03	17.73	14.42	21.98	13.21
Iraq	0.60	0.53	0.55	7.02	10.45	48.94	7.40	2.48	22.51	1.68	1.04	0.44	0.34	0.33	18.37	2.38	4.38	2.84	2.57	2.51	6.87
Syria	0.01	0.01	0.01	0.00	0.01	0.01	0.00	0.01	0.11	0.05	0.09	0.09	3.07	11.08	11.40	21.74	27.20	23.68	18.21	16.67	6.67
Lebanon	0.23	0.10	0.05	0.07	0.07	0.13	1.45	1.57	0.21	1.12	0.81	0.50	1.25	2.13	6.83	23.28	24.94	21.77	18.79	27.68	6.65
Jordan	1.44	1.63	0.94	0.72	0.84	1.06	0.15	0.08	0.69	0.22	0.36	0.35	0.93	3.06	3.42	9.47	24.71	8.03	18.51	16.57	4.66
Central and South Asia																					
Afghanistan	0.61	1.64	5.79	4.16	9.06	8.57	9.33	9.91	11.63	11.42	8.05	14.06	13.92	10.26	9.75	13.32	8.98	8.05	8.92	9.79	8.86
Nepal	0.96	1.36	1.49	2.12	2.59	2.39	2.87	3.60	3.70	3.84	3.89	3.85	4.08	5.42	6.85	4.99	0.20	0.44	0.41	1.15	2.81
Kyrgyzstan	0.45	0.49	0.90	1.41	1.23	1.82	2.15	2.47	2.58	1.65	1.34	2.16	1.14	1.47	1.68	0.69	1.27	1.42	1.57	2.01	1.49
Bangladesh	0.81	0.96	0.77	1.86	1.84	1.46	0.99	1.72	1.75	1.71	1.55	2.47	2.06	2.78	2.22	1.60	0.14	0.20	0.10	0.38	1.37
India	0.19	0.16	0.31	0.30	0.33	0.50	0.30	0.43	0.51	0.52	0.53	0.36	0.37	0.33	0.35	0.22	5.10	4.67	4.54	5.06	1.25

Source: own study based on data from the *World Bank and OECD*.

to which Great Britain follows objective measures in the distribution of aid, it was decided to analyze the value of development aid *per capita*. This approach can also be justified by the diversified demographic potential among the countries presented.

In sub-Saharan Africa, none of the countries receiving the biggest aid in USD is the country with the highest per capita development aid. This means that the British apply different criteria for selecting recipient countries in relation to this region. In the case of the Middle East and North Africa, with the exception of Jordan, which is sixth instead of fifth in terms of quotas, all countries overlap in both sets. This may be due to the fact that most of them were, however, French colonies (so the British did not have to favor anyone) and to the events inside these countries (overthrow of Saddam Hussein in Iraq, war in Syria, famine in Yemen). In the case of Central and South Asia, the breakdown in terms of the amount of aid in USD and *per capita* is the same for Afghanistan, Nepal, Bangladesh and India, which means that Pakistan was selected under a different criterion not directly communicated by the UK. It should also be borne in mind that important trade relations also exist between recipient and donor countries.⁵

5.4. Forms of Great Britain's development assistance

Over the decades, the forms of development aid have changed. This happened, *inter alia*, due to the change in the perception of their importance for economic and social development. The changes aimed at increasing the effectiveness of aid can be positively assessed, however, one should not forget about methodological negligence made by officials of aid institutions and practitioners. Unfortunately, it can also be found in professional literature as a result of its thoughtless adoption, mainly by young researchers (Deszczyński, 2011a, p. 98).

⁵ More on the trade relations of Great Britain and the main recipient states in Rabczun, A. (2020). *Great Britain's development aid for developing countries* (unpublished doctoral dissertation). Poznań: Poznań University of Economics.

Table 4. Great Britain's bilateral development aid in the years 2000–2015 (in USD mln)

sektor	2000	Total 2001–2004	2005	Total 2006–2009	2010	Total 2011–2014	2015	Total 2016–2019	Total 2000–2019
I. Social infrastructure and services	741.64	5622.05	2149.63	12540.71	3659.14	14441.6	3033.22	14332.55	56520.54
II. Economic infrastructure and services	179.86	1246.21	229.47	3455.51	677.48	3230.39	1095.14	2144.04	12258.1
III. Production sector	346.94	1037.57	272.55	989.28	534.92	1664.26	634.44	1674.78	7154.74
IV. Multisektor ⁶	207.71	377.75	332.72	1557.51	1442	4091.05	1090.61	4580.83	13680.18
V. Total sector aid (I+II+III+IV)	1476.14	8283.59	2984.37	18543	6313.55	23427.29	5853.42	22732.87	89614.23
VI. Freight aid / general program aid	439.01	324.77	73.57	2290.54	814.89	1171.46	106.47	121.01	5341.72
VII. Debt cancellation	155.23	1905.73	3533.54	4180.01	163.8	346.89	n.d.	11.46	10296.66
VIII. Humanitarian aid	344.32	1744.95	628.35	2750.11	570.26	3607.77	1473.08	4944.17	16063.01
IX. Unspecified ⁷	344.03	3745.84	1288.72	4306.16	501.61	2247.94	1638.03	3808.13	17880.46
Total (V+VI+VII+VIII+IX)	2758.73	16004.88	8508.55	32069.82	8364.11	30801.35	9071	31597.66	139176.1

Source: own study, based on OECD, (2021). *Aid (ODA) by sector and donor [DAC5]: Open Data – Bilateral ODA by sector [DAC5]. Obtained on June 28 2021 from <https://stats.oecd.org/Index.aspx?QueryId=42232&lang=en#>.*

⁶ The multisector supports projects that cover other sectors but are set on the environment, gender equality and urban and rural development

⁷ Unspecified is the aid that cannot be allocated to any other category in the table, to any project, commitments for its use are not sector specific, it includes NGO support and administrative costs

Table 5. Great Britain's multilateral development aid in 2011–2015⁸ (in USD million)

	2011	2012	2013	2014	2015	Total 2011–2015	Percent of the total
Multilateral organizations	2138.457	2111.349	2811.196	2540.1	2686.414	12287.52	100%
The United Nations	188.317	98.7104	1564.26	1614.106	1658.714	5124.107	42%
EU institutions	3.67	22.71	32.661	27.457	83.227	169.725	1%
IMF	4.928	20.993	15.374	n.d.	36.872	78.167	1%
World Bank	810.612	874.382	1023.797	743.84	720.782	4173.413	34%
International Bank for Reconstruction and Development	809.405	794.342	947.177	729.071	650.641	3930.636	32%
International Finance Corporation		80.04	76.62	14.769	40.438	211.867	2%
Regional development banks	66.102	105.214	61.951	35.92	117.857	387.044	3%
Other multilateral institutions	64.829	100.944	113.152	118.777	68.962	466.664	4%

Source: own study based on OECD. (2021). *Members' total use of the multilateral system. Obtained on April 7 2021 from <https://stats.oecd.org/Index.aspx?DataSetCode=MULTISYSTEM>*.

⁸ Due to the updating of statistics in the OECD database, access to data for 2016–2019 is not possible

Access to detailed data on the structure of the use of individual forms, implemented projects and programs, and specific donor declarations regarding the adopted priorities turns out to be problematic. The OECD, as an institution administering development aid data, does not require presenting them in such a detailed manner, and the United Kingdom provides fairly general reports on its website. For these reasons, the further part of the chapter presents data on bilateral aid (with reference to the sectoral structure) and multilateral aid, taking into account the existing limitations.

Bilateral aid is aid provided by donors to recipient governments. This may be at the level of the government or special government agencies. Bilateral aid is the primary and basic form of providing development aid (Kopiński, 2011, p. 19). Examination of the structure of bilateral aid allows for checking whether sectors referring to the MDGs are actually those where the most funds go.

Over 20 years, the United Kingdom has allocated over USD 139 billion to bilateral aid. The largest share of this amount was allocated to social infrastructure and services (almost 41% of the total). Humanitarian aid accounted for 12%, debt relief for developing countries 7%, and the value of economic infrastructure amounted to 9%. Relatively the least was allocated to commodity aid (4%). The implementation of projects and programs in the field of social and economic infrastructure directly relates to the Millennium Development Goals implemented in 2000–2015. Unspecified expenditure accounted for 13% of all bilateral aid. Without the implementation of interdisciplinary projects, it is impossible to achieve economic and social development. Indefinite expenditure is more difficult to test in terms of efficiency of use, but necessary to improve the living conditions of the population of developing countries. The needs vary depending on the region where the UK directs its resources, but it is precisely thanks to a differentiated approach that it is able to influence the aspects requiring support in each of the places of assistance.

If the aid is delivered to the recipient country through an international organization, such aid is referred to as multilateral aid. It should be emphasized that the British are one of the few post-colonial donors

who support developing countries through international institutions⁹ to such a wide extent (1/3 of the total aid). Due to limitations in access to data, Table 5 presents partial results in the field of British multilateral aid.

In 2011–2015, over USD 12 billion was allocated to British multilateral aid. Most of this amount was distributed through the United Nations (42%) and the World Bank (34%). A clear priority within British funds is given to the International Bank for Reconstruction and Development, which is responsible for 32% of aid funds (i.e. it has almost all British multilateral aid under the World Bank). Regional development banks, such as the African Development Bank, receive a total of 3% of multilateral funding. The EU institutions and the International Monetary Fund each distribute only one percent of UK multilateral aid.

The British also make extensive use of food and humanitarian aid. Both of these forms of aid are controversial because they make governments of developing countries dependent on foreign aid and, moreover, do not motivate to make changes in the state. Much of the aid goes to mitigating the effects of natural disasters, and not necessarily to prevention and early warning systems. While such distribution is questionable, in the face of tragedies such as the Syrian civil war and the Yemen famine, it is difficult to agree that other forms of development aid should be minimized.

To sum up, Great Britain, as one of the main donors of development aid, is an important player on the international stage. Its development commitments influence the shape of international development policy. It is worth noting that the amount of aid provided as well as the adopted geographic and sectoral structure are influenced by the current economic, political and social events. The British, historically speaking, engaged in helping their colonies and from the beginning of the 20th century they supported the countries included in the global South. Despite the decolonization process, relations with the former British colonies are still alive – both in terms of trade and aid. Many British colonies can be found among the largest recipients of British aid. It is worth noting

⁹ In the years 2000–2015, Great Britain supported 38 different international institutions through which it provided development aid (Rabczun, 2020, pp. 107–109).

that the United Kingdom uses a different strategy of selecting aid recipient countries depending on the geographic region where the funds are allocated. The sector strategy implemented in the years 2000–2015, expressed through the use of specific forms of aid, shows the significant commitment of Great Britain to the achievement of the Millennium Development Goals in developing countries. The budget for social infrastructure (which includes, among others, the education and health sectors) has dominated other areas. In terms of multilateral aid, there is a clear preference for the agencies of the United Nations and the World Bank. It is significant that even before Brexit, the British provided only 1% of their aid through the EU institutions.

Chapter VI

France's development assistance

Katarzyna Świerczyńska

6.1. Conditions of the France's development aid

From the perspective of sixty years of functioning of the development aid system, it is worth reflecting on its global perspective (its mechanism and evolution) and conducting case studies (on providing the aid). The fundamental contribution to research on development aid is the assessment of its impact on recipients (Papanek, 1972; Radelet et al., 2004; Duflo et al., 2009). In addition to the issue of aid effectiveness, research on the motivation of donors and the quality of development aid they provide is also an interesting topic in the development economics discourse (Boone, 1996; Easterly, 2009). In this context it is interesting to look at development aid donors and the mechanisms governing distribution of funds representing an average of 9% of GNP in low-income countries (WDI, 2021). In this chapter the case of France, i.e. one of the biggest donors of development aid since its constitution as part of the decolonization process, is being analyzed.

France can be classified as the country with the so-called traditional model of providing aid (see Andrzejczak, 2014). It is characterized by many years of experience and relatively high volume of development aid. As a general rule, it has strong political, economic and cultural ties with the recipient countries. For many years French aid was tied (as regulated

by economic agreements), and then conditional, i.e. it required the beneficiaries to conduct reforms towards democratization and a free market (nowadays, at least formally, these solutions are being abandoned). The tied aid constitutes about 2% of all bilateral aid (OECD, 2021). France is considered to be one of the donors that treat recipients paternalistically, imposing its own institutional patterns upon them. Historical problems of the French system include the phenomenon of acculturation and diffusion of culture, through which the French dominated societies of the colonies, for example by imposing the French language. In turn, the domination in the field of infrastructure investments for many years promoted and strengthened the position of French entrepreneurs, e.g. providers of telecommunications services, infrastructure construction, and power industry.

Among the basic determinants of France's development policy are historical, political, economic and social factors specific to it, which will be developed in further sections of the chapter. Nevertheless, at the outset it is also worth mentioning the meta factors, important from the point of view of the entire development aid system, which affect all aid donors, including France. The first one is the criticism of development assistance resulting from both scientific research and, to some extent, public opinion assessment, especially in recipient countries. The second one is the subjective change in the development aid system, which forced the evolution of individual participants and the system itself.

Many studies question positive motivation of the donors as the real reason for providing aid. In a famous publication, Easterly (2009) contrasted the dominant 'transformational' approach (the West comprehensively saves low-income countries) to the occasional changes in the 'marginal' approach (the West takes one small step at a time to help individual communities), criticizing both. Doucouliagos and Paldam (2013) argue that economic growth influences donor's decisions rather than providing aid influences economic growth¹. Dysfunctions on the

¹ The role and effectiveness of development aid were questioned as a result of the economic consequences of the oil crisis of the 1970s, against the backdrop of the failure of the structural adjustment policy of the African continent in the 1980s, civil wars and

donors' side are even considered to be the root cause of ineffectiveness of the development cooperation system (Siplice, 2014)².

The researchers' critical approach can be considered as an assistance factor in a very real sense in the case of France which made the 2019 Nobel Prize laureate E. Duflo (representing marginalized researchers) chairwoman of the Development Innovation Fund mentioned in chapter 3.4. (FID, Fonds d'innovation pour le développement). Influence of the public opinion affects France inasmuch as – as will be further argued – France, beginning with the presidency of F. Mitterrand, started to change, in the political sphere, the rhetoric of actions in the field of development aid and made an attempt to renew its own image. To a large extent, the successive presidents of the Republic: J. Chirac, N. Sarkozy and F. Hollande declared a new approach of France aimed at cutting it off from the colonial past. President E. Macron, visiting Côte d'Ivoire in 2019, described it as “the Republic's mistake” and announced the end of the CFA franc zone (which has not yet happened). These declarations did not prevent France from importing tax-free uranium from Niger until 2014.

The second important meta-factor of contemporary French development assistance are the changes in the development cooperation system that took place after the year 2000 (see Kragelund, 2008; Eyben, 2012). The crisis of the 1990s in developing countries, especially in sub-Saharan Africa, made it necessary to renew the idea of aid, starting with the Millennium Declaration. The importance of aid from middle-income countries such as China, India, and Brazil has increased (Kim et al., 2011)³.

attack, often involving political aid donors, that were tormenting many countries with particular force in the 1990s, as a result of growing debt, the number of citizens living below the poverty line, as well as a general low level of economic development, lack of public institutions and corruption related to aid (Deszczyński, 2011a).

² Development aid as a concept has its justification in the success of the post-war Marshall Plan in Europe. However, the Marshall Plan – although considered a success – was used not only to implement the plan for the reconstruction of post-war Europe, but also to build an anti-Soviet party on the continent. The use of the same concept in African countries was in fact a natural sequence of things after decolonization and was also one of the elements of the bipolar relations of world powers (Williams, 2014).

³ Importantly, the value of these countries' assistance is not included in the databases of international organizations and is available only as an estimate provided by research

Government organizations have ceased to be classified as the only important donors, as more and more funds for aid are provided under the initiatives of private organizations, such as the Bill & Melinda Gates Foundation (especially in the health sector). Countries such as France, which had dominated the development cooperation system for years, faced new challenges. The structure of development relations known in the 20th century and shaped within the Development Assistance Committee (DAC) under the Organization for Economic Cooperation and Development (OECD), the World Bank, and the International Monetary Fund was replaced by a system much more complex and governed by different laws (Gore, 2013). Development policy is no longer limited to the traditional goals promoted by DAC members, such as democratization and introduction of free market economy institutions. It has been extended to include, *inter alia*, the context of social solidarity and protection of shared resources (Deszczyński, 2015). On the other hand, given the benefits of providing aid (e.g. access to contracts, concessions), donors began to compete with each other for political favor in often authoritarian and corrupt developing countries.

6.2. The Institutional structure of the French development aid

The criticism of French development aid is largely based on the assumption that help is in fact an instrument to implement French interests and, as a consequence, does not support economic development. Such an interpretation of assistance in the 20th century was supported by the concept of neocolonialism, i.e. treating the actions of post-colonial metropolises, especially in sub-Saharan Africa, as further exploitation of resources by countries such as France using political and economic advantage (Świerczyńska, 2019). Because of that, since the end of the 20th century, initiatives have been made to change the nature of the development cooperation system to be more recipient-oriented. In the international context, it is primarily about the Millenium Declaration of 2000, Paris

institutes (see JICA, 2021). Therefore, it is difficult to compare activities of traditional and new aid donors.

Declaration of 2005, Acra Declaration of 2008, Forum in Busan in 2014 and Nairobi in 2016, as well as the Sustainable Development Goals (the 2030 Agenda) of 2015, and the obligations for international aid donors that result from them. France is a signatory of these international declarations.

Within the framework of France's internal policy, strategic goals and directions are set out in The Orientation and Programming Law on Development and International Solidarity Policy (LOP-DSI, act no 2014–773), approved on 7 July 2014, as well as subsequent recommendations of the Interministerial Committee for International Cooperation and Development (Comité interministériel de la coopération internationale et du développement, CICID) chaired by the Prime Minister, gathering ministers competent for international solidarity. CICID can be considered the most important body coordinating development policy and responsible for setting its priorities and evaluation methods. It cooperates, among others, with the National Council for Development and International Solidarity, the French Development Agency, and the recently established Fund for Innovation in Development, referred to in chapter 3.4.

In the light of the Orientation and Programming Law of 2014, France recognizes the role and complementarity of all actors involved in development policy and international solidarity, in particular local authorities, civil society organizations and enterprises. The National Council for International Development and Solidarity, which includes, *inter alia*, the minister responsible for development, has the task of enabling regular consultations between various entities responsible for development and international solidarity on the goals, directions, coherence and resources of French development policy. It is worth noting that the act implies the role of companies whose participation in development policy is understood as establishing and conducting activities in partner countries in priority sectors of intervention, such as health, agriculture, regional development, environment and energy, water and sewage. Subsequently, the activities aimed at contributing to the development of these countries are mentioned. Important executive bodies of the aid system include the French Development Agency (Agence française de développement, AFD) which is empowered to manage financial resources available in the

form of economic modernization funds, specific contracts and other legal forms; public and private funds in the framework of operations financed by the European Union, international institutions or organizations, public authorities, credit institutions and development banks, as well as public or private institutions. Its competences also include delegating the power to manage funds in the framework of development aid on the basis of concluded agreements. Within the AFD group, the financing of private sector entities is handled by the subsidiary – PROPARCO. According to AFD data, in 2019 it operated through a network of 85 agencies around the world, financing and monitoring approx. 4,000 projects and development programs.

Among the important assumptions of the Act of 2014 was the introduction of the principles of evaluating development policy. The government was required to submit a report summarizing the activities of France to the standing committees of the National Assembly and the Senate, the National Council for Development and International Solidarity and the National Commission for Decentralized Cooperation every two years. The reports are to include, in particular, a summary of the evaluation of activities, the methods of using development policy and international solidarity instruments, a comparison of the forms of financing aid (donations and loans), as well as the AFD activities and its results. The report also includes multilateral activities within European and international organizations. The report is a subject of public debate in the National Assembly and the Senate. On the one hand, such provisions of the Act should be assessed favorably due to the determination of the frequency of evaluation, on the other hand, its general nature may lead to a very cursory approach to the actual achievement of the intended goals.

It is worth noting that, regardless of the formal evaluation of the institutional side of the system, which seems to meet the expectations of potential recipients, one of the characteristics of French aid is its volatility in respect of prioritization. The four main development policy challenges identified in the previous strategy, i.e.: promoting peace, stability, human rights and gender equality (1), equality, social justice and human resource development (2), sustainable economic development and employment (3), preserving global public goods (4) (cf. MAE, 2015), were replaced in

February 2018 by CICID with new 5 main priorities. Strategic priorities now include: international stability (1); education (2); climate (3); equality between women and men (4); health (5) (Diplomatie, 2021). Such changes are not entirely convincing, given the type of goals set and the need for many years of commitment, assuming that they would be achieved. On the other hand, their convergence suggests that changes are perhaps made for political and image related rather than practical reasons.

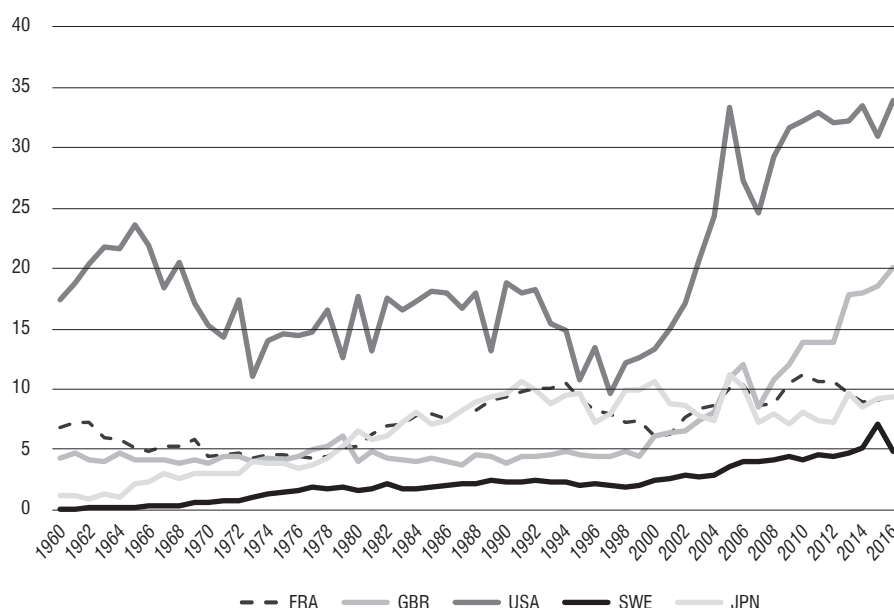


Figure 1. ODA value as percentage of GNP of major donors in 1960–2016

Source: own study based on WDI data, 2021, accessed on 02/04/2021.

Abbreviations: FRA – France, GBR – Great Britain, USA – United States, SWE – Sweden, JPN – Japan

The proof of France's activity in formulating new political aims is the draft law on the development of solidarity and combating inequalities in the world, which was presented by the Minister for Europe and Foreign Affairs J.Y. Le Driana at the National Assembly on February 17, 2021. It is supposed to replace the law of 2014. France once again pledges to increase its share of development aid commitment to GNP to 0.55% in 2022, up from 0.44% today. In accordance with the text of the law adopted by the National Assembly, France will aim to achieve 0.7% of GNP

allocated to ODA in 2025. Taking into account that the target of 0.7 was set in the 1960s and that France repeatedly declared to increase the level of its so-called donor generosity, in the light of the data presented in Fig. 1 this obligation should be taken with caution. Countries such as Sweden, which is one of the donors with the highest share of aid in GNP, or the United Kingdom, which undertook a significant increase in the share of aid after the financial crisis, constitute a benchmark for French actions (cf. Fig. 1). In the declarative sphere, the substantive goal of the new act is to use new methods and focus on the most needy recipients. This is an important plan, especially in view of the allocation of French development aid funds to date, discussed in the next section. A relatively new element in the French declarations is the focus on the preservation of global public goods (climate) alongside traditional priorities, i.e. investment in education and health (cf. *Diplomatie*, 2021).

6.3. The geographic structure of France's development aid

The development cooperation system, understood as the entirety of political, social and economic relations connected to flows in the form of development aid and the resulting balance of mutual connections and interests, is subject to dynamic changes. Given that, in line with the assumptions of the humanistic interpretation, that rational individuals undertake such actions that, on the basis of their knowledge, experience and values, lead to the achievement of the intended goals (Kmita, 1999), the analysis of actual aid flows may constitute the basis for determining the actual motivation of the donor, e.g. France (Andrzejczak & Kliber, 2015). Nowadays, international flows of development aid from developed to developing countries amount to approx. EUR 130 billion (in 2019; see EC, 2020)⁴. More than half of this volume is provided by EU countries, and France ranks as the fifth largest donor, providing approximately EUR 10 billion annually to recipient countries from the OECD DAC list (WDI, 2021; *Diplomatie*, 2021). Figure 2 shows the net value of

⁴ Each time, a data source is provided that allows to verify the methodology adopted when generating data in the form of reports.

French development aid in billions of USD (const. 2015) compared to other major donors.

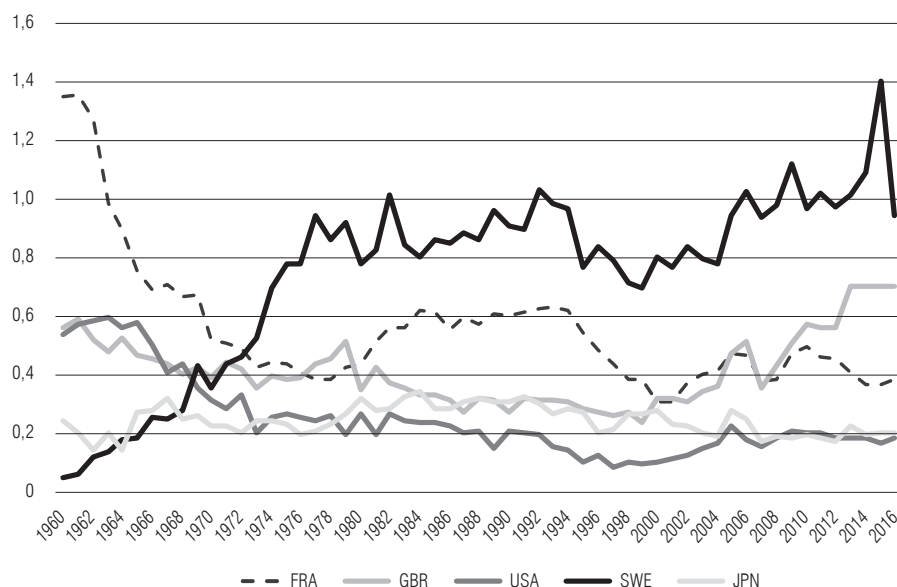


Figure 2. ODA value of major donors in 1960–2016

Source: own study based on WDI data, 2021, accessed on 02/04/2021.

Abbreviations: FRA – France, GBR – Great Britain, USA – United States, SWE – Sweden, JPN – Japan

Taking into account the absolute value of aid provided to developing countries, the perspective of France's activities should be presented in two sub-periods, the turning point of which is the year 2000. In 2000, territories dependent on France, i.e. New Caledonia and French Polynesia, were removed from the DAC list of developing countries, i.e. formal recipients of development aid. This significantly contributed to the decrease in the total volume of the aid in 2001. French involvement has hardly ever returned to that level. This gives a picture of the scale of the share of aid for the two dependent territories in relation to all recipients and clear preferences in terms of geographic, and in fact political, involvement of France in development aid.

According to the World Bank data, the poorest countries (Least Developed Countries) receive aid worth about 0.04% of France's GNP (Fig. 3).

Although declarations regarding the latest act include both an increase in the share of aid in relation to GNP and an increase in aid to the poorest countries, these declarations are repeated, and the volume of French aid is not subject to significant changes. The value of aid to the poorest countries accounts for only a tenth of total aid, and this share has generally been declining in the last decade, rather than increasing as for other donors (see Fig. 3).

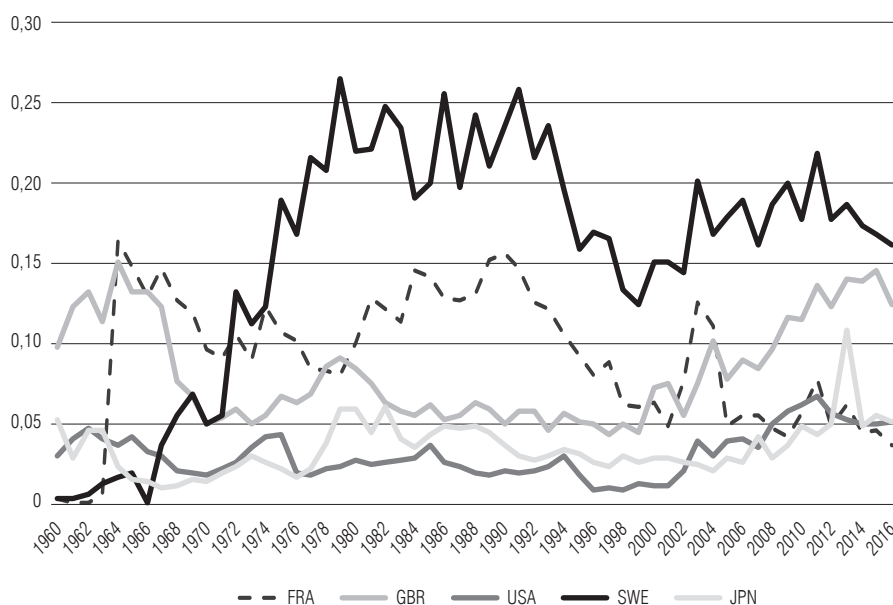


Figure 3. Low Income Countries ODA as % of Major Donors' GNP in 1960–2016

Source: own studies based on WDI data, 2021, accessed on 02/04/2021.

Abbreviations: FRA – France, GBR – Great Britain, USA – United States, SWE – Sweden, JPN – Japan

Geographically, the largest beneficiaries of French aid are African countries, receiving 43% of French aid (data for 2019), followed by Asian countries.⁵ Prioritizing francophone territories is a constant feature of French development aid. The list of strategic and priority recipients (or – according to the nomenclature used in France – partners) of French aid is

⁵ In Latin America Mexico, Colombia, Dominican Republic and Haiti are the leaders, and in Asia – Vietnam, Indonesia and India.

revised every few years. The current 2018 list differs from the previous one by including Gambia, and contains the following countries in addition to it: Benin, Burkina Faso, Burundi, Djibouti, Ethiopia, Comoros, Ghana, Guinea, Madagascar, Mali, Mauritania, Niger, Central African Republic, Democratic Republic of Congo, Chad, Togo, Senegal (MAE, 2015; Diplomatie, 2021). Significantly, only three of these countries are not former French colonies. Interesting in the context of these data is also the fact that, on average, in the years 2000–2019, the largest recipient among the countries of North Africa was Morocco, and among the countries of sub-Saharan Africa – Cameroon and Côte d'Ivoire, countries from outside the list (on average around USD 230 million CPA per year). This raises doubts in the context of the instrumentalisation of France's development policy, since it does not implement its own declared priorities.

In order to assess the geographic structure of France's aid, it is worth referring to the results of previous studies. They stated that although the issues raised in the sphere of the postulates of French foreign policy concern mainly development and combating poverty, the structure of recipients of French development aid largely depends on the common colonial past, the abundance of energy sources (oil, gas, uranium), the level of migration and bilateral trade (Andrzejczak & Kliber, 2015). The analysis of statistical data for the period 2001–2012 allowed to conclude that the former French colonies receive significantly more development aid than the countries which are not the former colonies. The amount of French aid also depends on current events. In the case of former colonies, there are also clear connection with the amount of foreign direct investment. In the case of countries not associated with French colonialism in the past, significantly lower values of the granted co-financing were found (Andrzejczak & Kliber, 2015).

6.4. Forms of development aid in France

The need for changes in French development aid concerns not only its geographic structure, but also its forms. It is related, *inter alia*, with the growing importance of new participants in the development aid system (countries that do not have a colonial past, but engage in aid – the

so-called generous donors from Scandinavia and Benelux and new BRIC donors) and with initiatives to improve the effectiveness of actions taken, e.g. under the Paris Declaration and Sustainable Development Goals (see Kragelund, 2008). The need to increase expenditure on multilateral aid was already reported in the 1990s. In the case of France, the share of multilateral aid estimated on the basis of OECD data for 2019 is 38% of total ODA (Fig. 4).⁶ It increased significantly, especially after 2013, when the importance of actions related to debt relieving of developing countries decreased. The value of funds for multilateral aid is increased by France from around USD 2 billion in 2000 to around USD 4–5 billion in 2018–2019 (in constant prices for 2018). Most of France's multilateral aid is channeled through the EU, in which France plays an important political role. Countries such as China, India and Brazil are a real competition for the previously unthreatened interests of developed countries that are, at the same time, donors of aid in Africa. France's competition with China in the countries of sub-Saharan Africa concerns not only access to public investment, but also financing education and research programs, e.g. in agriculture (see Andrzejczak, 2017; Świerczyńska, 2019). The increase in foreign direct investment, especially from China, accompanied by the implementation of aid initiatives, changed the relationship with former metropolises and the Western countries in general (Babaci-Wilhite, Geo-JaJa & Shizhou, 2013). The nature of Chinese aid, provided mainly in the form of projects and long-term investment loans (donation share, aid tying), is unknown to the OECD (Brautigam, 2011).

France, which under *Françafrique* policy maintained an unwavering position as an investor and advisor, especially in its former colonies, since the beginning of the 21st century has lost some of its influence to countries of the South – politically uncompromised and using partnership

⁶ In the context of the postulate of increasing involvement in multilateral aid, it is assumed that donors representing groups of states do not pursue particular national interests (McEwan and Mawdsley, 2012). This does not change the fact that the balance of power within organizations providing aid is dominated by the countries of Western culture, and in this sense, multilateral aid does not break away from its institutional roots, and in a social and cultural sense is associated with the countries of traditional donors from the point of view of recipients.

diplomacy, and above all, not pushing for the democratization. These factors force changes in the forms of providing development aid.

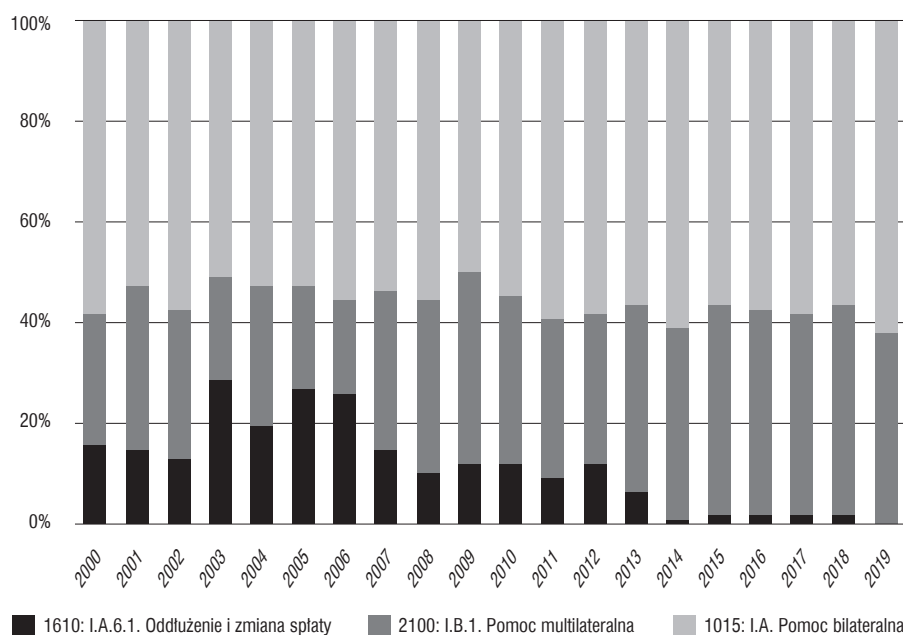


Figure 4. Share of bilateral aid, multilateral aid and debt measures in French development aid in 2000–2019 in million USD (const. 2018)

Source: own study based on OECD.stat, 2021.

As mentioned earlier, France uses the term “aid partner” to deviate from the concept of aid recipient. This is related to, inter alia, initiatives of new forms of assistance within the methods of using the funds determined jointly with the “recipient”. What is worth mentioning as part of the DAC is the attempt to change the scope of instruments and forms of aid by introducing in 2007 the concept of programmable aid (Country Programmable Aid, CPA) and undertaking reporting on ODA activities in the context of the implementation of the international goals mentioned before.⁷ In the case of France, the aid qualified as CPA is worth nearly

⁷ National Programmable Aid (CPA) is the part of the assistance which providers can program for specific countries or regions and on which partner countries can have a significant impact. Developed in 2007, the CPA is more closely related to the aid

USD 6 billion (const. 2017), i.e. roughly half of France's ODA (OECD, 2021), of which USD 2.9 billion of CPA aid goes to African countries, and USD 1.6 billion USD to Asian countries.

As part of France's bilateral development aid, the form of project aid (on average USD 2.6 billion) is dominant. Traditionally, technical (and expert) assistance, as well as funding for scholarships and students, are also included in the constant and important flows within the framework of French instruments. Both of these forms are characteristic of French activities in partner countries and had an average value of nearly USD 1 billion per year in 2010–2019. Technical aid is often related to the implementation of projects and investments, while scholarships and student exchanges are related to the traditional goals of activities promoting the French language by the Francophonie. The funding provided by France to the social services (education and health) sector has always exceeded aid to the manufacturing and economic services sectors and cross-sectoral assistance. The share of budget aid, as shown by the data from the last decade, is uneven and the increase of funds is incidental (Fig. 5). In turn, aid agreed with the recipient, under which the donor relinquishes sole control over his funds, sharing responsibility with other stakeholders (other donors, NGOs, multilateral institutions, public-private partnerships) accounts for a small share in the volume of French aid (approx. USD 150 million annually). It can be concluded that France is trying to maintain control over ODA funds.

The most recent forms of French aid include the Fund for Innovation in Development, FID, established by the Presidential Development Council in 2020. This new mechanism is used to award grants for various stages of innovation development, including grants in the form of the so-called quick withdrawals, also in low amounts. Its objective is to reduce the risk associated with innovation and to support the so-called “break-through” innovations (increasing citizens' access to everyday services in a situation of exclusion by, inter alia, lowering their prices). The catalog of potential recipients is wide (research institutions, governments, NGOs,

that goes to partner countries than the concept of Official Development Assistance (ODA) (OECD, 2021).

companies, etc.) and includes cooperation between science and business. The fund encourages the submission of proposals on the priority themes of French aid. The FID is institutionally linked to the AFD, but has an independent budget of EUR 15 million, which is in fact a marginal part of French aid.

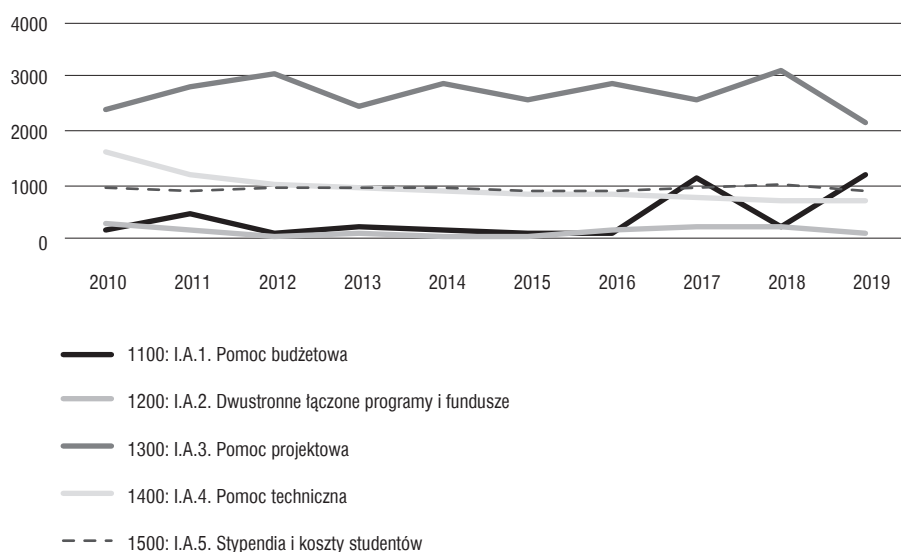


Figure 5. Basic forms of French development aid in 2000–2019 in million USD (const. 2018)

Source: own study based on OECD data, 2021.

France, as a member of the EU, belongs to the group of countries which according to many researchers are guided in their development policy primarily by the desire to expand their own relative advantage in international relations (Andrzejczak & Kliber, 2015). This perception of French actions is set in the difficult context of France's long-term relations, especially with African countries, but also in the context of actual aid activities (see Figures 1–3). Colonial sovereignty, formally ending with the decolonization of Africa, gave way to the economic and political dependence of the former colonies on the structure of cultural and trade agreements. France launched the *Françafrique* strategy, traditionally carried out by the presidential environment under the so-called *cellule africaine*, the objective of which was to provide a resources supply for

the domestic market and a sales market for French companies, as well as to maintain political influence. Unsettled French actions, both related to the decolonization period (e.g. the war in Algeria) and later ones (e.g. the circumstances of the Rwandan genocide), cast a shadow on virtually every form of cooperation also today. In addition to achieving economic goals, development aid allowed France to maintain the role of an important player in the international arena in the face of the bipolarization of influence between the Eastern and Western powers (Deszczyński, 2011). Today, the context of development aid is the war against terrorism, attempts to maintain a balance of power and stabilize international peace, the growing importance of China in the international arena, as well as global crises: after 2008 financial, after 2020 caused by a pandemic, and above all – climate-related.

In this chapter, by analyzing the conditions and institutional environment of French aid on the one hand, and the decomposition of its geographic structure and forms on the other, an attempt was made to answer the question to what extent France transfers it to induce economic development of recipients, and to what extent it implements its short- and long-term foreign policy goals. Following the changes and obligations of French aid, published on government websites for over a decade, it can be noticed that the methods of generating messages are changing, declarations are renewed, and comparing them with OECD data does not lead to conclusions that the normative sphere influences the actual one. Summing up, it should be stated that one of the key players first in colonialism, and then in the development aid system, seems to consistently subordinate the current narrative and practice of development aid to the pursued foreign policy goals. The adjustments made in the system – which should be perceived and assessed rather positively – do not, however, constitute a premise for concluding that France has unequivocally abandoned its neo-colonial policy.

Chapter VII

Development policy of the European Union

Filip Kaczmarek

Representatives of the European Union often emphasize that it is the largest donor of development assistance in the world. This statement is confirmed when the sum of the ODA expenditure of the EU and the Member States is taken into account. The Union is also characterized by global ambitions that would be difficult to justify if the EU had not cooperated with most countries in the world, including countries with different levels of development. Due to the fact that these ambitions concern the normative dimension, they are realized with the help of soft power tools. One of these tools is programming and financing of development projects. Research indicates a relationship between the amount of development aid provided and the reputation of a given country in the international arena (Leszczyński, 2017, p. 94).

The EU's development policy is based on treaties, although it is included in the so-called shared competences (between the Union and the Member States). At the same time, it was expressly stipulated that the exercise of these competences by the EU "shall not result in Member States being prevented from exercising their competences" (TFEU Art. 4 (4)). The most important goals of the EU's development policy are also set out in the treaties. The implementation of these goals and the Union's activity in the area of development policy are consistent with the attitude of EU

citizens towards development aid, which is clearly positive. In mid-2019, 86% of respondents considered helping people in developing countries “important” (Special Eurobarometer 2019).

Development is a complex phenomenon with many interdependencies. Conditions for development are endogenous and exogenous and concern many different areas: economic, political, social, historical, natural and cultural. That is why, for years, research on development has been conducted in many scientific disciplines – economics, political science, sociology, history, law and pedagogy, philosophy, anthropology, geography, and psychology. As a result, the development discourse must have an interdisciplinary dimension. In the case of development research, Immanuel Wallerstein, who argues that the division into disciplines is an obstacle, not a facilitator, in understanding the world (2007), is correct.

Development is such an important goal of human activity that even theories alternative to the hitherto interpretations of development apply to it. For example, the postgrowth concept, based on a critical analysis of the Eurocentric approach to development and assuming that “the «idea» of development was a political meta-narrative which constituted a Western project of intervention and reflected the interests of its practitioners” (Payne, Phillips, 2010, p. 138). Representatives of the EU institutions implementing development policy are aware of the interdisciplinary nature of development and try to monitor both theoretical reflection and empirical research analyzing the broadly understood development and effects of development aid. However, the practice of EU action in the field of assistance to developing countries is changing slowly and gradually.

7.1. Conditions of the EU development policy

The development policy of the European Union depends on many factors. The Union is an international organization of a *sui generis* character, specific and – because of this fact – difficult to compare with other entities. One of the typologies that can be used to analyze the determinants of development policy is their division into factors resulting from the

concept of sustainable development, i.e. economic, social and environmental. The cross-cutting element that permeates all the others is the political factor in conjunction with the legal conditions.

In the individual dimension, one of the main motives for providing aid, including development aid, is cognitive dissonance. The theory of cognitive dissonance is a concept in the field of social psychology (Festinger, 1957) relating to unpleasant mental tension. Its source is the appearance of two incompatible cognitive elements. Cognitive dissonance can have various causes. One of them is, for example, the awareness of inconsistency that a person experiences when confronted with a situation that requires – in his opinion – reaction, e.g. meeting a hungry child (Carr, Eilish & MacLachlan, 1998). Such a situation reveals the incompatibility of the reality with the human notion of the expected world order, which should be universal. The occurrence of such a state leads to motivational tension and starts the process of reducing the observed and discomforting inconsistency in which a person tries to restore the coherence of their value system. Providing aid is a form of redistribution aimed at reducing dissonance and tension.

In the case of Europeans, an additional factor that strengthens the need to reduce cognitive dissonance through help is the conviction, or at least the doubt, about the responsibility for the current state of the world order. Are the present poverty, underdevelopment, and instability in many parts of the world not a derivative of the actions of European countries undertaken in the past, especially during the colonial period? Additionally, Europeans are convinced that the values promoted by the European Union are universal. If so, then the values – as summarized in the Charter of Fundamental Rights – apply to all people. And values such as: human dignity, the right to life, the right to freedom and security, equality and solidarity practically exclude the possibility of being passive in the face of extreme poverty in the world. In democratic systems – and democracy is a condition for EU membership – the feelings of citizens may have an impact on the decisions of the rulers, taking into account the public opinion. All the more so when citizens perceive that taking specific actions or supporting such actions is their moral obligation, based on religious beliefs or based on secular humanism.

In the case of countries and international organizations, the direct motive for the actions taken is not cognitive dissonance, but economic or political goals. Economic goals are most often realized by generating support mechanisms for one's own economy – stimulating one's own production and employment or gaining access to markets and resources. The European Union is not in favor of “tied” aid that brings direct economic benefits to the donor while reducing its effectiveness. However, there are more subtle forms of using development aid to achieve one's own economic goals (Kaczmarek, 2018, p. 40). The political motives of the EU's development policy are clearly visible: ensuring external security, primarily by increasing the stability of neighboring countries; limiting extremism and terrorism; reducing migratory pressure; disseminating values important for the EU and gaining influence on the policy of countries that benefit from European aid.

The political will of the member states had a major impact on the legal environment. For the first time, EU development policy was regulated by the treaty and was included in the co-decision procedure in the *Maastricht Treaty* (1992). Previously, the role of the European Parliament was limited to giving opinions on development policy. Thanks to the treaty changes, the Parliament has gained the opportunity to actually influence the legislative proposals of the European Commission. This trend was confirmed in the *Treaty of Lisbon*. Art. 209 paragraph 1 TFEU states that “The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall adopt the measures necessary for the implementation of development cooperation policy” (*Treaty on the Functioning*). Parliament's influence on development policy decisions was much greater than in some other foreign policy areas not covered by the ordinary legislative procedure (Kaczmarek, 2021).

Relations between the EU and its Member States remain more complicated. The *Maastricht Treaty* did not resolve in what specific way competences in the field of development policy were to be “divided” between the Member States and the EU institutions. This was not done in the *Lisbon Treaty* either. Art. 208(1) states only: “The Union's development cooperation policy and that of the Member States complement and reinforce each other.” (*Treaty on functioning*). Only a minimum of

coordination and consultation has been established: “In order to promote the complementarity and efficiency of their action, the Union and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes (...)” (TFEU Art. 210 (1)). In practice, such measures are not easy to implement.

The objectives of development cooperation have been defined more precisely. The catalog of objectives of external actions, defined in the Treaty on the European Union, lists, *inter alia*, “fostering the sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty” (TEU Article 21(2d)). In turn, in TFEU it is stated that: “Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty” (TFEU Art. 208(1)) and that “the Union and the Member States shall comply with the commitments and take account of the objectives they have approved in the context of the United Nations and other competent international organisations.” (TFEU Art. 208(2)). As a consequence, the main reference point for the EU was first the Millennium Development Goals (2000–2015) and now the Sustainable Development Goals (2015–2030).

The goals formulated in this way indicate the global determinants of the EU development policy. The scale of poverty and underdevelopment is still large and – as a result of the COVID-19 pandemic – will increase (Kaczmarek, 2021). In order to remain in line with the values to which the Union is attached, the planned eradication of poverty cannot be limited to any group of countries or regions. This would undermine the axiological and normative foundations of the Union. The need to make the EU’s development policy global is also due to the adoption of the concept of sustainable development and the Union’s ambition to be a political leader in combating climate change. A prerequisite for the effectiveness of climate protection policy is to give it a global dimension and to program (and implement) the development of the least developed countries in such a way that will not be contrary to the climate goals. Consequently, any development program that requires changes in energy, production or agriculture must be analyzed in the context of “sustainability” and its impact on the climate. This approach raises concerns in many

developing countries, for which the priority is economic development, and not climate policy (Kaczmarek, 2018, p. 53).

The actions of the EU are also subject to geopolitical conditions. One of the countries whose policy is becoming increasingly important for everyone involved in development aid is China (Kaczmarek 2019), undertaking various initiatives in developing countries. China has already become the most important political and economic partner of the poorest region in the world – Africa. China's policy towards developing countries is fundamentally different from that of the EU in this respect. The source of the problems is, among others, the fact that China – like the EU – has normative ambitions, externalized e.g. by attempts to build a global management model alternative to universalism (Nuo et al., 2019, p. 65). For the EU, this means that a rival with great potential has emerged in development policy, with its own vision, promoting different values, not burdened by the colonial past and perceived by some developing countries as an attractive partner.

7.2. The institutional structure of the EU's assistance for developing countries

Due to the treaty-based nature of the development policy, the institutional architecture of the EU in this area is complex. Development policy is dealt with by all key EU institutions – the European Council, the Council of the European Union, the European Parliament, the European Commission, the European Court of Auditors, as well as a special service – the European External Action Service (EEAS), supporting the High Representative of the Union for Foreign Affairs and Security Policy and the European Investment Bank (EIB) (Deszczyński, 2011b, pp. 301–315). The decision-making system in the case of development policy is similar to the mechanisms used in other areas of “shared” competences.

The European Council defines the overall political orientations and priorities. Development policy is not the most important policy of the EU, but is sometimes subject to the work of the European Council or taken into account in the broader context of the EU's international role. For example, in June 2019 it adopted the New Strategic Program for

2019–2024, which stated, inter alia: “The EU will use its influence to lead the response to global challenges, by showing the way forward in the fight against climate change, promoting sustainable development and implementing the 2030 Agenda, and cooperating with partner countries on migration.” (*Nowy program*, 2019). The Council also declares on behalf of the EU that it “will develop a comprehensive partnership with Africa. Together with global partners sharing our values, the EU will continue to work towards global peace and stability, and to promote democracy and human rights.” (*Nowy program*, 2019). One of the chapters in the conclusions of the October 2020 European Council meeting is devoted to the EU’s relations with Africa. The Council has repeatedly expressed its support for the 2030 Agenda for Sustainable Development (e.g. in its conclusions of June 2017, October 2018).

The Council of the European Union, known as the Council, is an inter-governmental institution with legislative and budgetary powers. In accordance with the treaties, the Council “defines” and coordinates various EU policies, including development policy. Its impact on this area is significant due to decision-making powers and participation in the legislative process. The body that prepares projects for the Council in the field of development policy is the Working Party on Development Cooperation (CODEV). The Council made an attempt to clarify the provisions of the treaties regarding complementarity. In 2007, at the request of the European Commission, it adopted the *Code of Conduct on Complementarity and Division of Labor in Development Policy*. In it, the recommendations, applied by the Member States on a voluntary basis, are formulated. The development policies of many Member States, however, are shaped to a greater extent by internal factors, such as national policy or historical conditions, and by international processes than by strategies adopted at the EU level.

The EU’s second legislative institution is the European Parliament. Parliament’s quantitative *acquis* in terms of development issues is significant. In the years 1958–2019, deputies adopted a total of 648 reports prepared by committees responsible for this area (Kaczmarek, 2021). In the recent terms of the European Parliament, the activity in this area was varied, as the number of legislative reports does not depend on the MEPs themselves, who are deprived of the classic legislative initiative.

Table 1. European Parliament reports on development policy

Term of office	Number of adopted reports
V (1999–2004)	62
VI (2004–2009)	42
VII (2009–2014)	47
VIII (2014–2019)	25

Source: own study based on the database of texts adopted by the European Parliament, <https://www.europarl.europa.eu/>.

The institution that performs executive and management functions in the EU is the European Commission (Deszczyński, 2011b, pp. 311–314). In the European Commission for the 2019–2024 term, no commissioner was entrusted with a department that – in its name – would directly refer to the term development. International cooperation and development policy are subject to the commissioner responsible for international partnerships, Jutta Urpilainen. The mission, entrusted to the Commissioner by Commission President Ursula von der Leyen, is very broad and takes into account the political priorities of the Commission. It includes, among others:

- developing a new comprehensive strategy with Africa (and on Africa);
- conclusion of negotiations with ACP countries on an ambitious post-Cotonou agreement;
- supporting efforts to achieve comprehensive partnerships with countries of migrants’ origin and transit;
- ensuring that Europe’s external financial assistance promotes the 2030 Agenda for Sustainable Development and the Sustainable Development Goals;
- ensuring that gender equality and the empowerment of women and girls are a top priority in international cooperation and development policy;
- focusing on supporting civil society around the world;
- ensuring that the full potential of the External Investment Plan is used to unlock private capital and investment (*President 2019*).

Regardless of the tasks assigned to J. Urpilainen, all other commissioners are to ensure the achievement of the Sustainable Development Goals within their policy areas, and the College (as a whole) is responsible for the overall achievement of these goals. The executive aspect of EU development policy is labor-intensive. The Directorate-General for International Cooperation and Development (DEVCO), which changed its name to the Directorate-General for International Partnerships (INT-PA) in January 2021, is the largest organizational unit of the European Commission in terms of number of employees, although the trend in the number of staff in this directorate is declining, which is interpreted as a decrease in the importance of this organizational unit (Orbie, 2020).

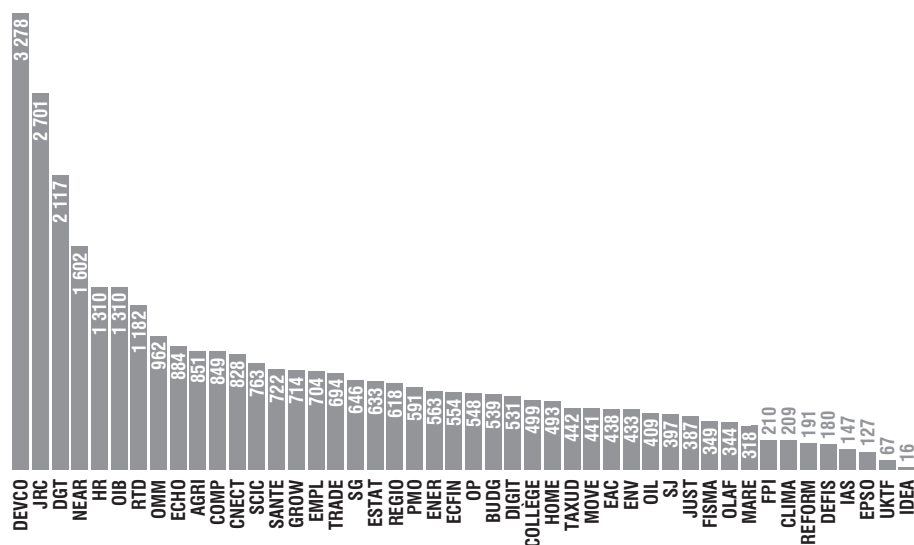


Figure 1. Number of employees in individual organizational units of the European Commission (as of October 1, 2020)

Source: European Commission: Facts and Figures, European Parliamentary Research Service, 2021.¹

¹ Abbreviations in Figure 1 – European Commission directorates-general and departments: AGRI – Agriculture and Rural Development, BUDG – Budget, CdP-OSP – Staff committees, CLIMA – Climate Action, CNECT – Communications Networks, Content and Technology, COLLÈGE – Commissioner’s private office staff, COMM – Communication, COMP – Competition, DEFIS – Defence Industry and Space, DEVCO – International Cooperation and Development, DGT – Translation, DIGIT – Informatics, EAC – Education and Culture, ECFIN – Economic

As early as in 2005, the Council, the Commission and Parliament elaborated on and solemnly adopted a joint declaration on development policies entitled *European Consensus on Development*. It was confirmed and amended in 2017. *The New European Consensus on Development* “*Our World, Our Dignity, Our Future*” adjusts the EU’s actions for sustainable development to the “2030 Agenda for Sustainable Development”. The scope of the consensus, and therefore the thematic scope of the document, is broad and covers: development, peace and security, humanitarian aid, migration, environment and climate, and cross-cutting issues such as: youth; gender equality; mobility and migration; sustainable energy and climate change; investment and trade; good governance, democracy, the rule of law and human rights; innovative commitment to work with more advanced developing countries, and the mobilization and use of domestic resources. The difference between the EU institutions in terms of development policy is the approach to the budget allocated for this purpose. In budget negotiations – in the context of development cooperation spending – the Commission and Parliament are generally more generous than the Council.

and Financial Affairs, ECHO – Humanitarian Aid and Civil Protection, EMPL – Employment, Social Affairs and Inclusion, ENER – Energy, ENV – Environment, EPSC – European Political Strategy Centre, EPSO – European Personnel Selection Office, ESTAT – Eurostat, FISMA – Financial Stability, Financial Services and Capital Markets Union, FPI – Service for Foreign Policy Instruments, GROW – Internal Market, Industry, Entrepreneurship and SMEs, HOME – Migration and Home Affairs, HR – Human Resources and Security, IAS – Internal Audit Service, IDEA – Inspire, Debate, Engage and Accelerate Action, JRC – Joint Research Centre, JUST – Justice and Consumers, MARE – Maritime Affairs and Fisheries, MOVE – Mobility and Transport, NEAR – Neighbourhood and Enlargement Negotiations, OIB – Infrastructure and Logistics – Brussels, OIL – Infrastructure and Logistics – Luxembourg, OLAF – European Anti-Fraud Office, OP – Publications Office, PMO – Office for Administration And Payment of Individual Entitlements, REGIO – Regional and Urban Policy, REFORM – Structural Reform Support, RTD – Research and Innovation, SANTE – Health and Food Safety, SCIC – Interpretation, SG – Secretariat-General, SJ – Legal Service, TAXUD – Taxation and Customs Union, TRADE – Trade, UKTF – Task Force for Relations with the United Kingdom.

7.3. The geographic structure of the EU's assistance for developing countries

The geographic structure of assistance is related to the current architecture of financial instruments, although political factors have the strongest influence on the selection of beneficiaries of the EU's development aid. According to the declarations of the EU, the basic criteria for providing aid should be the extent of poverty and the level of development. According to OECD data, in 2019 the EU and its Member States spent EUR 75.2 billion as part of official development assistance (ODA), which accounted for 55.2% of total global aid (*The European Union* 2020). The EU has committed to jointly transfer to Least Developed Countries (LDCs) between 0.15% and 0.20% of EU GNI in the short term and 0.20% by 2030. Since 2015, in flow terms, ODA of the EU and its 28 Member States for the Least Developed Countries has increased by 25% (EUR 4.0 billion in nominal terms), but the ODA/GNI ratio increased by only 0.02 percentage points. The level of 0.15% has never been reached.

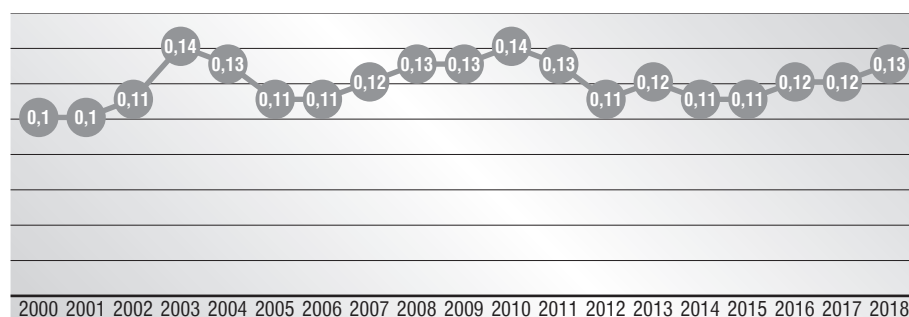


Figure 2. Collective ODA of the EU for LDCs as a share of GNI (in the years 2000–2018)

Source: Publication of preliminary figures on 2019 Official Development Assistance. Annex: Tables and Graphs.

The geographical priorities of the EU Member States regarding provision of development aid are very diversified and are related to both historical and economic conditions. The analysis of the aid provided by the Union itself is more reliable for determining the directions of allocating the EU's ODA. Almost half of the ODA provided by EU institutions goes to the

Table 2. ODA of the EU institutions (in USD million) by region

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Europe	1938.81	5090.67	5240.12	4518.51	4535.04	3630.99	4901.62	3726.91	2569.29	2179.51
Africa	5367.66	5542.99	7003.72	5564.35	6264.50	5680.55	6906.49	6707.72	6672.60	7089.80
Sub-Saharan Africa	4596.26	4145.77	4750.66	4222.6	4734.02	4266.13	4644.22	4872.87	5137.21	5174.40
America	1256.03	1196.15	1186.56	913.29	660.12	1147.68	1219.03	911.13	1354.23	812.27
Asia	2379.53	2666.42	2427.54	2639.60	2627.17	3280.27	4011.64	3941.12	4165.63	3458.01
Oceania	117.84	103.42	84.60	88.11	88.54	121.55	77.83	109.50	136.58	147.71
Undetermined developing countries	1112.59	1051.05	900.17	951.88	1063.73	1003.75	1255.36	1628.11	1859.43	1791.04
Total	12172.47	15650.71	16842.70	14675.74	15239.11	14864.79	18371.98	17024.48	16757.76	15478.34

Source: own study based on OECD.Stat.

Table 3. ODA of the EU institutions (in million USD) for individual countries

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Egypt	133.32	62.03	754.64	-1.79	284.43	161.90	337.87	116.56	276.81	565.47
Syria	50.26	28.55	22.89	170.70	159.16	243.97	355.47	375.62	569.81	459.85
Morocco	217.66	369.48	480.83	517.16	488.21	382.61	685.43	707.06	302.31	456.51
Afghanistan	277.65	333.73	251.67	234.62	333.71	211.01	436.38	439.92	460.75	431.25
Ukraine	149.06	205.59	240.49	345.81	456.04	257.73	484.27	376.93	356.53	428.61

West Bank and the Gaza Strip	429.69	365.40	309.65	335.69	447.48	445.83	455.18	308.45	290.57	242.50
Iraq	52.70	12.26	89.82	79.07	74.97	123.12	218.97	199.62	273.76	240.91
Yemen	39.68	48.66	63.03	71.37	66.25	59.04	108.42	173.29	160.66	216.18
Mali	95.97	128.93	84.06	278.31	287.13	165.49	269.79	223.15	235.00	213.95
DRC	354.84	287.82	278.78	315.07	198.08	214.53	226.3	184.41	207.97	212.79
Ethiopia	231.42	182.52	222.01	113.31	249.05	170.44	363.65	225.73	271.00	208.52
Serbia	282.63	959.53	867.59	556.99	205.12	188.47	312.72	284.22	433.4	200.61
Nigeria	58.73	47.78	122.10	121.87	107.88	110.22	170.2	294.71	295.65	193.67
India	91.82	77.90	90.80	126.64	37.38	290.48	328.36	490.30	397.21	193.46
Tunisia	89.91	406.1	548.39	411.92	420.91	354.13	361.1	361.45	240.09	189.32
Niger	146.89	124.61	219.54	171.18	242.82	249.32	252.16	255.92	239.20	179.65
Moldova	134.43	155.27	183.51	109.53	168.37	77.13	122.87	128.72	110.23	173.56
Georgia	150.69	168.16	162.57	211.69	155.43	160.56	206.39	266.12	275.48	173.08
Somalia	123.84	142.94	167.61	142.71	174.79	190.07	173.14	276.59	266.71	171.71
Bangladesh	183.77	146.10	125.75	112.53	91.33	87.19	125.64	149.99	168.62	166.79
...										
Turkey	287.52	2561.18	2858.56	2339.21	2508.91	1978.49	2898	1703.76	441.74	106.66

Source: own study based on OECD/Stat

poorest region of the world, namely Africa, with particular emphasis on sub-Saharan Africa.

An analysis of the list of countries that are the largest recipients of EU institutions' ODA shows, however, that LDCs or sub-Saharan Africa are not the ones that receive the most aid. For years, Turkey has been the biggest beneficiary. In 2019, Egypt was the country where – according to OECD data – the most ODA of EU institutions was received.

The list of the largest beneficiaries includes many countries affected by conflicts (Syria, Afghanistan, Yemen), which increase migratory pressure, as well as countries covered by the European Neighborhood Policy (both in its southern dimension – Egypt, Morocco, Tunisia, and in the eastern dimension – Ukraine, Moldova, Georgia).

According to the data of the European Commission, the list of the top 10 recipients of development aid in 2019, taking into account aid from various budget lines, is similar to the OECD data, although Turkey is still the leader among the beneficiaries.

Table 4. ODA of the European Commission (in million USD) for individual countries

	2019
Turkey	1494
Syria	396
Afghanistan	372
Ukraine	249
West Bank and Gaza Strip	214
Iraq	207
Democratic Republic of Kongo	193
Mali	187
Serbia	180
Tunisia	180

Source: 2020 Annual Report on the implementation of the European Union's instruments for financing external actions in 2019, 2021, European Commission, Luxembourg.

7.4. Perspectives for the EU development policy for developing countries

In connection with the Multiannual Financial Framework (MFF) for 2021–2027, adopted in December 2020 (with the consent of the European Parliament) by the Council, the instruments for financing the EU's external actions were amended. A new, very broad super-instrument has been established – The Neighborhood, Development and International Cooperation Instrument (NDICI). It will replace the previously used instruments: Development Cooperation Instrument (DCI), European Neighborhood Instrument (ENI) and European Instrument for Democracy and Human Rights (EIDHR). EUR 85.2 billion and EUR 12.6 billion have been earmarked for external actions and pre-accession assistance in the MFF, respectively, giving a total of EUR 98.4 billion, including EUR 70.8 billion (commitments in the prices of 2018) under NDICI.

The second key financial instrument, created in 1957, the European Development Fund (EDF), was of a non-budgetary nature from the beginning of its existence. Over the past 20 years, it was based on the Cotonou Agreement, which established a partnership between the European Union and 78 African, Caribbean and Pacific (ACP) countries, and which was due to expire in February 2020. In September 2018, negotiations on a new agreement, known as post-Cotonou, began. Due to the protracted talks and the lack of agreement, in order to avoid a legal vacuum in mutual relations, the provisions of the Cotonou Agreement were initially extended until the end of 2020, and then until the end of November 2021. This extension did not apply to Great Britain, which participated in the Cotonou Agreement by the end of 2020. Brexit could have had consequences for the amount of funds in EDF, as Great Britain financed 15% of the Fund, and the last, eleventh EDF (2014–2020) in which Great Britain participated was set at EUR 30.5 billion (*Regulation*, 2015). In 2020 – for the first time in the long-standing history of EDF – the Fund was included in the MFF (for the years 2021–2027). That means – postulated for many years – “budgetisation” of EDF, which at the same time reduced the risk of a decrease in the level of financing. The fund will become part of the new NDICI instrument, and the MFF

for 2021–2027 – despite Brexit – is slightly higher than it was in the years 2014–2020.

During the negotiations of the post-Cotonou agreement, the institutional situation of the ACP countries also changed. In December 2019 established a new entity – the Organization of ACP States (OACPS). In December 2020, negotiators managed to reach a political consensus on a new agreement between the EU and the ACP countries (*Post-Cotonou*, 2020)². When the final text of the agreement is ready, the European Commission will present to the Council legislative proposals regarding the signing and conclusion of the agreement.

A separate source of financing for development policy remains the European Investment Bank (EIB). In 2020, the EIB invested around EUR 10 billion in development projects outside the EU, of which 46% in Africa. In the last ten years, of the EUR 78 billion invested by the EIB outside Europe, EUR 26.6 billion went to Africa (*The EIB*, 2021). It also finances projects in other ACP countries – in the Caribbean and the Pacific, as well as in countries covered by pre-accession programs and the European Neighborhood Policy, Asia, and Latin America. The bank declares that it puts emphasis on issues related to sustainable development and refers to individual SDGs. The EIB is also obliged to do so under the treaties, as pursuant to Art. 209(4) TFEU (with reference to paragraph 1) it contributes to the implementation of development cooperation policy.

The future of the EU development policy depends on the future of the EU itself. Some events that are not directly related to development policy, but have an impact on the functioning of the EU, can also have a large impact on the EU's development policy. An illustrative example of that is Brexit. The direct budgetary consequences for the EU's development policy will probably not be large. Indirect consequences, on the other hand, may be significant. The United Kingdom was a significant member of the group of EU and non-EU countries operating under the name Nordic-plus (Sweden, Denmark, Finland, Norway, the Netherlands,

² By the beginning of February 2021, the text of the agreement had not been released.

Iceland, Luxembourg, Ireland), which takes progressive positions on such development policy issues as: ODA/DNB levels, prioritization of the policy of gender equality, social equality and environmental goals in development programs or emphasis on increasing aid effectiveness. Brexit, by weakening the Nordic-plus group, may therefore strengthen the EU's tendency to use aid for purposes not directly related to development, such as trade, migration or security (Orbie, 2020). Regardless of Brexit, the threat to the effectiveness of development aid resulting from its political and economic instrumentalisation – although known for a long time (Deszczyński, 2011a, p. 148) – is still valid (Hackenesch, Bergmann & Orbie, 2021).

Some of the challenges of the European Union's development policy are recognized (Kaczmarek, 2018), although even those that depend solely on the EU and its Member States are not easy to solve. There is no consent, for example, to the implementation of the autonomy of development policy; the introduction of the concept of Policy Coherence for Development is very slow; there is a constant lack of consistency in many areas of development policy (political conditioning, the use of double standards, failure to keep promises made in public), and the number of geographical and thematic priorities that were and constantly are being adopted is too high from the point of view of postulates to increase the effectiveness of the EU development policy. On the other hand, some of the challenges facing the EU's development policy are highly dependent on exogenous factors. The interdependence of development and stability, for example, causes that without reducing the degree of instability in many developing countries, it will not be possible to ensure balanced and sustainable development. The EU's development policy is not very resistant to crises of a global nature (the financial crisis in 2008, the crisis caused by the Covid-19 pandemic in 2020) or supra-regional (the migration wave in 2015 and 2016).

Researchers present various proposals on the direction of the evolution of development policy. They often indicate better coordination of the EU policy in this field and actions taken by individual Member States (Carbone, 2011; Carlsson, Schubert & Robinson, 2009; Schulz, 2007). Regional coordination – not only in the area of development policy

– is the *raison d'être* of the EU, which is often emphasized in public discourse. This is why the European Commission is at the forefront of European coordination initiatives in the field of development (Carbone, 2017). However, the strong emphasis on coordination has been criticized for making coordination itself a “holy grail” of EU development policy (Delputte & Orbie, 2021). As a result, coordination is “too technocratic and EU-focused” and “the EU does not pay enough attention to diversity in development policy” (Delputte & Orbie, 2021, p. 154). Critics do not dismiss coordination as such, but the way it was implemented, as it marginalizes the main beneficiaries of the EU development policy. They also claim that focusing too much on the technical side of coordination resulted in ignoring the basic political issues related to the inequality of power and development vision, and allowed the original development goals to be successfully subordinated to the trade, security and migration agendas (Delputte & Orba, 2021). As a result, they propose a concept that takes into account the diversity of international development. They encourage the EU to assume a more modest role – that of a facilitator. It would consist in supporting best practices, facilitating those practices that emerged from the bottom up (Delputte, 2013), and encouraging flexible and variable geometry of cooperation between small recipients (Orbie, Delputte & Verschaeve, 2018). The role of the facilitator would also be involved in a political discussion on global justice, and even the idea of “degrowth”.

The latter could have particularly far-reaching consequences. The possible development of the “degrowth” idea may have a significant impact on the future of EU development policy, as the dissemination of this concept would make it likely that the current development paradigm would change. The interpretation of the “degrowth” concept is not unequivocal. Various similar concepts appear – based on the same source – but not identical in terms of meaning: “agrowth”, “postgrowth” or “zero-growth”. The element connecting all these concepts is the questioning of economic growth as the most important political and development goal, the criticism of capitalism as a growth-dependent system, and in practice – the rejection of GDP as the dominant indicator used in assessing welfare. In Polish, the concepts of “degrowth” are defined variously, e.g. as *post-wzrost*

(post-growth) (Łapniewska, 2017; Bińczyk, 2018). The term *dewzrost* (de-growth) was also proposed (Skrzypczyński, 2020). Due to the fact that the above-mentioned terms in the English language differ in terms of content, the use of their variants in Polish would require the introduction of four different concepts (as equivalents of “degrowth”, “agrowth”, “postgrowth” and “zero-growth”). In this situation, however, the easiest way is to use English-language terminology.

Political changes in the Member States may also be a factor influencing the EU's development policy. One of the tendencies that may adversely affect the EU's development policy is the actions of the governments of Hungary and Poland, pursuing a policy known as illiberal democracy (Szent-Iványi & Kugiel, 2020). Researchers – on the basis of the Hirschmann's concept of the voice, exit and loyalty (1970) – concluded that “a number of processes could have weakened the loyalty of Hungary and Poland to EU development cooperation, making them more prone to use extreme forms of voice, and potentially even partial exit from this policy area” (Szent-Iványi & Kugiel, 2020, 134).

The European Union has played and continues to play an important role in global development policy. However, it faces many challenges that may have a significant impact both on the shape of the EU's development policy and on the EU's place in the global development cooperation system. The factor that hinders the implementation of the EU's ambitions for sustainable development is the COVID-19 pandemic – its effects and impact on the policies of development partners in developed countries and in the countries that benefit from aid. The pandemic reversed the long-term trend of reducing the extent of extreme poverty in the world and generated new needs for assistance (e.g. access to protection measures, tests, vaccines, etc.). By the end of 2021 alone, there will be 150 million more people living below the international poverty line (i.e. on less than USD 1.90 a day).

The response of individual countries and development aid organizations to the crisis caused by the pandemic will affect their image and their role in global development policy. The European Union is strongly committed to vaccinating the citizens of its Member States, but was not among the first actors in helping to donate vaccines to developing

countries. Instead, China, Russia, India, the United Arab Emirates and Israel have done so. The first free vaccinations – as part of an international program for developing countries supported by the EU – only took place in March 2021 in Ghana. There are insufficient data to assess the impact of vaccination aid against COVID-19 on the role of the EU in development aid. The more so because the process has not finished. Nevertheless, the activity of other donors, especially China, may change the perception of individual countries and organizations in the development aid system.

An additional problem for the EU is that normative proposals alternative to European have the potential to be attractive and competitive from the perspective of developing countries. The delays in disclosing the details of the political agreement on the post-Cotonou agreement may indicate that EU negotiators have once again failed to convince ACP representatives to accept the European side's proposal on sensitive axiological issues, such as sexual and reproductive health and LGBT+ rights. The EU's ability to influence this area is also weakened by the fact that EU Member States have different views on this matter. Promoting European values at the global level will be difficult if the governments of some EU Member States try to disseminate an individual, different from the majority, interpretation of these values.

Part Three

RECOMMENDATIONS FOR POLISH DEVELOPMENT POLICY

Chapter VIII

Information economics as a tool of economics and development policy

8.1. The role of the media in popularizing economics in Poland

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The aim of the study was to define the importance of the state of media communication in the dissemination of economy and development policy. Indicating the threats and changes taking place in the perception of economic knowledge is a contribution to the discussion on the forms of media communication in the long run. Tolerating the worsening economic situation in developing countries carries the risk of disrupting the democratic order in the world. The terrorist attack of September 11, 2001 on the World Trade Center skyscrapers in New York and the Pentagon building in Washington showed that such a real threat could actually exist. If only for this reason, the international community, also in its own best interest, should be interested in overcoming the tragic economic situation of most developing countries. However, for order and security to be established in international relations, the problems faced by developing countries must be resolved, or at least substantially mitigated. It is not an easy task due to the fact that they belong to the group of global problems. Moreover, they had not been resolved for years, which resulted in their aggregation. Success in overcoming them

depends, in turn, on many factors of internal and external nature, the change or modification of which each time requires violating the interests of political and economic elites, not only in highly developed countries, but also in developing countries. The latter have not been a single block for a long time and over the past decades have undergone further great differentiation, which additionally forces a selective approach in solving their problems (Deszczyński, 2011a, p. 148).

Media are part of the knowledge-based economy and as such must adapt to market changes, focused on the individual needs of the recipient, including product personalization. The closest alternative to broadcasting is narrowcasting, which allows the content to be broadcast in accordance with the preferences and attributes of the recipients, a specific place and time. It is worth asking fundamental questions about the further role of traditional media, whether new media can fill the information gap and whether, from the perspective of economy 4.0, it is worth promoting economic knowledge at all, and even more so promoting economic development in times of uncertainty, economic fluctuations, economic and climate crises.

8.1.1. Media in the 21st century

The media is an essential component in the process of public communication, in which they play the role of an intermediary between the institutions of the political system and the citizens. By taking over the position of a secondary sender, it controls the information addressed to the public, and in connection with various interest groups, it selects, interprets and shapes views on controversial social and political issues (Jędrzejewski, 2010, p. 22). As the key gatekeeper subjected to media-tisation, it has long ceased to be a forum for debate. The revolution in communication between the sender and the recipient was the introduction not only of a new medium, which was the Internet, but of its new incarnation of Web 2.0. Various digital platforms offer great opportunities for participation and involvement in the communication process. The digitization and development of the Internet enabled the flourishing of multimedia: interactive information, educational and entertainment

services, computer games, new literary forms, such as blogs and hyper-literature. They are a big competition to old forms of culture. Domestic TV producers have to compete both with domestic multimedia producers and, due to globalization, with foreign producers. The lack of barriers to distribution means that “everyone competes with everyone on many levels: production, distribution, technology” (Benedyk, 2007). From the beginning of its development, the Internet has been a place where presumption develops the fastest, and discussions take place within virtual communities in social networks and on discussion forums (Strzelecki, 2015, p. 166). The Australian philosopher-prophetist David Tow predicts the decline of large media corporations in favor of independent creative groups by 2050 (Dąbala, 2014, p. 38). The apogee of media progression will be Web 5.0 technology, in which connecting the brain directly to the network will enable the immediate exchange of knowledge and experiences. “The challenge for managers will be to truly adjust interactions to create rich, emotionally resonant experiences for users. This is now noticeable in online gaming environments. E-commerce will need to adapt even more to personalized, real-time communication with users. (...) the emotional-sensory network can transform the World Wide Web from a noisy environment into a richer place for thoughtful and friendly interactions. It can also become a manipulative and destructive space for individuals” (Kambil, 2008, p. 58).

An actual merging of computers, the Internet and television into an all-in-one medium is awaited with particular concern. Compuvision or a teleputer, interactive television (ITV), which delivers content on any end device under the conditions chosen by the user, are only a matter of time. Recipient identification enables interaction and creates a new return channel.

The press from the beginning of the 16th century, and the radio and television from the beginning of the 20th century, were the exclusive suppliers of information in the media markets, and it was between them that the struggle for the audience took place. The current process of media convergence, i.e. gradual blurring of the boundaries between the press, radio, television and the Internet (Jenkins, 2007), has forced a technological transformation. The editorial offices of the traditional paper press

set up their own portals on the web and sell magazines in an electronic version. The Internet competes with traditional media and poses a threat to the continued functioning of the paper press, TV and radio sets. In the future, we will be the recipients of only internet press, internet radio and internet television.

8.1.2. Media communication

In a contemporary society, metaphorically called “instant culture”, the homogeneity of the message, its infantilization and fragmentation prevails. Platonic dialogue has been replaced by mass communication, the essence of which is a multitude of information filtered through the media. The recipient includes some information into his existing knowledge, and rejects some, because, as Bachelard claimed, “mind prefers that which confirms its knowledge rather than that which contradicts it” (Bachelard, 2002, p. 20). As a result, the sender remains uncertain as to the reception of his own message. Media heuristics does not pursue the truth, but satisfactory cognitive results. Thus, celebrity journalism in combination with the privatization of the media leads to polarization of recipients and citizen journalism, important from the point of view of democracy, remains in the sphere of an experiment (Kołodziej, 2007, pp. 40–42).

The functions of the media distinguished by H.D. Lasswell and Ch.R. Wright from the point of view of social development remain unchanged in the three roles assigned to them (informers, interpreters, socializers) (Kozłowska, 2006, p. 74). On the other hand, it is the recipients who exercise real control over the media, choosing a given TV channel or another press title. The prospect of losing advertising income forces commercialization, convergence and tabloidization, which blur the program differences, thematic profiles and lower the overall content level. An important mission of public radio and television, in accordance with Art. 21 of the act regarding broadcasting (*Ustawa o radiofonii i telewizji* – “Act on radio and television”), is, inter alia, fostering the free shaping of citizens’ views, the formation of public opinion, and a reliable presentation of the entire variety of events and phenomena in the country and abroad (*Ustawa o radiofonii i telewizji*). According to CBOS survey,

for the largest group of respondents, the main source of information about events in the country and in the world is television (58%), and the Internet is second (27%). For relatively few, the most important source of information is radio (9%), and for an even smaller group – the press (2%). Compared to the data obtained two years earlier, it can be noticed that television and the press have lost their importance and that the Internet has become more important (Wiarygodność mediów, 2019, p. 1). In view of the waning importance of traditional media, attempts to “resuscitate” them are questionable. Even the amount of PLN 1.26 billion in subsidies (of which PLN 1.12 billion went to TVP) that the public media in Poland received in 2019 will not change the downward trend in their reception.

The development of information and communication technologies also has its negative sides. The profit-hungry global market uses a variety of manipulations to attract the attention of the consumer. The phenomenon of fake news and post-truth “immerses” the recipient in a huge number of unverified sources, the content of which is trusted by the recipient, and the networked society potentially gives everyone – be it an individual or an organization – tools to spread their own truth. In traditional media, as a result of hierarchy and the presence of gatekeepers, selected information appeared, the credibility of which was the responsibility of the editorial office. Therefore, it is hard to find fake news in the New York Times, BBC or the Washington Post. But the regulation of information on the Internet “is based on algorithms oriented not necessarily on their substantive content, but above all on promoting the most popular content, able to attract the attention of the largest number of recipients and generate the greatest profit from advertising” (Iwasiński, 2018, p. 2).

8.1.3. Misconceptions in the media

In the state policy, environmental education of the society is regarded one of the most important ways of implementing the strategy of sustainable social and economic development. The mass media are not talking sufficiently about the worst climate crisis in centuries. Climate denialists

are welcomed to the studios. According to Media Matters, 71% of the time devoted to climate change in the U.S. in 2017 contained actions or statements by the Trump administration that it intended to withdraw the U.S. from the Paris Agreement (Svoboda, 2020). The lack of substantive information leads to the situation that six out of ten people do not distinguish the problem of smog from climate change. Journalists do not connect the burning Biebrza National Park, heat wave, drought and flooding with the effects of climate change. They ignore the difference between smog components and greenhouse gases, while writing about recycling of municipal waste, they ignore the most important cause of air pollution, i.e. the dependence of the Polish economy on coal. And some media question the existence of the greenhouse effect (e.g. an article posted on the website www.pch24.pl) There is no media information that today the losses related to weather anomalies amount to approx. PLN 9 billion annually (approx. 0.6% of GDP) and that Poland is the 18th largest emitter of CO₂ in the world, emitting three times more greenhouse gases in relation to GDP and 18% more per capita than the EU average (Report, 2019).

As biologists have rightly pointed out, “the ecological discussion (in the sense of science) should be of a scientific nature, based on evidence obtained by making hypotheses that are subject to constant testing and falsification. The common media confusion of the two meanings of ecology (the field of biology that studies organisms in their environment and activities promoting environmental protection) not only hinders social debate and taking rational actions, but also leads to doubts about the credibility of ecology understood as a science” (Jaszczuk, 2018, p. 16). In the Polish media, the discussion on nature protection is conducted mainly by four social groups: (1) biologists with ecological specialization – ecologists, (2) participants of the social ecological movement, (3) foresters, (4) hunters, which narrows down the field for argumentation. An analysis of Polish opinion-forming weekly magazines has identified four frameworks relating to environmental degradation, its protection (methods used), energy sources (both renewable and conventional) and an ecological lifestyle (in relation to leisure activities and consumption), which is low (2,5%) share of ecological content in the total message. Phrases

and comparisons evoking a sense of danger are used, making the reader feel threatened. War conflicts are equated with climate change, and the great drought has been linked to the war in Syria. The possible impact of such phenomena as heat, water shortage, desertification and hunger on population migration is considered. The author of this analysis believes that “such a phenomenon may have a negative impact on the uniform perception of environmental threats by society, and thus – on ensuring safety” (Chodyński, 2017, p. 183).

The reasons for the lack of a critical reference to the facts can be seen in the journalists’ focusing only on publicistic materials and avoiding other genres of expression (Dąbała, 2014, p. 75). This leads to homogenization of the content offered, as well as reproduction of unproven data and superficial discourse, as the American media analyst Brendan Hennessy aptly summarized: “You don’t become a good cook by reading cookbooks” (Hennessy, 2008, p. 16). The statement of P. Deszczyński from two decades ago that “the readiness of governments and societies of highly developed countries to abandon protectionist policies, introduce economic concessions to developing countries and bear the costs of financing the modernization of their economic, political and social structures will be directly proportional to the threats that economic, political and social instability in these countries (related mainly to armed conflicts and problems of political refugees and economic immigrations on a large scale) poses and inversely proportional to the low level of knowledge and awareness of governments, and especially societies of highly developed countries in relation to the existing global threats, the common denominator of which is the catastrophic economic situation of developing countries”, unfortunately still remains valid (Deszczyński, 2001c, p. 222).

8.1.4. Development policy in Polish media

Article 2 of the Act of 6 December on the principles of development policy defines it as “a set of interrelated activities undertaken and implemented in order to ensure lasting and sustainable development of the country, socio-economic, regional and spatial cohesion, increasing the competitiveness of the economy and creating new jobs. on a national,

regional or local scale” (Ustawa, 2006). It points to many aspects of social life in which the fourth estate has an essential role to play.

Almost all media deal with economics, economy and business, but only the specialized ones deal with niche topics that reach an educated and knowledgeable recipient in business matters. It is difficult to focus the attention of thousands of viewers on the economic issues of the world or the country and to create a clear and communicative message, devoid of industry newspeak, so that, as the director of TVN CNBC advises, not to explain economic phenomena in a manner defined by lawyers as *ignotum per ignotum* (Młodkowski, 2010, p. 161).

On the Polish media market, “Rzeczpospolita”, “Dziennik Gazeta Prawna”, “Puls Biznesu”¹ and “Gazeta Wyborcza” as well as forsal.pl, money.pl and businessinsider.com.pl have extensive sections devoted to the economy and often – excluding “Gazeta Wyborcza” – they present themselves on the outside as publications addressed to the circles of entrepreneurs and decision-makers at various levels. When analyzing the content on the influence of the COVID-19 pandemic on Polish labor market, there is a lack of reliability in the selection of data sources that were unrepresentative, e.g. the data of consulting companies did not indicate the source of the selection of the surveyed companies, and the information was random, of an intervention nature and aimed at increasing readability. The same was true for data from the public sector. Such an example was the reported issue of increased retirement of teachers due to the pandemic. While focusing on this professional group, many years of financial negligence, the lack of investment in infrastructure and the depreciation of the profession were not taken into account (Szukalski, 2020, p. 13).

¹ According to the Institute of Media Monitoring, “Rzeczpospolita” took the first place in the ranking of “The most opinion-forming media in Poland” for September 2020 in the category of the most opinion-forming press titles with an economic and business profile, with over 3.2 thousand quotations in July. “Dziennik Gazeta Prawna” (1.4 thousand) came second, and the podium was closed by “Puls Biznesu”, which was quoted 864 times. In the ranking of media with a business and economic profile including internet portals, Money.pl took first place, quoted 669 times in July. The second most cited medium in this category turned out to be Businessinsider.pl, while the podium closes Bankier.pl, with a score of 216 mentions (*Najbardziej...*, imm.com.pl).

Economic journalists are the elite among journalists of all specialties, because their products “concern real money, the largest corporations, stock exchange investors, banks and other companies based on public trust. Inconsiderate, unprepared, and insufficiently argued messages in the media have specific and measurable effects: they can increase or decrease the sale of products, affect the share price of listed companies, encourage or discourage the services of a specific company” (Kobosko, 2010, p. 147). Business influencers, such as Maciej Wieczorek on YT (Biznes 2.0 channel) or Ewelina Dulega and her blog about accounting, are starting to play an increasingly important role. In social media, industry knowledge is deepened and financial intelligence is developed, and access to professional podcasts broadens the spectrum of economic perception. Poland based its news services for domestic media on services provided by global agencies such as AP, DPA, and Reuters. As a result, Polish financial institutions learn about the exchange rates on the Warsaw Stock Exchange or the zloty exchange rates from Reuters (Oleński, 2001, p. 30). The domination of English-language websites not only cuts public opinion off from linguistically and culturally different views, but also polarizes social groups. Reading the economic press around the world, one can conclude that the West is headed for an economic abyss, and China is becoming the leader of the global political and economic scene. The Wall Street Journal expressed views on the unrestrained economic development of the United States and predicted many years of prosperity related to the technological marvel. It was in 1998, i.e. less than two years before bursting of the so-called Internet speculative bubble (Czetwertyński, 2013, p. 199).

In the development of the modern economy, the passivity of the state in monitoring information in the sphere of global and local finances deprives it of the possibility of fulfilling its obligation towards society. Democratic societies are not aware that they are subject to uncontrolled steering of information under the banner of freedom of expression, and thus influencing their knowledge, understanding of the world and perpetuated value systems.

The multitude of intellectual goods, information, the possibility of using big data and social media are part of the culture of the information

society, defined in the technological category (Nowak, 2014). Infinite access to an inexhaustible amount of consumer goods, the purchase of new services from an inexhaustible offer has become common in the *homo consumens* world, but informing about it is slowly transforming. The COVID-19 pandemic has become a modeling factor for the development policy paradigm. In the pages of "Polityka", Tokarczuk calls for ex-centric reflection on the world of the future, and warns against the fatal life in the panopticon. Sesameism, as she called the multiplication of wealth, a wide range of goods and services, as well as the constant reproduction of information and catatonia in front of the screen (Tokarczuk, 2020, pp. 24–30) leads to a redefinition of the concept of economic growth in the spirit of the social philosopher Andre Gorz. The economic collapse between 2030 and 2100, prophesized by the Club of Rome in the publication *The Limits to Growth*, may perpetuate the post-growth economy model, which, despite reducing consumption growth, will lead to social justice, sustainable development and individual well-being.

The importance of the media's responsibility for the word should be emphasized. "The truthfulness of the content of the message should become synonymous with an honestly informed public" (Megier, 2011, p. 73). The importance of the truthfulness of the message increases when information of an unknown origin becomes an authoritative source. In the knowledge-based economy, the media user is forced to be critical of the message and able to navigate in the thicket of information, which, given the decline in daily press readership and the development of visual communication, calls into question the correct shaping of social attitudes. The media, although still playing an important role in maintaining the information order and preventing information crises, are no longer perceived as the only and reliable source of knowledge. Apart from hate, pathostreaming and child grooming, the Internet has created new types of communication channels and a different structure of recipients. One-way narrative activity of the media, without the possibility of commenting in real time, is a thing of the past.

8.2. The problem of reputation of developing countries

Marcin Leszczyński | DOI 10.56091/psde2.11

In the 21st century, countries have fully become participants in global competition. Progressing globalization has led to a situation in which they function in the international environment on the principles similar to enterprises. What plays an increasingly important role in this market is reputation, which, on the one hand, influences consumers by the products they buy, to which access on the global market is increasingly easier – the case of state competition for sales markets – and on the other hand, relates to capital which in the 21st century meets hardly any barriers in the international arena – the case of competition between states for its attraction.

As a result, states had to adapt their strategies, tools and activities, also in the area of communication, to building their competitiveness on the global market. There is a lot of space devoted in the literature to state reputation management, and a number of tools and relationships between this type of activity and the state's position in the international environment and its competitiveness in global economic life are described. However, there are few publications on the role that reputation can play in shaping the position of developing countries (DC). These countries are characterized by certain specific conditions that significantly affect the process of building their reputation. The most important problems faced by developing countries in this area are presented below.

8.2.1. The role of reputation in shaping the international position of developing countries

The information economics is at the heart of the discussion of the role of information in global economic life. Information asymmetry among investors is compensated by the ratings of rating agencies, which allow for the verification of the creditworthiness of countries. On the other hand, the asymmetry of information among consumers is leveled on the global market by the country of origin of the product, which has been described as the country-of-origin effect (Leszczyński 2020; Dinnie 2003).

A number of models of market communication of countries have been developed in the literature. They have been applied in various scientific disciplines, ranging from economics, where they are analyzed through the prism of the reputation of the economy and business (Leszczyński 2019), through political science, which talks about the soft power of the state (Nye 2004), and ending with management. In the latter area, the state's reputation takes the form of a national brand (Anholt, 2013; Olins, 2004; Aronczyk, 2008; Kotler & Gertner, 2002). Countries, like business, have their own material and immaterial capital, thanks to which they can build their own national brand.

It is the national brand that constitutes a set of intangible assets in the form of a vision, distinguished from others by its character and promise that a given country offers on the market (Anholt, 2005). Not every country in the world is economically developed, but most of the countries have a number of intangible assets, which include various types of capital, *inter alia*: human, intellectual, cultural, geographical and historical. Each of these capitals, if properly used, can provide the basis for accelerating the pace of economic development (Anholt, 2005). Image shaping specialists believe that DC insufficiently use their potential, which would allow them to improve their economic situation and position in the international environment. They also indicate that the tool that can reverse this trend is national branding (Anholt, 2005b; Szondi, 2006).

S. Anholt sees national branding as the main opportunity to improve the position of DC, which will allow for a higher return on funds transferred in the form of development aid and foreign investments (Anholt, 2005). Conducting appropriate national branding is not only about improving the reputation of the country, but is also a tool for building national identity and modern patriotism, which may translate into favoring products from the consumers own country over strong global brands (Akotia et al., 2011; Browning, 2014). It should be noted that, especially in the case of DC, a national brand may support commercial brands from a given country on the international market (Ali & Rehman, 2015).

It is significant that changes in the economic reality in a DC often are not followed by the change in its image. S. Anholt emphasizes the

time issue here. Changes in the economic reality can take place quickly, but the negative image built over the years often does not reflect them, which leads to a discrepancy between the image and the actual situation of these countries. He also points out that this problem was encountered by the majority of countries undergoing economic transformation, whose image over the years was shaped in the times of the previous political and economic era. This resulted in their hindered political and economic aspirations in the international environment (Anholt, 2005).

8.2.2. Reputation of developing countries

Most consumers are able to say that the best watches come from Switzerland, German cars are a symbol of reliability, while France is equated with top-quality wine. Similarly, in financial markets, mature markets are seen as safer than emerging markets, which translates into lower debt service costs. It should be noted that DC, both in terms of the country of origin (COO) effect and creditworthiness, are assessed much lower than developed countries. In the case of the COO effect, negative perceptions of DC translate into lower consumer expectations regarding quality, and thus lowering the price they are willing to pay for the product (Gulsoy, Ozkanli, Lynch 2011). Therefore, in order to eliminate the negative consequences of the COO effect, some countries decide to acquire strong global brands, e.g. the purchase of Volvo or Pirelli brands by Chinese investors. It should be noted, however, that investors in DC do not always have the resources at their disposal and can afford government support to carry out such transactions.

DC continue to be mainly suppliers of agri-food products, raw materials and semi-finished products. Food and raw materials belonging to the group of mass (standardized) goods and easy to unequivocally classify, regardless of the place of production, can also be replaced without major problems. Their functional values are identical. Therefore, when deciding to increase the price, a producer of a mass product must take into account the highly probable situation (as long as the producer market and distribution channels of these goods are not monopolistic) that the buyer will find another supplier who has kept the prices at the current level. In fact,

the only factor that may influence the differentiation of the price level of standardized goods are the costs of transport and insurance related to the actual distances from the outlets (Deszczyński, 2001c, p. 54).

DC, due to their weak position in the awareness of the public opinion, have limited possibilities of equipping a product with intangible value in the form of a brand. Therefore, their main role is often the supply of raw materials, the creation of semi-finished products and products, which are then given intangible value by companies from developed countries. For example, Brazil and selected other South American, Asian and African countries are famous for high-quality coffee and are global export leaders in this market. Despite this, it would be a problem for the general public to name strong brands from DC that are recognized in the global coffee market. In turn, the largest coffee importers are countries such as the United States, France, Italy and Germany. Although DC is the largest coffee producer, the benefits in this market are generated by strong brands from developed countries, such as German Tchibo, Italian Lavazza, Swiss Nespresso, American Starbucks or British Costa.

In this context, the key problem of DC is the structure of the global market, where they function mainly as a supplier country whose role is to provide raw materials, semi-finished products and labor to enterprises from developed countries, which give the products their own brand and generate high margins. S. Anholt argues that as a result of increasing globalization, supplier countries compete with each other continuously and directly at the global level. This process, on the one hand, leads to a depletion of the resources of DC, and on the other, to a strong dependence on other entities, which translates into lower profitability of this cooperation and less stability of this type of relationship (Anholt, 2005b).

The brand of supplier countries in transactions with enterprises from developed countries is also of less importance. Firstly, the role of the brand in the “business to business” relationships is definitely smaller compared to the “business to consumer” relationships. Secondly, raw materials and semi-finished products from different supplier countries in the era of globalization are so similar to each other that the price-quality ratio is the only determinant of business decisions. The problem of DC is

also the fact that the role of supplier countries in the value chain is least related to the research and development phase of new products and the sales phase, where the product is branded (Anholt, 2005b).

Although this trend, especially at the stage of research and development of new products, is more and more often reversed, companies from developed countries are still responsible for creating brand value for products, for which consumers from supplier countries are also often the markets. This leads to a situation in which the problem of limited opportunities for DC to create strong brands deepens even further. S. Anholt points out that companies in DC are generally thought to have trouble getting rich by exporting branded goods for several reasons:

- they are often unable to produce products or services of sufficiently high quality,
- they often do not have sufficient financial resources for promotion or global distribution,
- they lack the experience to build strong global brands,
- building a strong brand in such countries would not guarantee demand for products in developed countries,
- in a situation where some brands could generate demand in the global market, the benefits and profits would not translate into the entire economy, but only into individual units (Anholt, 2005b).

That is why many scientists believe that national branding is a tool that can improve the situation of developing countries in the global market. This problem, however, has signs of “squaring the circle”. For example, the lack of a good, widely recognized international reputation of national banks and the weakness of developing countries’ national currencies generated additional costs. Foreign exporters, in order to guarantee themselves payments for the exported goods and to avoid the risk of exchange rate instability, usually turned to their own banks for confirmation of letters of credit. They also demanded that payments be made in foreign currencies. Each time it was associated with incurring fees – manipulation and for the conversion of one currency into another, usually transferred to a weaker partner from a developing country, which

increased their import costs and limited the possibilities of eliminating economic underdevelopment (Deszczyński, 2001c, p. 60).

8.2.3. Restrictions on building the reputation of developing countries

However, in the case of DC, national branding faces some key limitations. First, it should be remembered that state branding is a long-term process in which it is not enough just to communicate about the state, but to make real change. This leads to the conclusion that it is difficult to talk about building the image of an open and technologically advanced country in a situation where the country is facing such basic problems as e.g. corruption (Browning, 2014). Second, when it comes to LDCs, where there is malnutrition, a lack of drinking water or illiteracy, it is difficult to undertake actions to build strong product brands. In this case, the only legitimate strategy is to engage in communication activities to attract development aid and investment (Anholt, 2005b). P. Deszczyński points out that solving the problems of DC is not possible without their thorough internal reforms and external aid (Deszczyński, 2001c).

The development assistance provided to DC may, however, hinder the process of building their reputation. Experts in this area believe that state branding is somewhat inconsistent with development aid and charitable activities, which often perpetuate negative stereotypes about DC in the minds of global public opinion. This may translate into a reduction in investment attractiveness and a weakening of their political position. It should be noted that, paradoxically, it is charitable organizations that contribute to the deepening of the negative image of developing countries, mainly in the case of Africa (Browning, 2014). This leads to a situation where tools that are otherwise effective in arousing sympathy and increasing the propensity of citizens of developed countries to participate in charity actions and finance aid for DC, may have a very destructive impact on the perception of these countries through the prism of poverty and unsolvable problems.

An example of such activities is India, which drew attention to the negative publicity that accompanies the process of accepting British aid by that country and in order, *inter alia*, to eliminate it, it established its

own aid agency (Browning, 2014). It should also be noted that development assistance can be a tool for building the reputation of developed countries (Leszczyński, Rabczun, 2018). Christopher Browning refers to the example of South Korea, where one of the diagnosed sources of the problem of perceiving this country as a poor state was its low commitment to providing aid to other countries (Browning, 2014).

In the light of the above considerations, it can be noted that often not the developing countries themselves, but the developed countries are responsible for building the image of developing countries. DC governments have actually lost control over building their reputation. This leads to a situation where their negative reputation translates into perceiving these countries as a hopeless case that needs help but not investment (Browning, 2014). Aid activities also strengthen the so-called negative brand effect of the continent (Anholt, 2007). Browning points to Africa, where the reputation of some countries that are more progressive is burdened with a negative image of Africa as a continent (Browning, 2014).

Ch. Browning also points out that the assumption that the main cause of underdevelopment in DC is their poor brand, which translates into limitations in building their economic position, is wrong. Especially because all other causes of underdevelopment are ignored. The author explains this by saying that, unlike national branding, development aid plays a central role in solving global inequalities in the market. Another problem is the fact that in the light of the negative effect of the continent's brand, image-building activities of one country may have a negative impact on the perception of other countries, an example of which is South Africa, which builds the image of a leader and a country more advanced than other countries in the region (Browning, 2014).

On the basis of the above considerations, it should be stated that building the reputation of DC encounters some significant limitations that prevent the application of strategies used in this area by developed countries. The development aid provided to these countries, on the one hand, is by definition the main tool for solving economic problems of DC, and on the other hand, along with the activities of charitable organizations, it strengthens negative stereotypes about them. This apparent contradiction leads to a situation where consumers and investors often

see DC as countries that need help but not investment. The lack of a strong reputation translates into limitations in the possibility of shaping strong brands in the global market, which would allow producers from DC to generate margins. Importantly, it should be noted that the negative effect of the continent's branding translates into DC building their reputation at the expense of other countries in the region. This means that attempts to improve one's position in the awareness of global public opinion translate into its deterioration in the case of other DC and de facto strengthening of the negative effect of the continent's brand. In this light, actions aimed at building the reputation of entire regions, such as the Brand Africa initiative launched in 2009, seem justified. However, it should be remembered that the actions of DC should not be limited only to this type of cooperation. DC should also conduct activities aimed at building their own reputation, which, in order to avoid strengthening the negative effect of the brand of the continent or region, should be closely coordinated with each other, so that the initiatives of one country do not adversely affect the perception of other developing countries.

Chapter IX

The role of communication in the practice of implementing development policy

9.1. Convergence of the areas of internal communication

Jacek Trębecki | DOI 10.56091/psde2.13

National, regional and local economic ties become ever more closely intertwined into a global bond. The ship getting stuck in the Suez Canal causes downtime in a plant in Września. The change in export regulations for pork in China causes a price jump on the commodity exchange in Sochaczew, and the development of cryptocurrency mining technology in the Silicon Valley causes lack of graphics cards in a Media Markt store in Poznań. It is a macroeconomic picture of the economies themselves, which are increasingly interconnected and therefore exposed as never before to global shocks and disturbances. On the other hand, putting emphasis on services, and especially innovation, increases the importance of employees, and thus – communication with them. This overlaps with the technological area, with the rapid and unpredictable growth of new media. The technical basis is the development of infrastructure for data collection and transmission, the miniaturization of devices and lowering their prices, as well as the development of the mobile network and, consequently, the Internet. The result is the democratization of the media, the possibility of mass and fast transmission of images, films and texts.

It is also the development of new media, especially social media. The advancement of technology has created unprecedented opportunities to collect and use data on individual users, and consequently brought changes in marketing, management and HR affecting internal communication. These processes that were already dynamic were overlapped by the COVID pandemic and the related lockdown. Its effects will be analyzed by scientists for years to come. However, one thing is certain. In the context of internal communication, it is a gigantic catalyst that significantly accelerates the ongoing processes and makes the role of this communication increase immeasurably. While earlier it was possible to observe how the four approaches to this communication (management, HR, marketing and PR) start resembling each other – how they had been converging – lockdown has accelerated these changes as well. Importantly from the point of view of development economics, those economies, in which the aforementioned processes accelerated under the influence of COVID, have a greater chance of joining the global economic circuit with all the benefits that come from it. Those in which – for various reasons – this revolution did not take place, deepen their peripheral character.

9.1.1. The essence of internal communication

The definition of internal communication seems clear in terms of the type of communication situation and the specificity of the communicating entities. It is an act of communication that takes place inside the organization, which means that both the sender and the target receiver operate within the same organizational structures. Problems with unambiguous definition of the area of internal communication may stem from dynamic changes and be related to the issues of time or structure. When it comes to time, it is about the issue of communication that the organization (plant, company, institution) addresses to people who either used to be or will be its employees. Therefore, the question arises how to treat communication with potential employees (employer branding) or ties with former employees. Its influence on employees includes this type of communication in internal communication, although formally it does

not apply to current employees. As for structure, the problem is related to the issue of changes in labor relations. Fewer and fewer employers are bound by employment contracts. Therefore, internal communication should also be understood as communication with temporary employees who perform activities on the basis of a contract of mandate or who are self-employed. A legal bond based on an employment contract is no longer necessary to count communication as internal.

9.1.2. Internal communication in the context of development economics

Internal communication is often analyzed in broader contexts, resulting from the perspectives distinguished due to the level of considerations:

- individual (psychological) – it focuses on the level of the individual and processes running in the human psyche. It also analyzes the changes that occur in the psyche under the influence of communication. It is important because each employee is an individual, autonomous unit, and what happens among the staff, and more broadly – in the entire economy of the country, is the sum of activities of these individual people. The communication specialist is interested in the effect of this influence also at the individual level of each recipient. At this level, the very process of information perception can be analyzed, consisting of selection, interpretation, organization, and negotiation (Adler, Rosenfeld, & Proctor, 2006). The timeliness of this model results from the fact that contemporary theories begin to focus on the individual approach to an employee and perceive internal communication precisely through the prism of individual needs and emotions. In turn, these individual needs result largely from local conditions and culture, influencing the level of commitment, mobility and creativity.
- group – it considers communication at the level of small teams of people. In this perspective, communication within said teams is important, as well as the decision-making mechanisms, the crystallization of group structures, the role of leaders, cohesion

mechanisms, etc. Similarly to the psychological perspective, it is important due to the fact that even the largest team of employees is made up of small teams. It is also in small teams that trends affecting the entire organization arise. Here the role of culture becomes more important. Elements such as individualism versus collectivism, women's cultures versus men's cultures or even forms of exercising and manifesting power (Erdman 2018) not only shape communication behavior, but also influence the potential of a given economy.

- sociological – the analysis is carried out at the level of larger teams and focuses on finding out how communication affects the interaction, knowledge, beliefs and behavior of people. Being an extension of the psychological approach, it expands it to the level of entire social groups.

This approach is particularly important from the point of view of eliminating economic underdevelopment in developing countries. It is confirmed not only in the practice of the economic life of these countries, but also in theoretical terms, e.g. in the socio-psychological theory by D. Lerner, or in formulation by G. Myrdal the concept of the “soft state” syndrome (Deszczyński, 2011a, p. 20; Deszczyński, 2001c, pp. 48–49).

According to Grudzewski and Hajduk, the information era forces competition with the use of flexibility, innovation and adaptability and leads to new organizational forms, such as virtual organizations, intelligent (learning) organizations or network organizations (Grudzewski & Hejduk, 2000). The success of each of them depends on internal relations that influence the attitudes of employees and are correlated with the communication efficiency of the organization. Nogalski and Surawski emphasize the necessity of using information. This skill becomes the basic social competence, and information – a desired good of economic importance (Nogalski & Surawski, 2003, p. 204). The influence of globalization and computerization is indicated by Malara and Rzęchowski, according to whom “information in the enterprise management process has become a driving force that sets the direction of success” (Malara & Rzęchowski, 2004, p. 58).

9.1.3. Areas of internal communication

Despite different research goals, methodologies and respondents, the authors of research projects jointly point to the following centers able to conduct internal communication in the organization at a strategic level: Management Board (but also the owner, director), Marketing Department, Public Relations Department and HR Department. Existing studies also describe communication from the point of view of management (Scholes, 1997; Sudoł, 2002; Stoner, Freeman, & Gilbert, 2001), human resource management (Gall, 2010; Armstrong, 2008; Scholz & Böhm, 2008), marketing (Olsztyńska, 2005; Kotler, 2005) and PR (Smith & Mounter, 2008; Wojcik, 2009; Grunig, 2001). A review of these sources makes it possible to distinguish the specificity as well as advantages and disadvantages of individual approaches.

Situations in which internal communication is dealt with directly by management are due to three possible reasons. In organizations with a low number of employees, it is pointless to create separate structures, and entrusting communication responsibilities to departments such as marketing or human resources would overload them. The second reason, especially in private companies with high centralization, is the desire to keep as many prerogatives as possible and to keep the owner in close contact with the crew. The third reason is the special importance of the relationship with the crew. It may result both from the high value and price of employees, e.g. doctors in a medical clinic, lawyers in a law office, and from previous experiences that highlight the value of relationships, e.g. as a result of spectacular strike actions.

The natural goal of the activities would be to shape communication relations in such a way as to support management functions: planning, organizing, motivating and controlling (Sudoł, 2002, p. 215). Peter Drucker stated that management is about mutual communication between members of the organization (Drucker, 1988).

This approach is related to the very concept of marketing as a function – as postulated by, for example, Philip Kotler – controlling and integrating all processes in the company (Kotler, 2005), including the involvement of the marketing department in internal communication processes, so that employees understand and implement the company's marketing philosophy.

Human Resources Management (Griffin, 1999; Stoner, Freeman, & Gilbert, 2001; Mathis & Jackson, 2008) is understood as a function of providing an organization with suitably prepared employees (Torrington, Hall, & Taylor, 2008).

The concept of Human Resource Management assumes close cooperation with employees, considerable individualization of activities and adapting them to the needs of individual categories of employees, and even to the individual needs and preferences of each of them.

Narrowing down this concept even more and referring to the definition of Cutlip, Center, & Broom (Cutlip, Center, & Broom, 2000), public relations can be defined as the function of managing the communication of an individual with the environment – in this case both the individual and the environment are one entity.

What is important in internal communication carried out by the PR department is the evolution from a very one-sided communication model, assuming a one-way message to employees, effect-oriented rather than designed for meeting ethical standards, to an extensive model of two-way symmetrical communication, assuming attempts to achieve equality of the subjects of communication.

Therefore, at the theoretical level, we can talk about the convergence of internal communication and pursuing symmetrical, two-sided, permanent communication based on the involvement of the parties in all areas.

Empirical research is less clear-cut. One of the basic observations which, paradoxically, strengthens the theory of convergence is the observation that it is impossible to entrust all communication tasks to only one area. Even in companies with a flat management structure, where the management board has communication powers, it is forced to simultaneously act as a communicator of information on HR (OHS, employee duties, etc.), marketing (customers, product, market situation) and PR (mission and company vision, history, management, etc.). In other cases, the communication functions are divided among individual departments.

This means that regardless of the specifics of the department coordinating communication (although communication competences are still scattered among many other centers), employees indicate similar areas of satisfaction and dissatisfaction in communication.

It seems, however, that the convergence of individual areas makes it worth going beyond the framework of individual research areas, all the more so because the importance of internal communication will undoubtedly increase. The measure of this convergence is also a measure of communication efficiency affecting management efficiency, organizational culture, motivation and creativity. And these are one of the main factors of the competitive advantage of a given economy, influencing its development.

9.2. Communication in a crisis situation in developing countries

Waldemar Rydzak | DOI 10.56091/psde2.14

The globalization of economic processes, digitization and media convergence have increased the role of information in the modern economy, at the same time influencing the emergence of a new global audience that can be called a “network society”. The most important feature of this society is the unification and massification of social and economic behavior patterns that occur through the global media system. In a society operating in this way, access to information is an important factor that allows building a competitive advantage not only locally, but also on international markets. The dominance of information produced and distributed by the media from developed countries, with the simultaneous disappearance of the geographic barrier and the globalization of the media market, may contribute to an increase in inequality between developed and developing countries. The instrumental treatment of developing countries by the West was not without significance (Deszczyński, 2015).

According to Manuel Castells, a Spanish sociologist and professor at Berkeley University, the new network society, governed by the dominant model of economic development, threatens the traditional institutions of developing countries, negatively affecting their economy, culture and identity (Castells, 2005). Unable to develop their own information and communication infrastructure and not having sufficient potential to conduct an equal dialogue on the Internet and through the international

press, developing countries are at risk of dominance in the information, economic, and cultural area (Babran, 2008).

The new technology enables the network society to easily, quickly and cost-effectively engage in criticism of entire industries or national economies. The development of communication channels via the Internet, despite the democratization and apparent openness of this medium, does not guarantee equal participation in the discussion for all entities. Sometimes the selection and display of information is determined by algorithms used by providers of various services. Google has algorithms for searching for information on the Internet, and Facebook uses algorithms to “arrange” the content of posts into an individual list of news for each user of this portal. The problem of the possibility of manipulating the attitudes and behaviors of Internet users was noticed by the European Union, which took legal action against, for example, Google (Rydzak, 2020).

Modern technology may fail in a crisis situation (Sturdivant, 2007), not everyone will then be able to access the Internet (Barnett, 2007), and the cellular network, suddenly overloaded, may stop working or be intentionally switched off (Malloy, 2008). The solution to this problem may be combining various information channels, including the use of traditional media, such as radio or television, which are less susceptible to interference (Rydzak, 2020).¹

The decision-makers of developing countries, who in most cases do not have national media with a global reach, in crisis situations face challenges not only of an internal nature, i.e. the implementation of information strategies tailored to the national recipient. The analysis

¹ An example of such an approach is the information campaign addressed in 2014 to the inhabitants of the largest agglomeration in Nigeria – Lagos, in which the dominant source of instructions on correct behavior during the Ebola epidemic threat was television (over 25%). Social media as the main source of information came second (over 15%), and it is worth adding that over 39% of respondents indicated it as the most important additional source of information. More than thirty percent of the Internet access rate among 200 million Nigerian population in 2015, including the seventy percent share in social media, show major changes taking place in developing countries (Olatunji & Okunnu, 2020).

of the concepts of authors from developing countries shows that in these countries the issues related to the loss of image in the international arena are considered to be a more important area of communication in crisis situations. It is worth noting that the effects of these efforts may be partially weakened by the impact of the negative reputation of one country on the credibility of other countries belonging to the same category. In most cases, the impact of a negative reputation does not lie in the exclusion and refusal of assistance, but in the deterioration of the conditions under which such assistance is provided (Lindert & Morton, 1991).

In the international media space, according to Avraham (Avraham, 2017), the image of developing countries is shaped by several factors: 1) the geographical distance of the country from the headquarters of a given medium, 2) selection of information (the dominance of negative information in broadcast), 3) a small number of reporters assigned permanently to cover developing countries (superficiality), 4) focusing by Western journalists on the audience “at home” (lack of full understanding / setting the discussed issues in the right context), 5) belief that residents of developing countries are not target audience for international media coverage (due to the low importance of a developing country in the international arena and thus also the low level of global media coverage), 6) ineffective public relations efforts of developing countries.

9.2.1. Information activities of developing countries in the international arena

Developing countries find their way to the headlines of international media mainly in the context of reports of crisis events, such as terrorist attacks, ethnic conflicts, natural disasters or violations of human rights. For a Western recipient who is a consumer of content produced by global media (most of the time in the hands of Western capital), negative information related to these countries is more attractive than positive information. At the end of the 20th century, the negative selection of information carried out by the media in relation to developing countries was defined as “The natural disasters and revolutions syndrome” (Goren, 1986). A review of publications in the field of image, reputation

and crisis communication by authors from developing countries shows a strong focus on this issue. There was an opinion that the balance between positive and negative information to which the societies of developed and developing countries had access was disturbed in the media. Concentration of media ownership in developed countries and increased dependence on them in developing countries may limit the citizens' ability to make informed economic decisions (Ashraf, 2011). Additionally, the negative agenda of the international media reinforced the existing stereotypes, generalizations and unfavorable perceptions of developing countries. According to Eli Avraham (Avraham, 2017), the situation began to change in the 1990s. Developing countries saw a decline in the number of Western reporters working for international news outlets during this period.

As a result, local journalists were increasingly used to cover the events. It was easier for them to present the problem presented not only from the perspective of an international audience, but also local communities, because they understood political, social and economic conditions as well as historical and cultural traditions.

Using an analysis of the content of press publications, interviews and media policies adopted by governments of developing countries, Eli Avraham (Avraham, 2017) sought to identify the strategies used by developing countries in relation to international media journalists. She listed seven types of strategies as the most common behaviors:

1. Purchase of information space (space or airtime on TV / radio, newspaper or news portal);
2. Developing media relations and responses to the news, including:
 - a. direct techniques (letters to the editorial team, posts, reactions to messages and comments);
 - b. indirect techniques (press conferences, press releases, giving interviews and creating links between reporters and news sources);
3. Reporting general and specific complaints about media activities, including:
 - a. complaints about the activities of the media and the quality of general coverage,

- b. complaints about media activities and the quality of coverage in a specific country,
 - c. boycotting “biased” media;
- 4. The use of threats of an economic nature (blockades, legal restrictions, etc.);
- 5. The use of physical threats;
- 6. Blocking Internet access (to sources or infrastructure), including blocking websites, access to social media, events and stories;
- 7. Encouraging / using activists, celebrities, opinion leaders and even tourists to post positive reviews / information about the developing country on social media (treating this information as an alternative source of balancing international media messages).

9.2.2. Intercultural differences and the effectiveness of communication in crisis situations

There is a slow change in the way developing countries operate. They are becoming more and more active creators of information in response to crisis situations that threaten their image. An example of such activity was a campaign using the hashtag #SomeoneTellCNN. It was launched after an information broadcast on CNN that described Kenya as a “terror hotbed.” As a result of the campaign, the CNN editorial staff apologized and corrected the original announcement (Avraham, 2017). While the pursuit of information balance postulated by scientists from developing countries is fully understandable, it should be remembered that in these countries there are a number of restrictions, also in terms of access to information, and the rulers still try to control the content that reaches citizens.

The political system and the scope of civil liberties, in addition to social status, earnings, property or relationship to private property, may be important factors that will shape people’s attitudes towards crisis situations and affect the process of formulating expectations towards entities responsible for the occurrence of negative events. Crisis events assessment is a process influenced not only by political, economic and social, but also by cultural and demographic factors.

At the beginning of the 21st century, demands began to appear in scientific research to step away from the dominant paradigm of communicating in a crisis situation based only on Western experiences (Lee, 2005). The multicultural environment we deal with in the case of an online community creates additional challenges (Gonzalez-Herrero & Smith, 2008). W. Benoit, in the context of companies operating globally, points to the differences between the perception of a crisis situation by the public from the country of origin and the perception of the threat by the public from the country where the crisis occurred. This is mainly related to the physical distance that separates some of the audience from the place where the negative effects of a crisis situation are felt. It is worth noting, however, that in the era of globalization, cheap transport and digitization of the information exchange process, the geographical barrier is partially losing its importance. On the other hand, new threats have emerged with the formation of a digital society. People from different cultures, despite the apparent ease of access to information, may perceive and understand the same problem differently, e.g. because of the language barrier that makes it impossible to understand the nuances of the information communicated and the context that may be more important than the information itself (Falkheimer & Heide, 2006). Low context level means that most of the information is included in the message, and high context level – that most of the information can be found in the sender's attitude and behavior.