

## Russia's development assistance

Agata Wierzbowska-Miazga  
Marcin Kaczmarek

In its attempts to catch up with the global trend, Russia began granting development assistance in 2004. From the onset of Russia's commitment, the aid delivered has increased fivefold and reached approximately US\$ 500 million in 2010. Russian aid, albeit distributed nearly exclusively via international organisations, has been granted above all to members of the Commonwealth of Independent States (CIS). In recent months work on the establishment of the Russian development assistance system has been accelerated (a national strategy is being prepared and a specialised agency is to be established). This move proves that the Kremlin attaches weight to activity in this area which is an element of soft power politics, the foundations of which Moscow is currently attempting to lay.

In its commitment to development co-operation Russia has sought on the one hand to increase its prestige on the international stage and on the other hand to gain another instrument of exerting its ascendancy in the CIS. The scale of aid and the way of delivering it have not made Russia an important global actor. Over the last five years Russia increased the funding allocated to development assistance several times, however, compared to other donors its aid does not appear impressive. The resources dedicated to this end stand at a mere 0.035% of Russian GDP. Unlike other non-Western superpowers such as China or India, Russia is not a competitor for Western countries in this area on the global scale. Nevertheless, within the CIS, Russia's aid is building the country's position as a donor. The long-term results of this aid are however being counteracted by the fact that Russia is expecting measurable and direct political and economic benefits in return. Although this policy helps Moscow achieve its objectives in the CIS, it does not develop Russian potential in the sphere of soft power or create a positive image of the country.

## International development assistance today

Development assistance is nowadays one of key methods for building a country's international position. It combines the carrying out of foreign policy objectives, soft power activities, the promotion of defined political rules (good governance) and the fulfilment of the

commitments made by richer countries towards poorer countries. Development assistance has both practical (measured by increased political and economic influences) and prestige aspects. The provision of development assistance also serves the purposes of actions undertaken in the donor's country such as the strengthening the non-governmental sector (which is responsible for delivering a large part of aid), the promotion of business, and awareness raising of global issues in society.

After the end of the cold war development assistance was monopolised by Western countries. These countries, grouped together in the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), until the mid-2000s accounted for 95% of the funding allocated for development purposes (Arab countries also delivered development aid, though). The OECD DAC has also become one of the sources of concepts and rules regulating Official Development Assistance (ODA). The DAC countries opted for conditionality of provided assistance, making aid dependent on the implementation of political and economic transformations. At the same time, attempts were made to separate development assistance from strategic objectives of foreign policy (by promoting divorcing development aid from immediate benefits or by using grants instead of loans).

With the appearance of new centres of economic growth, other countries, from emerging superpowers such as China, India, Brazil and South Africa, through EU New Member States to private donors such as Bill and Melinda Gates' foundation, have joined traditional donors since the mid-2000s. Their overall contribution amounted to over US\$ ten billion a year between 2008 and 2010. With the arrival of new sources of funding development assistance, its objectives and principles have started changing. Development assistance provided by new donors has several characteristics. Firstly, it is focused on the region in the immediate vicinity (with China – Asia, with North Korea as the largest recipient; with India – its neighbouring countries; for Brazil – Latin American countries; it is also similar for Turkey and for South Korea, which is a DAC member state). Secondly, new donors shift away from the principle of conditionality and underline non-interference with the recipient country's internal affairs. Thirdly, for new donors development assistance often provides a way of winning political influence and access to strategic resources, which is best illustrated by the example of China's policy towards Africa. Fourthly, China for instance presents itself as a developing country and promotes co-operation on an equal footing (South-South co-operation). In connection with this the very notion of a developing country has been diluted as the countries which qualify as such according to OECD criteria, from China to India, are delivering increasing amounts of development aid and establishing specialised agencies to perform this task. New donor countries are presenting a challenge to the already established development assistance system dominated by Western countries, despite the fact that their contribution is under fifteen per cent of global development assistance. The aid granted by them often runs contrary to the principles developed by Western countries (such as the realisation above all of the interests of the beneficiaries and not of the donor, the separation from direct benefits, harmonisation between donors) and is also perceived as supporting authoritarian regimes and lowering standards.

**New donor countries are presenting a challenge to the already established development assistance system dominated by Western countries.**

**The aid granted by them often runs contrary to the principles developed by Western countries.**

Thirdly, for new donors development assistance often provides a way of winning political influence and access to strategic resources, which is best illustrated by the example of China's policy towards Africa. Fourthly, China for instance presents itself as a developing country and promotes co-operation on an equal footing (South-South co-operation). In connection with this the very notion of a developing country has been diluted as the countries which qualify as such according to OECD criteria, from China to India, are delivering increasing amounts of development aid and establishing specialised agencies to perform this task. New donor countries are presenting a challenge to the already established development assistance system dominated by Western countries, despite the fact that their contribution is under fifteen per cent of global development assistance. The aid granted by them often runs contrary to the principles developed by Western countries (such as the realisation above all of the interests of the beneficiaries and not of the donor, the separation from direct benefits, harmonisation between donors) and is also perceived as supporting authoritarian regimes and lowering standards.

In 2010 Official Development Assistance altogether totalled US\$ 130 billion. The largest donor countries are the US with US\$ 30 billion and the EU with US\$ 70 billion. In comparison, the aid provided by China stood at US\$ 2.5 billion, by India at US\$ 1 billion, by Turkey at approximately US\$ 1 billion and by Poland at US\$ 380 million.

## The Russian concept of development assistance

With the growing importance of development co-operation Russia – which is attempting to adjust its foreign policy to the requirements of the post-cold war order dominated by economic issues and copying the soft power methods used by Western countries – has decided to also provide development assistance. Since 2004 Moscow has been allocating funds for development aid., In 2004 it also made the first – failed – attempt to establish a system of development assistance (although several years ago Russia itself met the development assistance recipient criteria).

Initially, Russia's development assistance policy was implemented on the basis of one-off governmental decisions – with no internal documents regulating this question. In 2005 Russia signed the Paris Declaration on Aid Effectiveness – a fundamental document which defines the principles of development aid on the international scale, created mainly by the OECD. However, the internal principles of granting development aid by Russia were first formulated in the Concept of Russia's Participation in International Development Assistance, signed by Vladimir Putin on 25 June 2007. They have been working on a national strategy for development policy since 2010.

Despite the commonly declared motivations such as the need to build a stable and safe world, Russia also explains its commitment to supporting developing countries by referring to prestige issues – the need to follow in the footsteps of the world's richest countries who are its colleagues in the G8 group – and the willingness to build its positive image.

In reaction to a visible global tendency which sees the steady growth of resources dedicated to development aid Russia has recognised that it must activate its development policy and increase related funding if the country wants to enjoy the status of world superpower.

Russia does not hide that the aid it delivers is intended to bring about political and economic benefits not only to recipient countries but also and possibly above all – to Russia itself.

In the Concept of Russia's Participation in International Development Assistance it is clearly stated that Russia's development aid is meant first and foremost to encourage the building of ties with Russia's neighbouring countries, to stabilise the region and to stimulate the in-

tegration processes of recipients' national markets with Russian capital, goods and services and labour markets. The majority of the world's donor countries pursue development policies in line with their own political and economic goals, their self-interest is however not so explicitly formulated in related documents or does

**Russia does not hide that the aid it delivers is intended to bring about political and economic benefits not only to recipient countries but also and possibly above all – to Russia itself.**

not dominate the fundamental goal of development assistance, that being support for developing countries and the elimination of poverty.

From 2012 the activities of the Russian development policy will be undertaken by a specialised agency affiliated to the Ministry of Finance. At present responsibility for development aid is dispersed. Decisions about providing aid to particular countries are made by the government at the initiative of the Ministry of Foreign Affairs and the Ministry of Finance. The executive authorities of neighbouring regions with potential recipient countries can also take initiative in this area. Preference is granted to programmes whose implementation involves the use of Russian goods – opinions in these matters are issued by the Ministry of Industry and Energy. The Federal Agency for the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Co-operation, Rossotrudnichestvo, is trying to play the role of the coordinator of development activities undertaken by Russia in the territory of the CIS, but it is involved in an ongoing dispute over competences with the Ministry of Foreign Affairs.

Russia's development policy is implemented only in country-to-country relations, with international organisations acting as possible intermediaries. In contrast to global practice, the sector of non-governmental organisations, either from Russia or recipient countries, is not involved in development assistance. In the Concept of Russia's Participation in International Development Assistance, it is stated that non-governmental organisations through the projects they implement are often part of development activities and create a positive background for actions undertaken by the state. The idea of providing federal funding for civil society and non-governmental organisations so that they can be used as an additional channel to deliver Russia's assistance to the recipient countries is being considered for the future.

## The practice of Russian development assistance

The first form of assistance provided by Russia to developing countries was the cancellation of debts incurred by developing countries in the USSR era, above all as part of the Heavily Indebted Poor Countries (HIPC) initiative aimed at reducing debts in these countries, launched jointly by the International Monetary Fund and the World Bank in 1996. This form of aid was easy as the cancelled debts were difficult to recover anyway.

The impetus for initiating an active development policy in 2004 was provided by Russia's preparations to take the lead in the G8 group.

*Russian development assistance (in US\$ million)*

Year	2004	2005	2006	2007	2008	2009	2010
Amount	100	100	100	210	220	785	472

In the forthcoming years Russia is planning to maintain development assistance at the level of US\$ 0.5 billion (which is equivalent to approximately 0.035% of its GDP). 2009 was exceptional because of the crisis and substantial money transfers to Kyrgyzstan, in the coming years aid will remain at the level of US\$ 500 million. At the same time Russia has

declared its willingness to reach the level recommended by the UN of development aid of 0.7%, which would equate to approximately US\$ 11 billion annually.

With the increase in funding for development assistance, the aid structure has also been changing. More emphasis is being placed on grants and subventions. For the time being the bulk of Russian assistance is made up by contributions to

**The majority of funds provided by Russia bilaterally or multilaterally are channelled to CIS countries, particularly to the states in Central Asia. Russian development assistance is often closely linked to the implementation of Russia's particular goals.**

international funds and ODA programmes which stem from Russia's commitments as a G8 member. Thus Russia is not pursuing its own development programme but only joining the framework provided by the international institutions – above all the World Bank, the World Health Organisation and UN agencies.

However, a certain specialisation can be seen in Russia's commitment – the largest part of funding disbursed to development organisations is devoted to health protection (in 2010 approximately US\$ 80 million was allocated to this purpose, in 2009 this figure was US\$ 129.13 million).

In the longer term Russia envisages the establishment and development of instruments of the national development assistance system in bilateral form. So far direct assistance has been rather incidental. In 2009 the majority of bilateral aid was the support given to Kyrgyzstan which then was struggling with an energy crisis – a non-reimbursable grant

of US\$ 150 million and a preferential long-term loan of US\$ 300 million. In 2010 it was Kyrgyzstan, Nicaragua and Nauru which each received US\$ 50 million in grants in order to solve social issues.

The majority of funds provided by Russia bilaterally or multilaterally are channelled to CIS countries, particularly to the states in Central Asia. Russia is also planning to launch a development programme aimed at the CIS countries - "Assistance and partnership". Furthermore, in 2009 Russia and the Eurasian Economic Community (EAEC) countries announced the establishment of a new mechanism of assistance in crisis situations - the Anti-Crisis Fund of the EAEC amounting to US\$ 10 billion, where Russia's contribution stood at US\$ 7.5 billion. This fund is intended to deliver aid to the least developed countries following ODA principles. Tajikistan, which received US\$ 63 million (from Russian contributions) in 2010, was the first beneficiary of the fund.

Russian development assistance is often closely linked to the implementation of Russia's particular goals. Several times in exchange for support (particularly bilateral) Russia has gained immediate benefits, which is contrary to the widely accepted rules of development assistance. The flagship example of tying aid to the realisation of particular demands was demonstrated by the aid delivered to Nicaragua and Nauru after which the two countries recognised the independence of Georgia's separatist republics – Abkhazia and South Ossetia. In return for assistance for Kyrgyzstan in 2009 Bishkek, under pressure from Moscow, denounced the agreement with the US regarding the deployment of the US military base at the Manas airport. At the same time in exchange for cancelling the US\$ 180 million debt, Russia was set to take over the control package of the Kyrgyz Dastan defence plant.

## Conclusions

Russian development assistance exemplifies Russia's attempts to employ soft power measures in its foreign policy. This aid brings Moscow classic political and economic benefits within the CIS. However, this involvement is ineffective as a tool for creating Russia's image as a modern superpower having large soft power potential. The barriers are: a characteristic reluctance, also for other attempts of development and the use of soft power instruments, or an inability to commit substantial funding and the willingness to gain immediate, direct benefits. Due to a small share of bilateral development co-operation and the overlooking of non-state channels of delivering aid, Russia has also failed in its aim to inform society in the recipient countries. Furthermore, Russia is neglecting the information policy in this area by not reporting related expenditure to the OECD; the country is either not noticed by experts who entirely pass over Russia (whereas they indicate the remaining BRICS countries) in discussions about new donors. Thus Moscow, by demonstrating superpower ambitions on a global scale, remains on the margins in the area of international development co-operation both in terms of funding and concepts. The case of development co-operation reveals that Russia is not faring well with applying modern methods of pursuing foreign policy, not only in comparison with Western countries but also with non-Western superpowers.



**Centre for Eastern Studies**  
Koszykowa 6A,  
00-564 Warsaw  
e-mail: info@osw.waw.pl

**The Centre for Eastern Studies (CES)** was established in 1990. CES is financed from the budget.

The Centre monitors and analyses the political, economic and social situation in Russia, Central and Eastern European countries, the Balkans, the Caucasus and the Central Asia.

**CES focuses** on the key political, economic and security issues, such as internal situations and stability of the mentioned countries, the systems of power, relations between political centres, foreign policies, issues related to NATO and EU enlargement, energy supply security, existing and potential conflicts, among other issues.

**The views expressed by the authors of the papers do not necessarily reflect the opinion of Polish authorities.**

© Copyright by OSW

Editors: Adam Eberhardt,  
Marek Menkiszak,

Anna Łabuszewska

Translation: Anna Kucińska

Co-operation: Nicholas Furnival

DTP: Wojciech Mańkowski