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## General Session

### **Pawns On A Chessboard** **The role of donor organizations during the transition process**

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#### **Abstract**

*This paper discusses the role of donor organizations during the transition process of CEE countries. Previous research pointed to them as the ones to blame for the failure of many assistance projects. This paper investigates what those donor organizations have to say themselves. It departs from the theory of social exchange which focuses on situations of imbalance of costs and rewards which is characteristic for the work of donor organizations. This theory provides an answer to the question how the motives explain the variance in the effectiveness of aid programs.*

*Subsequently this paper presents the results of a case study on Swedish donor organizations. This is an extreme case, because the Swedish ones were seen in the previous investigations as the most properly functioning donors.*

*The case study results in a picture of donor organizations being trapped between shifting demands and the strategic geopolitical goals of government on the one hand and on the other hand the operational goals for the improvement of the situation of countries which try to find their way from a socialist state to a market economy.*

# **Pawns On A Chessboard**

## **The role of donor organizations during the transition process**

Iwona Sobis & Michiel S. de Vries

### **1. Introduction**

This paper is the third in a series dealing with the Western assistance to Central and East Europe after 1989. During the transition phase much money went to advisory work in CEE countries. However, with the benefit of hindsight and with an understatement, we can say that not all those investments were profitable. Previous papers written by Sobis and De Vries pointed out that the experts who were sent to transition countries in Central and East Europe after 1989 were often less successful than expected. What went wrong?

When listening to recipients in CEE countries, the advisory work itself was unsatisfactory in many respects (Sobis & De Vries, 2004). When asking the most appreciated (Swedish) experts about their understanding of the situation and their role in CEE, they complained quite frequently about the poor work conditions imposed by donor organizations (Sobis & De Vries, 2005). In this paper we address the position of donor organizations on the same issue e.g., their role in aiding CEE countries. What is the opinion of these organizations and were the experts right to point to them when asked how to explain failures in the practice of advice? In other words are the donor organizations really the ones to blame?

Underlying this research is some confusion or at least hesitance. Aren't donor organizations to be seen as not-for-profit organizations? Organizations comparable to charity i.e. idealistic organizations (Fischer, 2000; Salamon & Anheier, 1996; Vakil, 1997) of which the distinctive features are: (a) that their prime function is that they serve a good cause, (b) that they act not-for-profit, (c) are externally oriented and (d) show altruistic behavior? How could they be reproached for any failures in the field? If they act according to those four criteria the assumptions of exchange theory in which every organization strives for a positive balance between what is invested and the returns, would not be applicable to these organizations.

Or are they to be seen as organizations, not different from other private organizations - being autonomous and having a formal structure - also features mentioned by the same authors. This would imply that their behavior would fit the framework of social exchange theory. Their behavior would perhaps be positioned on the extreme side of social exchange, in which giving and taking perhaps cannot be measured by profits in terms of money because giving money serves other purposes than indicated by those superficial units and the expected rewards are different from the immediate material fulfillment by individual actors, but nevertheless rewards are expected. The rewards for their actions might, for instance, be conceived as debts which increase the structural power of the donor organizations or their authorities. In the next section of this paper we will concisely address the nature of social exchange theory and the remainder of this paper is aimed at analyzing whether the behavior of donor organizations can be understood within this theory.

This is done through a case study on Swedish donor organizations. The aim of this case study is to understand the donors' point of view on the Western assistance to CEE countries. Our previous research was also based mainly on empirical material from Sweden, after it became clear that in a comparative perspective, the Swedish experts and consultants were perceived as the best by the respondents from CEE countries (Sobis 2002). Therefore, the Swedish case is not a random case, but an extreme case and if any criticism is possible about the role, purposes and experiences of Swedish donor organizations, this might tell us as much or even more about similar organizations from other countries. The Swedish case is also interesting because the country started the assistance to the Baltic States and Poland relatively early in 1989, thus five years before Sweden became EU member and about fourteen years before the CEE countries became the members of EU. Furthermore, Sweden belongs to the most generous states in Europe in this regard.

For the case study at hand it is important to understand to what degree the Swedish assistance to CEE-countries was (partly or wholly) aimed at protecting the Swedes own interest, whether it was "subjective" towards potential assistance-recipients and how the Swedish assistance programs corresponded to the needs of recipient-organizations. This research addresses questions like: What were the goals prioritized by the Swedish donor organizations when investing in assistance projects to CEE after 1989 and how did these goals evolve? Were the projects evaluated and to what degree they achieved their goals? What factors lay behind success respective failure of assistance programs? To what extent are the explanations of the experts and donor organizations congruent? What does this imply for the explanation of the sometimes disappointing outcomes of advice?

Before we give an answer to these questions we first present the theory that steers our analysis and justify the research method.

## 2. The theory of social exchange

Social exchange theory tells us that all human relations have two aspects, i.e. are of a give-and-take nature. Among the first to address the problem of social exchange were Thibaut and Kelley (1959; 1978). They developed a theory dealing with the communicative side of the *theory of social exchange*. In their eyes, the rewards and costs during exchange compose the most important variable. When outcomes are perceived to be more balanced and fulfilling for both sides, human beings/organizations disclose more and develop a closer relationship, they develop bonds.

People, and in social exchange theory also organizations, however, often strive for imbalances, e.g. try to minimize costs and maximize rewards. Such unequal payoffs are in the long run not acceptable. The idea is that only when there is a certain balance in immediate payoffs or when one can observe similarity in development (likeliness of developing) such relations become acceptable and fulfilling to both parties in the long run.

Social exchange theory's fundamental premise is that human behavior is an exchange of rewards between actors (Zafirovski, 2005). One important implication of exchange theory is that the viability of social exchange rests on the assumption that human beings recognize each other's life situations, notice each other's needs, and in some ways are likely to engage in reciprocity - a condition in which a response is correlated to the worth of the original message. In other words, humans act with other humans in full recognition that their acts will be noticed and in some way reciprocated (i.e., that they will receive a return on their communicative investment) (Zafirovski, 2006). We can assume that in an organizational world, almost the same rules steer exchange.

In this perspective on social exchange the emphasis is on the actor expecting to be rewarded for his activities. Later on the theory evolved, especially because of the writings of George C. Homans and the perspective changed to that of the actor who reacts to activities of others. In Homans' view also, social behavior is expected to be rewarded or punished by the behavior of another person or by the non-human environment. But his theory is mainly about the behavior of the actors giving rewards or punishments. According to Homans, actors will choose those activities from a plurality of choices that is the most appropriate in response to activities of others. For him and subsequent scholars in this direction, this is not just a theory about certain behavior in certain circumstances, but a universal theory, valid irrespective of the culture one considers.

Without dwelling on the whole theory, the elementary character thereof enabled Homans to develop five basic propositions. First, people tend to react in the same way they acted in the past to similar stimuli, if that option itself was rewarding. Second, quantity and value are important. Thus the more often one rewards an activity, the more likely the activity becomes, and the more valuable a response the more often the other actor will act accordingly. There is, of course, the law of decreasing returns. Thus the value of a response will diminish the more often it is given. The last proposition of Homans is especially important here. It states that there should be a balance between the rewards and the costs involved. Social behavior, so Homans tells us, is an exchange of goods, material goods, but also non-material ones, such as symbols of approval or prestige. Persons that give much to others try to get much from them, and persons that get much from others are under pressure to give much to them (Homans, 1961, p. 606). Hence, one can even aim for imbalanced social exchange in order to increase one's power vis-à-vis the other.

In this version of the theory structural aspects are crucial. Social exchange results either in a balanced payoff or in a power relation. If recipients have enough means to exchange for the benefits, there would not be a problem in terms of power disparity. Also if the resources of one recipient would be inadequate, but the resources of all recipients could be pooled, the power relation could change. Thirdly, competition among providers could increase the recipients' independence. Finally a growth of unequal economic advantage might result in dispute instead of compliance.

Later on, Peter Blau somewhat adjusted social exchange theory again by pointing to the importance of understanding the process of social exchange next to the structure thereof. According to Blau, social exchange theory is only applicable in case two actors desire the same goal, which requires cooperation. They should experience a common problem and negotiate about the means to solve it and to attain the goal. Only such situations result in a process of social exchange of which, of course, the balance in payoffs might vary.

The conclusion of Blau is congruent with that of Homans. One of the major goals of the social exchange theory in Blau's view is to understand what happens in different cases. Regarding unbalanced social exchange, Peter Blau argues that by providing unilateral benefits to others the actor accumulates a capital of willing compliance on which he can draw whenever it is of his interest to impose his will upon others, within the limits of the significance the continuing supply of benefits has to them (Blau, 1964, p. 28).

In this conception, like in that of Homans, social exchange has everything to do with establishing a power relation and an imbalance in social exchange results in power disparity (see also Nisbet, 1970; Fararo, 2001; Emerson, 1969; Cook, 1990).

Next to power there is sometimes also the aim for status (Blau, 1960). With regard to the activities of donor organizations toward CEE countries, this specific elaboration on social exchange theory might also provide insight in why the western assistance was provided, why this assistance was not always successful and with what goals donor organizations might have assisted the recipient countries. As Blau tells us:

A person with superior qualities which enable him to provide services that are in demand receives the respect and deference of others in a group, which bestows superior status upon him, in exchange for rendering these services. A person who is not able to offer services that are in demand must settle for a lower position in the group (Blau, 1960, p. 555).

If status is the issue, one tries to make aid work, because that would increase one's status. This is not necessarily the case when only striving for power. In that case the simple act of giving aid, whether effective or not, suffices. Although one can question whether power and status are the main concepts social exchange is based on, the distinction makes it possible to explain the (in)effectiveness of aid and whether the motives to provide aid are to the benefit of the recipient or at the cost of the effectiveness thereof, which is the question central in our endeavor to explain the ineffectiveness of western assistance in CEE-countries.

If we take for granted that in social exchange theory human interactions are based on social and material resources and they constitute a fundamental form of human relations in terms of power or status, then by analogy, interactions between donor-organizations and assistance-recipients, which are based also on social and material resources, constitute the core of inter-organizational relations, in which evolving patterns of power are also crucial. Interaction patterns are shaped by power relationships between organizations and aim at achieving either a new balance or a new power or status relation between them.

This theory might well apply to the process in which donor organizations, experts and recipient countries are involved. The Western assistance to CEE countries, the imbalance in the *giving* and *taking* of the Western donor-organizations and the assistance given to the recipient countries from the post-socialist countries, might well be conceived in processes aimed at establishing a power or status relation. The West European states can be conceived as the "collective actors" represented on the different levels of state organization by donor organizations. As the collective actor, these states have their own interest for cooperating with and giving assistance to other countries.

Social exchange theory states that there is no such thing as a free lunch. The exchange may vary both in balance and content, but the theory views imbalances mainly in terms of delayed rewards and to be seen in terms of developing power relations and/or status. The question to be answered below is whether there are indicators in the western assistance programs that corroborate this theory and if there are indicators that the motives behind western aid went at the expense of the effectiveness of assistance programs.

In terms of social exchange theory the assistance provided by western donor organizations should be conceived as an unbalanced exchange in which assistance is given in exchange for a delayed reward. Exchange theory centers on such enduring long-term social relations, as distinguished from "one-shot transactions" in the market realm (Cook, 2000, p. 687, Zavirovski, 2005, p. 3). Blau's elaboration of the social exchange theory and later on Emerson and Molm and Peterson's additions (Molm and Peterson, 1999) suggest that these long-term relations involve power and/or status. In those theories there is no room for love, altruism or generosity. The idea behind aid is simple when framed within the social exchange theory. You are given something, with seemingly nothing asked in return. But after a while a side-effect occurs. You become indebted, dependent and ultimately you do what you normally would not have done, just because the beneficiary asks you to. In this way power and status relations arise, not bonds based on equivalence. Below we will see whether there are indicators to support this point whether this might explain the variance in effectiveness of assistance programs or whether real altruism, love and generosity governed the activities and aid provided by the donor organizations.

### 3. Data and methods

This research is anchored in the previous research conducted by Sobis (2002), Sobis and De Vries (2005) and Sobis and De Vries (2006). The study is based on document analysis and interviews.

Regarding document analysis, we have used documents, reports and evaluations of the Swedish assistance programs from home page of Swedish International Development Co-operation Agency (Sida) and their archival and published reports and evaluations accessible for visitors. A very important source of information proved to be also the official reports prepared by Stockholm Group of Development Studies to the Swedish government, in which they presented evaluations of the developmental work in Estonia, Latvia, Lithuania, Poland, Russia, the Ukraine and Byelorussia. These reports play a complementary role towards Sida's official documents. Furthermore, we analyzed the regulations as given in the Swedish statute-book.

Concerning the interviews, the aim was to conduct in-depth interviews with the representative of BITS and Sida. However, it proved necessary also to interview some persons who evaluated the Swedish assistance to CEE with a major focus on Sida's assistance projects and who had a wider insight into the major aims and principles of the Swedish assistance to CEE. Those persons had a wider knowledge about the recipient's experiences of the Swedish assistance and to what degree these projects were adequate to recipients' needs. In this study we have also used the transcribed interviews with the experts from the previous research that are relevant here. This article is based on eight interviews with key-persons, four with women and four with men. Because of ethical rules, we wish to protect the identity of our respondents and do not use their names or their professional positions. These details are seen as less important for our study. We have promised them anonymity. In fact, we have only interest in the developing process in CEE and how this process is perceived and experienced by the representative of the Swedish donor-or-

ganizations and not in their personals. The average interview took about one and half hours. The interviews were transcribed in a verbatim way. We did not want to miss any important information to analysis.

The interviews consisted of open questions asked around three thematic blocks. The first block of questions addressed the elementary information about respondents and their formal education, actual professional specialization, why they were involved in the assistance programs to CEE countries etc.

The second block focused on the assistance programs to CEE countries that the donor-organization provided after 1989 to 2005. The focus was mainly on the aims and financial principles of that assistance, which projects were perceived by the donor-organization to be a success and why respective which projects were perceived as fiasco. We wanted to know which goals were possible to reach and which proved impossible to implement and why that was so. The respondents were expected also to identify the underlying factors behind the success respective failure of assistance projects.

The third thematic block concerned *experts* and *consultants*, who the donor-organization employed in the framework of the assistance projects. The respondents were asked to make a distinction between the concepts of expert' and "consultant" and explain how the donor-organization recruited experts and consultants for the assistance projects. These questions aimed to provide us with some information about competence of experts and consultants to understand on the one hand the recipients' disappointment with the Western assistance. On the other hand, the purpose was to understand the Swedish experts and consultants' discontent with the uncertain working conditions in the post-socialist countries.

The empirical material proved to be very rich, thanks to the respondents' engagement, frankness and good will to give us all the necessary information about the donor-organizations experiences from CEE during the period from 1989 to 2005. It should be mentioned beforehand that the material is not to be seen as representative for all donor-organizations. As said above, there are good reasons to see the Swedish case as an extreme case.

#### **4. A case study on Swedish donor-organizations**

To understand the nature of Swedish assistance to the post-socialist countries in CEE, it seems necessary to know some historical facts dealing with the Swedish tradition of aid. One of the first donor-organizations was *the Swedish development corporation*, established in 1965 by the Swedish Parliament, in order to improve the standard of living of poor people. Probably, the Christian missions, some political motives and the English speaking former British colonies suited the Swedes well and the government decided to address the first assistance programs to Ethiopia, India, Kenya, Pakistan, Tanzania and Tunisia. In fact, it was Sida - *the Swedish International Development Co-operation Agency* in its original version. Up to the early 1970s, this Swedish agency conducted almost only individual projects that were directly under the control of government. As time went by, the recipient countries could decide on the projects and sectors based on their needs.

The oil crisis of 1973 left some traces on the Swedish co-operation with developing countries. The government decided "to raise the level of tied assistance", which meant in practice that the recipient countries were obliged to "a greater degree than before to use part of the support they received to purchase Swedish goods" (Sida, 2005). Until 1978, the number of beneficiary countries had increased to fourteen. Then, Sida supplemented "the overall goal of improving the standard of living of poor people with four sub-goals" (Sida, 2005). Now, Sida's major goals were: (1) economic growth, (2) economic and social equality, (3) economic and political independence and (4) democratic development. Two years later Sida prepared a strategy for rural development to help the poorest people in Ethiopia and Mozambique (Sida, 2005).

At the beginning of the 1980s, Sida was openly critical about the effectiveness of its support. It initiated discussions between donors and recipients in order to learn what could be done to improve the effectiveness of international co-operation and assistance programs. At the same time, most donor countries in the West, started to support the programs of the World Bank and the IMF to stabilize and liberalize the economies in Latin America, Asia and Africa. Sweden went along with this stream.

Another important Swedish donor, next to the Swedish agency, proved to be *Preparation for international technical and economic co-operation*, with the acronym of BITS (Beredningen för internationellt tekniskt-ekonomiskt samarbete), that was established in 1979. BITS, as a small department within the Ministry for Foreign Affairs, was responsible for international technical and economic co-operation. Its tasks, financing and spreading organizational principles, were regulated by the Statute-book of 1979:831. By law, BITS was expected to create co-operation with *some* developing countries to assist them in their socio-economic development. In this way, the government wanted to help these countries and secure Sweden's deeper relations with them (SFS, 1979:831; Interviews 2, 3 and 4). The Swedish statute-book of 1979:831 provides us with the general instructions for the *Preparation for international technical and economic co-operation*. This document focused on technical co-operation and financing principles to the technical assistance to the third world. They emphasized the importance of education, training projects and participation of Swedish consultants. All the activities ought to be conducted in a mutual co-operation and should involve Swedish institutions and enterprises.

The same paragraph also mentions cultural co-operation and personal exchange between the donors and the beneficiary countries (SFS, 1979:831, 3§ and 4§), which opened some possibilities for BITS to co-operate with *the Swedish Institute* [SI]. The latter was expected to support aid-programs in the area of culture and social questions. It

is interesting to note that in this document the technical assistance and the financing principles of assistance are perceived as equal to the economic assistance. Some years later economic assistance was expressed in terms of donor-organizations' contribution to economic reforms to countries in needs.

The preparation for international technical and economic co-operation was led by the Board of BITS. These high civil servants, about 20 persons, were appointed for three years by the government. BITS also had a Secretariat i.e. the director, ordinary and the special personal that had access to financial means. They were also appointed by the special decision of government. Gunilla Olofsson was BITS' first director. She had been working before at the Ministry of Finance, Ministry for Foreign Affairs and the World Bank in Washington (LUM, 1997; Interview 5). BITS could turn to or apply means of outside units like national and international banks, organizations, enterprises, whenever some special tasks demanded further co-operation.

It seems that the new policy of BITS did not come about by accident. The increase in social movements in CEE countries confirmed the collapse of socialism. The first non-communist governments in Hungary and Poland and the fall of Berlin Wall that had a symbolic importance to the fall of socialism, were perceived by the West as the starting point of the great transformation in all CEE countries. The World Bank and the IMF decided to help stabilize and liberalize the economies of the CEE countries. For the Swedish government this opened up new possibilities to finance its assistance-programs. It is not so surprising that the government supplied its aid-agenda with new goals, such as sustainable use of natural resources and protection of the environment. The government assigned extra money for this purpose.

In 1988, the Swedish Parliament passed a new bill dealing with the tasks of BITS. According to the Statute-book of 1988:1125, this time BITS was expected to promote economic and social development in specific developing countries in order to create strong relations with these countries through co-operation with Swedish institutions and enterprises. The resulting document emphasized the great importance of technical co-operation with specific developing countries and the role of giving special credits to them. The government recommended BITS to adapt its activities, to co-operate with international organizations and authorities in other countries in accordance to the general principles laid down by government.

Moreover, there were cutbacks. The managing director became chief of BITS and the Board was limited to ten persons including the director. The organization became divided into two units: the first unit was for technical co-operation and the second one for providing credits to developing countries. The Board of BITS was responsible for: (1) the direction and extent of co-operation with some countries, (2) occasional efforts for the developing countries that never before got support from BITS, (3) bigger credits to developing countries, and finally (4) important questions dealing with the organization and working methods of BITS (SFS, 1988:1125). The last task suggests that the Swedish government already then experienced some organizational problems concerning assistance to countries in development.

Probably, the earlier experiences with finance aid programs to Latin America, Asia and Africa in co-operation with the World Bank and the IMF made the Swedish actors to think over the new opportunities to join the international aid-forces in relation to the developing countries of CEE. The reform of Swedish aid programs proved necessary. It was only a question about time. Thus, according to the structural changes in Latin America, Asia and Africa on the one hand and the great transformation of the post-socialist countries on the other hand, the Swedish Parliament decided on new credits and offers that would make it possible to create a new financing system for assistance to CEE. In 1989, the government decided to start the aid-programs to the CEE countries. They charged the Ministry of Foreign Affairs and particularly BITS to help the countries around the Baltic Sea, i.e. the neighbors, like Poland, Estonia, Latvia, Lithuania and Northwest Russia.

The political and socio-economic situation in the CEE countries proved really dramatic and these countries demanded much more assistance than only technical co-operation. The subsequent governmental bills guided the assistance to these developing countries. As a result, the government decided on a fusion between BITS and SIDA in 1992 (SFS, 1992:269). However, the fusion was in practice only possible in 1995, because the Swedish statute-book did not explicitly state that the regulations of 1992 replaced the previous regulations dealing with assistance programs. BITS and SIDA were still working separately, though quite close.

The Swedish International Development Cooperation Agency [Sida] in its new organizational structure started on 1<sup>st</sup> Jul 1995. The new Sida was the result of a merger of SIDA, BITS and three smaller autonomous entities: the Swedish Agency for Research Cooperation in the Developing Countries [SAREC], the Swedish International Enterprise Development Corporation [SwedeCorp] and the Swedish Centre for Education in International Development [Sandö Ucentrum]. All these organizations carried out the development cooperation programs with relative independence (Sida, 2005; Falk and Wallberg, 1996, p. 4; OECD, 2004, p. 2).

It should be emphasized that at the same time the Ministry for Foreign Affairs (MFA) was in reorganization. The responsibility for country aid strategies and programming was devolved to the regional departments of the Foreign Ministry, but was still treated as an integral part of overall political and commercial relationships. Aid policies and the management of Sweden's input into multilateral development cooperation in general, were handled in specialist departments of the Foreign Ministry (OECD, 2004, p. 2).

In most programs on behalf of CEE countries, the same persons were involved, even if they previously belonged formally to different donor-institutions. The co-operation with Poland, the Baltic countries and North West Russia

that started in 1989 brought about that these aid-institutions had become closer to one another (Interviews 2, 3 and 4). Later on Sida's focus broadened to other CEE countries, the respondents emphasized:

When the Ministries of Foreign Affairs were meeting each other in the various committees of EU in Brussels, we had always a person from Sida on these meetings. It was about 1995. We had a good insight in all the programs addressed to the CEE countries. We participated in these committee meetings about four times a year. There, we met the persons who were responsible for the development in Latvia, Lithuania, White Russia and Ukraine etc. and we made a decision what we would do for these countries. We were flexible. The EU had much money for projects such as e.g. PHARE or TACIT. It involved big projects, limited time and very complicated procedures (Interview 2).

It was a discussion in Europe between the donor-countries that development work should be divided among them. Sweden took charge of the Baltic States. Poland was so big that Germany would take care of the country too. Germany took also care of Czechoslovakia and the Balkans. It resulted in an international specialization and division of work among donor-organizations. Sweden went into the CEE countries with some special know-how (Interview 3).

The Swedish assistance to CEE countries was strongly steered and controlled by national government and governmental regulations. One could observe a clear division of aid-programs addressed to CEE countries among the Western donor-organizations. The geographical aspects and neighborhood relations quite often had a decisive impact on which West European country should provide the assistance to which CEE countries. Poland which undeniably belongs to the Baltic countries is definitely too big to get assistance solely from Sweden. Thus, Germany, France, the UK, Denmark and other relatively close countries were involved in the aid-programs to Poland. However as time went by, specialization in aid-provision were more frequently observed.

#### ***4.1. The major instruments of the Swedish assistance to CEE***

The Swedish assistance to CEE countries after 1989 went from the Swedish government through the donor-organizations, first through BITS and later through Sida. The major means to provide assistance were and still are the means that come from the Swedish taxpayer. The government assigned a separate budget to BITS and Sida. Concerning the rules for financing the assistance program, the respondents explained it as follow:

Sweden has never financed any assistance project alone. If we had a big project such as the environment projects to our neighbor countries, then we always had other financers within the project. Our basic principle is to have a bilateral agreement with a recipient country i.e. an agreement between Sweden and Poland, Sweden and Estonia, Sweden and Lithuania etc. From the beginning, we have divided all the costs, counted in Swedish crowns, between us and the recipient. It means that a recipient covers our local costs in the recipient country, when the Swedes conduct a project. We pay our staff. The main thought behind this policy is that the recipient has to show that they want to co-operate, that they give priority to a plan for our co-operation. It was BITS's principle from the beginning. These rules applied also to our co-operation with developing countries in the Third World. Maybe we weren't always so rigorous, but we wanted to keep up these rules in the co-operation with CEE (Interview 4).

It was important to use the Swedish resources and competence in such areas that Sweden could propose and decide on everything. The main idea was that the assistance programs should be planned fast and money ought to stay in the Swedish hands (Interview 3).

Thus, the donor-organizations financed the Swedish technical co-operation between two partners that signed a formal written agreement. It was a contract between a consulting organization that obliged itself to conduct a project and a recipient organization that was looking for help within the framework of the bilateral agreement between the two governments. The signed contract constituted the crucial element of Swedish assistance. The central issue, in the opinion of the respondents is to mark very clearly and from the beginning the recipient's responsibility for participation in the project. The same respondent added:

The contract is the framework by which we can develop our co-operation; we have a contract that regulates our activities (...) and the relations between both partners participating in the project. Sida provides them only with the financial means to the project and we watch over their mutual relations under co-operation. This agreement, we created in order to can begin a regular commercial co-operation as quickly as possible (Interview 4).

Through their co-financing of aid projects BITS and Sida had the opportunity to choose among the consulting organizations those that proposed projects that were needed and among the receivers those that asked for specific assistance which could be delivered. BITS and Sida could exercise influence only by matching potential partners. They could decide in which area assistance would be provided and which consulting-organization would lead the project. Concerning assistance to the CEE countries in general, however, they were expected to choose those aid-projects that secured the Swedish objectivities, but not necessary the needs of recipient-country.

The situation was quite different, concerning the large assistance programs addressed to the Baltic States, e.g. the infrastructure projects for St. Petersburg. Its cost was about 2 milliards Swedish crowns. In that project, Sida co-



operated with large financiers like the World Bank; the European Bank for Reconstruction and Development [EBRD] and Northern Investment Bank [NIB]. In this project there was also state and private financing from Sweden and Finland. Thus, joined resources quite frequently characterized assistance to the CEE countries, especially when after some years, the aid programs were growing in duration, extension and costs. The respondent explained:

Now, the projects have a longer duration and they are larger. Earlier on, we had one month projects for 3 – 4 millions, they were really small. No one wants to have such projects anymore today. Now, we have the big projects that take 3 - 4 years and cost about 10 – 12 millions. We have the possibility to influence a whole sector, and to control what happens when conducting the project and influence co-operation between partners (Interview 2).

Thus, the rules for assistance programs to CEE have not changed so much, but enough to make it easier for the co-operation efforts to achieve the positive outcomes.

#### ***4.2. The major objectives of the Swedish assistance to CEE, 1989-2005***

Under the period of 1989 – 2005, Sida was involved in 27 post-socialist countries in transition. During this time, the co-operation with all these countries changed in character, extension and areas. The major objectives of the Swedish assistance to the CEE countries have remained almost the same from the beginning. Operative goals were adapted in accordance to the various phases of the Swedish assistance and the last ones varied due to region, country and time. Below we present the major objectives of the Swedish assistance that the respondents mentioned, with some comments about the operative goals for each phase to show similarities and differences among them.

Most respondents were inclined to divide the period of 1989 – 2005 in three phases: 1989 – 1995, 1995 – 1998 and 1999 – 2004. For us, the first five years of the Western assistance to CEE are especially interesting because most myths, prejudices and critical opinions about the Western assistance can be derived from this period. It proved that the respondents were talking about the first five years of assistance in terms of “until the dissolution of Soviet Union” and “after that” which made us divide the period of 1989 – 2004 in four phases: 1989 – 1990, 1991 – 1995, 1996 – 1998 and 1999 – 2004. This division corresponds to the major objectives characteristic for each phase.

##### ***4.2.1. The major objectives of assistance for CEE, 1989 – 1990***

During the first phase, the assistance programs of BITS were addressed to Poland, the Baltic countries i.e. Estonia, Latvia, Lithuania and Northwest Russia. It was a period when the Baltic countries were still within the organizational structure of the Soviet Union (Eduards, 2004b, Interviews: 1, 3, and 4). One of the respondents explained that the interest in these countries was quite natural for Sweden:

I believe that Sweden has an old engagement with Poland and the Baltic states. Poland was always an important neighbor for Sweden, I do not only refer to the Sigismund time but Poland and Sweden were always partners against Russia and they had the same military strategic interest. Within the Baltic countries, we can also find very strong bonds, concerning various things all that create a spirit of community regarding the cultural bonds and mutual understanding. We can say that Sweden was looking forward to the collapse of socialism. We were very interested to provide these countries with aid when we saw that the local forces stood up. We started co-operation even before the official dissolving of socialism and that had nothing to do with the EU. It was for the sake of the Swedish interest in the neighbor countries (Interview 3).

At the beginning of 1990's, we had our hands full with the Baltic States and Poland. Besides we also started co-operation with Russia (Interview 4).

Another point to consider is that since the 1970s, Sweden was extremely active in environmental questions and the Swedish government was much inclined to support international efforts to restore the ecological status of the Baltic Sea (Eduards, 2004b, p. 13-14). It is not so surprising that the Swedish government incited co-operation with Poland, Estonia, Latvia, and Lithuania, when Poland started their political and economic reforms. It was a favorable opportunity for co-operation that could focus both on environmental and democratic issues.

The Swedish government saw the paradigm shift in Central and Eastern Europe at the beginning of the 1990s – and the subsequent structural changes there – as one of the critical issues of our time and judged it to be strongly in the interest of Sweden to provide broad political, economic and technical support for the process (Eduards, 2004b, p. 5).

Regarding the support for other Baltic countries, this was only a question of time. Swedish government promoted: (1) sovereignty, (2) processes to democratic market economies and (3) integration with European countries and other forms of international co-operation (Eduards, 2004b, p. 5). The objectives were formulated in a very general way but explicitly enough to limit the sectors to be reformed.

##### ***4.2.2. The major objectives of assistance for CEE, 1991 – 1995***

The dissolution of Soviet Union in 1991 can be perceived as the start of the second phase. The Swedish assistance programs were focused mainly on Estonia, Latvia and Lithuania. The co-operation aimed especially at promoting

the common security and sovereignty of re-independent countries in the Baltic region. Thus, the issue of “sovereignty” was reformulated into “common security” and “democratic development”. They focused on the establishment of multi-party parliamentary systems in the new democracies, and the development of a new culture of democracy in line with market economy. It should be emphasized that the objectives for the co-operation with the new democratic countries for the second phase were mainly the result of the previous three year-experiences and the Swedish government was rather late in its decisions about them, namely in the spring of 1995 (Utrikesutskottets betänkande 1999/2000:UU6, p. 11).

Moreover, the major objectives give the impression that the goals had expanded in comparison with the first phase, that were still characterized by mini goals, aiming mainly at creating opportunities to co-operation with CEE countries. Now, the major objectives were more encompassing, namely (1) to promote common security, (2) to strengthen a culture of democracy, (3) to support a socially tenable economic transformation, and (4) to support environmental durable development (Almqvist, 1996, p. 1; Interview 2, p. 3; Interview 3, p. 6).

Probably, the second phase should be perceived as the most important, both to further the Swedish assistance and to continue the reform process in the post-socialist countries, because the objectives became more concrete and it was easier to formulate operative goals for assistance projects to CEE.

Regarding the operative goals, the Swedish government made a decision in December 1992 to support the aid-projects aiming at co-operation between the Swedish County Administration Boards [CBAs], and the respective boards in Estonia and Latvia (Almqvist, 1996, p. 2). Two years later, these operative goals were extended to Lithuania and Poland. The program called “Twinning Programs with Local Authorities in Poland, Estonia, Latvia and Lithuania” was introduced to support the democratic development in the neighboring countries (Falk and Wallberg, 1996, p. 3-4). From then on, the improvement of public administration also became an important area for the economic co-operation between Sweden and the Baltic States. From a Swedish perspective the economic issues went hand in hand with the reforms of public administration. In 1994, Sweden was still propagating economic co-operation. They promoted to set up small and medium sized business, trade and industrial production to create the mutual bonds among Sweden and these countries:

In order to promote trade and industrial development with a focus on small and medium sized enterprises Swedecorp/Sida started the *Start-East Program* according in 1994. The aim was to contribute to productive investments and development of business by offering small, medium-size Swedish enterprises loans for joint venture projects with partners in the Baltic countries. Over one hundred projects were implemented. Start-East has had a clear impact on private sector development mainly as a result of its training component (Eduards, 2004b, p. 11).

These operative goals contributed to establish Swedish production in especially Estonia and Latvia, which were perceived by some respondents as the countries closer to Sweden in cultural terms than other states (Interview 3). It should be emphasized that the assistance to parts of North-Western Russia had been all the time conducted complementary to other programs conducted in the post-socialist countries (Interviews 1, 2, and 4).

Since 1994 after some post-socialist countries i.e. Hungary, Poland, the Czech Republic, the Slovak Republic, Slovenia, Estonia, Latvia, and Lithuania had signed the Europe Agreement, it proved that these countries needed help in adapting to the EU-norms. It was clear that the social problems in the CEE countries were very serious and assistance in their development should address especially the social sectors of these countries. It was also visibly that the Baltic countries and Poland were successful in stabilizing the political situation in their countries, which made issues of “sovereignty” and “common security” loose topicality after 1995. For BITS, these were the last months they were active in providing assistance.

#### *4.2.3. The major objectives of assistance for CEE, 1996 – 1998*

Since July, 1<sup>st</sup> 1995 Sida took over the assistance programs to CEE countries. The increased political steering was directly visibly. The Swedish authorities launched a plan to secure transition in CEE countries and to integrate the post-socialist countries within a new Europe. The government recommended the start of aid-programs addressed to social sector and welfare issues. The major goals for the assistance program during the third phase of 1995/96 – 1997/98, were almost the same as previous, but the economic issues were widened to the social sector and social work. The objectives for assistance programs became (1) to secure common security, (2) to create stable and parliament democracy, (3) to create a market economy, (4) to protect the environment and (5) to create social welfare. These goals were intended to govern the programs for the CEE countries. However, as one of the respondents said:

Welfare state, social work... It was something new for us. No one did it before. It had taken five long years before we discovered that these countries needed assistance in this regard. It was probably so, because we were sure that during socialism this sector had worked well. It was a big surprise to us that this sector ought to be reformed. We got an order from the government to reform it. We were expected to go there and sell our knowledge (...) It proved that the recipient organizations were very pleased with our assistance. This job in the welfare issues contributed to writing the new strategy and program for 1996 (Interview 2).

The great transformation resulted in Sweden in a determination to help and to prepare these countries to the EU membership. For the potential member-countries, the EU membership gave hope for a new beginning. Later on, this hope turned into very concrete goals and activities. Development within the Baltic countries and Poland went very quickly. This resulted in the inadequacy of the previous objectives for international co-operation. In accordance with considerations of the Standing Committee on Foreign Affairs of 1995/96:UU18, in June 1996, the government decided that all developmental programs to CEE countries should be adjusted according to an equality perspective (Utrikesutskottets betänkande, 1999/2000:UU6. p. 11). The need for assistance was judged by the concrete operative goals that would steer developments in CEE according to Swedish interests (1) it was demanded to integrate Russia and Ukraine with the European structures, (2) the developmental work was expected to be steered in such a direction, that Sweden itself would be advantaged and that Swedish competence would become more in demand, (3) the aid-projects should be directed to the regions in the Baltic Sea area and the Barent's area in order to achieve good neighborhood relations (Eduards, 2004, p. 14).

One can observe that the major objectives and the operational goals became less coherent than they could be. Equality on the one hand, Swedish interests on the other. To put it mildly, the operative goals were not directed by the major objectives during this third phase. The development work was characterized by successful modifications. The donors used some adjusting measures to approach the EU integration. However, these relations can be interpreted also in terms of the exchange theory that emphasizes that all relations are based on "giving" and "taking". Sweden was only inclined to give if it was rewarded in a balanced way. Exchange in this period is not to be perceived in terms of power, but rather in commercial gains.

#### *4.2.4. The major objectives of assistance for CEE, 1999 – 2004*

The fourth phase was characterized by two directions in the Swedish assistance to CEE. First, the assistance to the potential members of EU was diminished, and second, the developmental work changed into regular international co-operation between Sweden and those countries which had already received assistance for years. It meant that international co-operation from now on should take place without the previous Swedish financing system. However, Eduards argues in his evaluation of this policy that specific directives were missing (SOU 2000:122, p. 21) and that "in order to mitigate the effects of the termination of assistance, Sida introduced Technical Assistance (TA) funds in the co-operation with three Baltic countries" (Eduards 2004b, p. 16).

The termination policy of Sweden's aid formally concerned Estonia, Latvia, Lithuania and Poland. Estonia and Latvia were not seen as countries that were enough prepared to meet EU-demands. However, this is not said about the situation in Lithuania and Poland that also belong to the Baltic States. Probably, the latter countries are culturally and mentally less close to Sweden than Estonia and Latvia. This observation confirms to some degree the official reports and evaluations, in which it is made clear that most Swedish aid-efforts were to be addressed to Estonia and Latvia, while Lithuania and Poland were on another plane (see: Eduards 2004a, Eduards 2004b, and SOU 2000:122). It is likely that the specific history of Sweden in the region can provide us with more essential explanations in Sweden's interest in international cooperation than appears from the government's or Sida's official documents in this regard.

At the beginning of 2000, the major objectives were again transformed. They had to be adapted to the new relations between the donors and recipients. We can observe that Sida's assistance became more specialized and richer regarding the scope of aid-projects. The government formulated the concrete directives for international co-operation. Priority was given to the following spheres of activities: (1) common security, (2) democracy, (3) economic transition, (4) protection of environment, (5) education and research, (6) technical assistance. On May, 1<sup>st</sup> 2004, the bilateral development co-operation program was finished. The future needs of recipient countries were expected to be covered by the instruments of EU. The process to end the support to Estonia, Latvia, Lithuania and Poland did not imply that Sweden finished all their aid projects to other post-socialist countries in CEE. Contrary, Sweden support moved to Moldova, Ukraine, Belarus, and the Balkans. A respondent argued:

It was natural that we moved with the transition process to other countries. The development in the neighbor countries went so quickly that it was needed to go on assisting in the states where the transition process had gone much slower. We had gone to the South-East. We wanted to continue making use of our knowledge and experiences, and from the experiences of all donor-organizations e.g. the Worlds Bank, IMF... After all, we went through the same development in giving assistance, although in a different degree (Interview 4).

Sida continued and developed its international relations with Russia along the Baltic Sea and the Barents Sea. This area constitutes important links not only between Sweden and Russia but also between the EU and Russia. The Swedish authorities and our respondents perceive Russia as "the most important neighbor country" (Interviews: 1, 2, 3 and 5). This implies that the Swedish development co-operation with Russia aimed at supporting the reforms and the integration within Europe. To achieve these goals Sida transferred know-how and experiences from earlier aid-programs.

In fact, the same idea concerns other post-Soviet republics in the Southern Caucasus and Central Asia, where poverty is rising. The developmental work for the new co-operation partners is conducted in the same four spheres as

previously regarding the Baltic states, that is to address (1) Democracy - the goals are to increase the participation of citizens in political life and to strengthen the position of local self-government, (2) Economic transition, that is aiming at reforms of the public administration to speed up the process of economic transition, (3) Social issues, the aim is to build up effective social service and conduct training for social workers. The aid focuses on the weak social groups such as children with disabilities, drug addicts, and those suffering of HIV, and finally (4) Environment – the central objective is to eliminate major sources of pollution of the Baltic Sea (Sida, 2004). We have the impression that within these spheres of co-operation the operative goals are much clearer than in the earlier phases.

#### **4.3. Reflection on the shifting goals**

The results presented above can be framed very well within the theory on social exchange. At first sight the aid given by the Swedes is just altruism. Nothing has to be paid for and it just seems to be developmental aid as is given to the poor countries in the third world. However, when analyzing the remarks made by Swedish government in evaluation reports and listening to the representatives of the donor organizations, one cannot escape the continuously underlying power related goals of the aid to Sweden's neighbors and to those countries Sweden deems to be important for geopolitical and cultural reasons. The most surprising is perhaps the openness of the Swedish authorities on this.

They mention it themselves already in the early 1980s regarding support to third world countries. A major part of this support is given to promote activities by Swedish industry in those countries. When the Berlin wall collapses the Swedish are keen to go after World Bank and IMF money intended to loosen the ties of CEE countries with Russia and to strengthen ties with western democracies and especially Sweden itself. For instance, regarding the projects dealing with energy efficiency in Estonia one of our respondents remarked:

Now, we touch a very sensitive and political area e.g. the project dealing with energy effectiveness for Estonia under 1992-93. Sweden had an economic and political interest in this project but what it wanted was contrary to the recipient's will. We could not make any decision. The energy area has always been a sensitive question. You have to take a risk and you need a strong support from local actors. Otherwise you are excluded. In Estonia, the political will lacked until 1996. Some years later, in Lithuania, there were no conditions to introduce the respective programs. They had old structures and no possibilities to make a decision (Interview 4).

Later on, the prime objective of Swedish aid became that the aid had to be profitable for Sweden also. This policy can be seen in several remarks presented above. According to the Statute-book of 1988:1125 BITS was made explicitly clear that this organization was expected to promote also economic and social development in *particular* developing countries and to create strong (commercial) relations with these countries through co-operation with the Swedish institutions and enterprises. The same goes for the geopolitical aspects and neighborhood relations. These two aspects are quite often mentioned as the ones that had a decisive impact on the answer to the question which West European country should provide the assistance to which CEE countries.

After 1992 there are criteria like common security that determine Sweden's aid to the Baltic countries. Other goals are to make the new democratic states stay democratic and making them join the western group. These goals remain in order even after the situation in the Baltic states changed so rapidly that a different kind of support was needed. The operational goals needed then were hardly congruent anymore with the objectives of Swedish authorities. In 1994 it was the promotion of Swedish trade that made Swedecorp/Sida start the Start-East Program and geopolitical aspects together with historical ties and the common cultural background of nations that dominated the Swedish aid policy. When Swedish support diminishes, those countries with which the bonds are really old and precarious are exempted from these cutbacks.

Of course, all this is not evidence, but it is indicative for the validity of the social exchange theory in this respect. Aid is always an imbalanced relation and in the case of Sweden it is clear that it is closely related to the establishment of power and status. The imbalance in what the donor country gets and the amount of money it gives seems to be motivated by the power disparity that arises because of this imbalance. The division among aid-providing countries and recipient countries can be explained by pragmatic considerations. However, it also fits in the frame given by social exchange theory. Recipients become less dependent when more actors act benevolent towards them simultaneously.

Moreover, the study shows that the donor organizations seem to be nothing more than in between, indeed, pawns on a chessboard, that seem to be pushed around without themselves having a say in the process. They receive money from government and look actively for other sources in the EU, at the World Bank and IMF, but all they seem to do is distribute this money in accordance to the rules, objectives and instruments given by the Swedish government. When the rules of the game determined by the Swedish government change, the donor-organization's activities change accordingly. Whether this limited the effectiveness of Swedish assistance in CEE countries is an issue that is addressed in the next section.

## 5. The operational side of Swedish aid

That it was not only benevolence out of which the Swedes provided the CEE countries with aid, is seen clearly in the process and the effects of that aid, especially at the beginning. The representative of donor-organizations and the experts and consultants confirmed that at the beginning of transition in CEE, no one was enough prepared to give assistance.

At the beginning we had very limited knowledge about these countries to which we sent our consultants. The first consultants did not get any preparation or help from us at all. No one had been in these countries before and this field particularly, but when our activity expanded we created new instruments. We learned how to get external means to aid-projects e.g. from the World Bank. We got experienced with plenty of experts and consultants and in consequence, our knowledge about the local conditions in those countries developed too... But at the beginning, it was really very difficult (Interview 4)

Whether the operational side in general suffered under the shifting conditions imposed on donor organizations is difficult to tell. There are plenty, maybe thousands examples of small and really big projects supporting reforms of beneficiary countries that were financed either by the bilateral agreements between Sweden and other countries or by multi-layer agreements among many financiers and recipients. To go through all the reports and evaluation studies reminds one of “wandering through a jungle”.

We dealt with two types of evaluation studies about the Swedish aid-programs. The first group consists of reports and official evaluations written on the government’s order as e.g. *Official Report about the Co-operation with Central and East Europe* (SOU 2000:122) of which *Evaluation of Development Work with Central and East Europe* (SOU 2000:122) constitutes an integral part. Both documents are broad in scope and very detailed in the description of aid-programs. Furthermore they are benevolent to the Swedish governmental donor-organizations and even other financiers. They present the major objectives and the degree of goal achievement. The degree of goal achievement is presented by the thematic groups according to the major objectives and to the concrete countries. However, it appears from the reports, evaluations and interviews that behind the major objectives there were always the operational goals that seldom were in line with the first ones but which proved to be a driving force for the aid programs addressed to the CEE countries.

The second group of reports and evaluations were all written on Sida’s order. These are also official documents and easy to access, either through Sida’s home page or from their Archive Office. These evaluations vary in extent and the level of details, from very shortly descriptions of concrete aid-projects to reports and evaluations that relate to broader aid programs in a region or reports dealing with a theme of assistance e.g. *twining cooperation*. They are a source of detailed information about projects and programs. The reports and evaluations written on behalf of Sida’s, show that one was learning by doing, and that the main purpose was to formally control both partners of international co-operation i.e. those who conduct a project and the recipient. Together with the description of the nature of the cooperation, the recipient ought to accept the aid and consultancy conducted. One of the respondents said:

All the time we monitored the co-operation between those who conduct a project and recipients. We write reports about that. We have a system that makes it possible to evaluate those projects that we have introduced (Interview 4).

The evaluations are especially interesting regarding the efforts that did not work in practice and which were in contrast to the experiences of consultants and recipients. However, according to our respondents, evaluating was the only way and opportunity to learn from ones’ own faults. Thus, Sida’s evaluations were aimed to learn from the assistance projects. Sida financed many projects and the learning was necessary to help itself in the further planning of aid-work for developing countries. Some respondents acknowledge that thanks to the evaluation studies, they got rid of aid-projects that did not work in practice. Moreover, some evaluations studies emphasized repeatedly that the projects dealing with i.e. equality between sexes had to be “elaborated”, if they were expected to work in practice in the future.

### 5.1 Did the projects achieve their goals?

The above implies that the question, whether the aid-projects to CEE did achieve the goals, is not easy to answer. This is also the case because of the growing number of major goals - not always consistent with the operational goals, and developed due to the various phases of giving assistance. Sida had to provide the *institutional standards* and *organizational fashions* that were expected to secure the major objectives through the operational goals aimed at improving the position of Sweden within the new international relations. Nevertheless, it would be unjust to deny that the assistance offered contributed to the development of the post-socialist counties in their adaptation to a market economy and the EU’s demands.

Let us take as example the first two phases of the Swedish assistance to CEE during the years: 1989 – 1990 and 1991 -1995/96. The four major objectives formulated at the end of the second phase were: (1) to promote common security, (2) to strengthen the culture of democracy, (3) to support a socially tenable economic transformation, and

(4) to support environment tenable development (Almqvist, 1996, p. 1; Interview 2, Interview 3). It seems that all these goals were very quickly achieved. However, if we wish to give a balanced picture of the development of sovereignty, common security and support for democratic development, then in the opinion of the respondents:

The importance of the assistance projects was minimal in comparison to the importance of the local actors for the achieved result. They had their own visions and thinking. It was no thanks to our aid” (Interview 6).

Thus, whether the outcomes were the effect of the Swedish assistance can be disputed. We must not forget that the political and democratic changes were the main boundary condition that induced economic reforms in the CEE countries and that these countries were from the start dependent of the IMF and the World Bank for financing and loan guarantying of the economic transition. The negotiations with these big international donor-organizations took place already before the collapse of socialism. IMF and the World Bank promised to support and to guarantee loans to start the economic reforms, if the CEE countries would be successful in getting rid of the political and democratic rudiments of socialism. Thus, the CEE countries were highly motivated to start the political and democratic reforms (Sobis, 2002). Swedish aid was just a minor and late addition, although one of the respondents explained:

I believe that we had done what was possible in various periods. We followed the time and the new conditions that appeared. One can always say that it was our duty to be in time but we experienced some delay. We knew very well that these countries would be part of the EU. I am talking about Ukraine, Poland and the Baltic countries. It was of great importance that Sweden, Denmark and Finland provided these countries with aid. It is of great importance because in those countries, there is capacity; there are many intelligent people who know very well what they want. Maybe sometimes they did not know where they wanted to go, more to the Left or to the Right. It was not easy to lead these countries. For us it was the extremely grateful task to help them and to be in the process (Interview 2)

Regarding the economic issues, the respondents share the opinion that the major objectives for these phases were fulfilled in the Baltic countries and Poland by now. However, everybody agrees also that the administrative structures demands further reforms in order to e.g. diminish corruption and improve the functioning of the public administration. Respondents report on wrong priorities within the aid process. Even if the public administration demanded remedial measures, the first projects were essentially aimed at contributing to the economic transition in a right direction. The same respondent compared the situation in the Baltic States and Poland to the situation in Russia, the respondent said: “on the political and economic fields, the reforms took very long compared to Russia” (Interview 3). The respondents shared the opinion that the most essential changes happened in the environment issues. Two persons said: “Concerning environmental reforms, they occurred most often, but in this area; these countries need for assistance was smallest” (Interview 3). Another person added:

The Swedish crisis within the banking system caused that Sweden no longer had an interest in developing business in Poland. Sida quitted giving priority to the Polish applications for assistance. They could get only aid for those projects that concerned protection of the environment (Interview 5).

The environmental projects belonged to the largest assistance projects in which many financiers were involved (the World Bank, Nordic Environment Finance Corporation [NEFCO], European Bank for Reconstruction and Development [EBERD], Nordic Investment Bank [NIB]). Thus, Sida was not the only one involved in financing these efforts.

Concerning the third and fourth phase, Sida’s assistance was somewhat different in character because it concerned mainly social welfare issues. These issues were given priority for support. Sida had no any previous experience in this regard. However, in a very short time it proved that the recipient countries were very pleased with the welfare projects (Sobis, 2002; Sobis and De Vries, 2004). In that area we can say that the goals were achieved without doubt to the advantage of recipients.

During the third phase, the operative goals were of the great importance to the Swedish government and in consequence to Sida. They advocated for: (1) the will to integrate Russia and Ukraine within the European structures, (2) the developmental work that was expected to be directed from Swedish interests and had to be to Swedish advantage and result in a situation that the Swedish competence would be in demand, (3) the aid-projects should be directed to the regions in the Baltic Sea area and the Barents area in order to arrive at good neighborhood relations (Eduards, 2004, p. 14). Thus, the operative goals were aimed primarily to serve the interests of Sweden and were directed to balance the social exchange with regard to giving assistance.

In the fourth phase, Sida’s work contributed to improving the relation between Sweden and its neighbor states in line with the earlier plans:

A large number of Swedish government agencies now have regular close relations with their counterparts in the Baltic countries – relations that have sprung from Sida-financed projects. Decentralized cooperation between municipalities and NGO cooperation demand, in general, not the same conditions for regular cooperation, but are nonetheless deemed necessary to strengthen neighbor relations and to create a valuable network of contacts for the future (Eduards, 2004b, p. 20).

According to Eduards report, many advocate that Sweden and the Baltic States not only share political attitudes, but also support each other in public opinions. In order to facilitate the termination of programs of cooperation the Ministry for Foreign Affairs and Sida have newly implemented the Technical Assistance funds to promote transition to regular cooperation (2004b, p. 20).

What we see are representatives from donor organizations who talk about their awkward position, lacking knowledge, having to learn by making mistakes, having to deal with wrong priorities and authorities that mainly act in a selfish way, while they try to make the best of it. Given these points, it is surprising that Swedish aid was perceived as being among the best in the eyes of the recipient counties.

## 6. Conclusions

This paper investigated the role of Swedish donor organizations in the assistance programs provided to CEE countries during the transition process. The prime reason for this research was that previous research pointed to the failure of many projects. The recipients blamed the experts who were seen as arrogant and lacking the knowledge and skills (Sobis & De Vries, 2004). The experts blamed the donor organizations for lacking means and strict boundary conditions (Sobis & De Vries, 2005). This paper forms the logical sequel in that respect.

It started by expressing confusion, because one could see donor organizations as charity funds serving a good cause, externally oriented and altruistic. How could they be blamed? This paper tried to answer that question by framing the behavior of donor organizations within the social exchange theory and by presenting a case study on the Swedish donor organizations to see whether this frame is valid in this respect.

That does indeed seem to be the case. Departing from the assumption that social exchange is about give and take, the theory tries to explain what happens if there are imbalances in such exchange as is the case with the activities of donor organizations. Why should one give aid in the first place? The theory states that such exchange results in power disparity and a bond between beneficiary and recipient in which the latter is expected to become indebted to the former and therefore susceptible to the formers demands regarding geopolitical issues. When social exchange is just intended to bring about such effects it is not relevant for the beneficiary whether the money provided is well spent or whether there are direct effects from giving assistance. There are the long term political and strategic considerations that matter most.

This paper investigated whether indicators could be found that support this view. Because of the openness and transparency of the Swedish policies and the frankness of our respondents, ample indicators were found. Indeed, it was argued that the assistance programs to CEE countries were often entrapped between the major objectives of Swedish government and the down to earth, concrete, operational objectives formulated for specific projects. The incoherence between major objectives and operational goals may well be the explanation for the failure of concrete assistance projects.

The question then becomes whether the role of the donor organizations is to be criticized. According to them this is only partly justified. The respondents in our case study were very frank about this. They were trapped between the demands of Swedish authorities and the regulations that restricted their possibilities on the one hand and their own goals with regard to improving the situation in CEE countries on the other hand. According to our respondents it was this mixture of strategic and operational goals that frustrated some of the assistance programs. Hence, it was not a question of altruism or selfishness as proposed by the social exchange theory.

The real question is to which degree the motives of Swedish government resulted in aid at the cost of rather than the benefit of the development of CEE-countries. In terms of social exchange theory whether they just wanted a power relation to develop, in which the effectiveness of aid is irrelevant or status, in which case the effectiveness of aid is relevant. Seen from the recipient point of view, who judged the Swedish aid in comparison to that of other nations relatively effective, it was not just power that was sought (cf. Sobis & De Vries, 2004). Seen from the indicators given in this paper on the motives of Swedish government, the establishment of power relations was, at least, one of the motives. Swedish government made the regulations, they decided which countries would receive aid and which policy areas should be addressed. Even if the situation in certain countries justified the continuation of assistance, shifting priorities by Swedish government, could suddenly terminate successful –though unfinished - programs.

According to the respondents from donor-organizations they just followed the directives and regulations. Following the regulations was necessary, even if the direct results of the aid could not be positive in that way. For instance, the respondents working within donor organizations acknowledge that hiring local actors within the recipient countries could have been profitable in achieving the goals. However, as one respondent said:

We paid the Swedish experts 5000 SKR a day, which is much money. One can ask a question: why we did so? The answer is simply. We could not pay to local actors in recipient-country, by our rules of assistance. Thus, we paid so much to our experts so the experts could pay to the local actors for their knowledge and assistance. It was our method to cover other necessary costs when conducting aid-programs (Interview 2)

The respondents from the donor-organizations gave also examples that confirmed observations from the previous study. Not all experts and consultants they hired from consulting agencies were honest. Some projects were even concluded with legal proceedings. The respondent said:

We had discovered that one Swedish consultant had bluffed his way in through falsification of invoices in Riga. He was doomed to go to prison. It was the only example I remember. We have a system that all the invoices go to the Swedes because we pay to the Swedes but the same invoice has to be signed by the representative of recipient. Sida pays only when the invoice is signed (Interview 2)

This opinion is not congruent with the experts' experiences from our previous research, in which the respondents were complaining over the missing means to hire the local experts (Sobis & De Vries, 2005). The respondents from the donor organizations also stressed their lack of influence in other ways. According to themselves they did not send the experts and consultants to recipient-countries. They only paid for the expert and consultants' work while the consulting agency was responsible for the selection of experts and consultants to the aid-projects.

It is interesting that similar to the complaints of the Swedish experts and consultants about the donor-organizations that created the uncertain working conditions for them, the donor-organizations seem to have every right to complain about the boundary conditions they have to act within. According to themselves they are just small players in the field having only a minor impact. They had limited knowledge about what is really going on in the recipient countries. They were dependent on shifting regulations made by government, and shifting goals that were not always congruent with what was needed in the recipient countries. Their main task was to transfer money to consultancy agencies that sent so-called 'experts' and 'consultants' to do something, but of which it was far from transparent to the donor organizations what they really did.

In their own view they are not autonomous organizations able to define their own goals, and in their conception they do not conform to the criteria for charity organizations. Implicitly they are telling us to investigate the changing policies of Swedish authorities in order to explain what really caused the sometimes ineffective aid to CEE countries. Swedish government was acting in accordance to social exchange theory, even when this went at the expense of effective aid. The respondents from the donor organizations depict themselves as small fish, as pawns on a chess board. Not able to steer, but instead being pushed around, sometimes even being sacrificed for the greater objectives of a governmental player aiming for a stronger geopolitical and commercial position.

However, this is not the first time we get such a result from our research. Recipients pointing to experts, advisors and consultants, the latter pointing to the donor organizations and these in turn are pointing to the political authorities. In order to get a complete picture, it is necessary to investigate the opinions of the latter and to judge whether donor organizations are really just pawns. The search continues.

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