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Lutsk National Technical University**



**GLOBAL INITIATIVES AND INTERNATIONAL
DEVELOPMENT PRACTICE**

Lecture Notes
for independent work for applicants
of the second (master's) level of higher education
of the educational program "International Economic Relations"
Field of knowledge – C “Social Sciences, Journalism, and
Information”
Specialty – C1 “Economics and International Economic Relations
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The publication contains an introduction, a detailed program of the discipline, the content of lectures, self-control questions, recommended reading for each lecture and a general list of bibliographic sources.

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INTRODUCTION

Contemporary international development takes place in an interconnected global environment characterized by economic interdependence, global inequality, geopolitical changes, technological transformation, environmental challenges and growing demands for sustainable development. These processes affect the development opportunities of countries and regions and require coordinated action by states, international organizations, financial institutions, businesses, civil society and local communities.

Global initiatives and international development cooperation are important instruments for addressing common challenges and supporting economic, social and environmental progress. They include financial assistance, technical cooperation, infrastructure development, institutional capacity building, innovation, trade and investment, and cross-border cooperation. Their effective implementation requires an understanding of international actors, financing mechanisms, project approaches, development diplomacy, geoeconomic factors, and monitoring and evaluation.

The purpose of the discipline is to form theoretical knowledge of the principles, mechanisms and instruments of international development and to develop practical skills in analysing, planning, implementing and evaluating international development initiatives at international, national, regional and local levels.

The main tasks are to master the basic concepts and approaches to international development; understand the role of international actors and development diplomacy; study development cooperation and financing mechanisms; acquire practical skills in project planning and implementation; analyse European initiatives, regional development and cross-border cooperation; understand the relationship between geopolitics, geoeconomics and development; and develop skills in monitoring and evaluating development initiatives, including those related to the recovery and development of Ukraine.

The object of study of the discipline is global and international development processes and initiatives at different levels of the global economic system.

The subject of study is the theoretical and practical principles, mechanisms and instruments of international development cooperation, development financing, development diplomacy, project implementation, European and regional initiatives, geoeconomic interaction, and monitoring and evaluation of development initiatives.

DETAILED PROGRAM OF THE DISCIPLINE
*MODULE 1. GLOBAL FOUNDATIONS AND MECHANISMS
OF INTERNATIONAL DEVELOPMENT*

Topic 1. Global Development and the Contemporary International Development Agenda

- 1.1. The essence and concepts of global and international development.
- 1.2. Evolution of the international development agenda.
- 1.3. Global inequality and asymmetric distribution of world resources.
- 1.4. Global problems and contemporary challenges to international development.
- 1.5. Sustainable Development Goals as a global framework for international development.
- 1.6. Contemporary trends and priorities of global development.

1.1. The essence and concepts of global and international development

The concept of development is one of the fundamental concepts in economics, international relations and social sciences. In the broadest sense, development can be understood as a long-term process of quantitative and qualitative changes in society, the economy and institutions that create new opportunities and contribute to improving people's well-being.

For a long time, development was primarily associated with economic growth. The progress of a country was assessed mainly through indicators such as gross domestic product, GDP per capita, industrial production, investment and international trade. The underlying assumption was relatively simple: if an economy produces more goods and services and people's incomes increase, the country develops.

However, economic growth does not necessarily lead to comprehensive development. A country may demonstrate high GDP growth while simultaneously experiencing significant poverty, social inequality, environmental degradation, limited access to education and healthcare, regional disparities or weak institutions. Therefore, economic growth and development should not be treated as identical concepts.

Economic growth primarily describes an increase in the volume of goods and services produced by an economy, whereas development is a broader process that includes economic, social, institutional, technological and environmental changes.

This broader understanding contributed to the emergence of the concept of human development. Its central idea is that people and their opportunities should be placed at the centre of development. Economic resources are important not simply because they increase national wealth, but because they can expand people's opportunities to live healthy, educated and productive lives.

The concept of international development focuses on development processes within the system of international relations. It emphasizes the role of interaction between countries and the contribution of international cooperation to economic and social progress. International development includes such areas as development cooperation, international trade and investment, development assistance, technology transfer, infrastructure development and cooperation through international organizations and financial institutions.

The concept of global development is broader still. It considers development as a process taking place within an interconnected global system. Countries and regions are increasingly influenced by international economic, technological, environmental, political and social processes. Problems such as climate change, financial crises, pandemics, migration, armed conflicts, disruptions of global supply chains and digital inequality cannot be effectively understood solely within national borders.

Thus, international development focuses particularly on interaction and cooperation between countries and international actors, while global development emphasizes the interconnected nature of development processes and challenges at the global level.

Modern development is therefore multidimensional. Its economic dimension includes growth, employment, investment, productivity, trade and innovation. Its social dimension includes poverty reduction, education, healthcare, equality and quality of life. Its environmental dimension concerns climate change, natural resources and ecosystems. Its institutional dimension involves governance, public institutions, participation and the rule of law. The technological dimension increasingly includes digitalization, innovation and artificial intelligence.

Consequently, contemporary development cannot be reduced to the question of how much an economy produces. It also requires asking who benefits from economic progress, whether development is socially inclusive, whether it can be maintained over the long term and what consequences it creates for future generations.

1.2. Evolution of the international development agenda

The international development agenda has changed significantly over time. Its evolution reflects changes in the global economy, international relations and the understanding of what development actually means.

In the post-war period, particularly during the 1950s and 1960s, development was largely associated with economic growth and modernization. Industrialization, infrastructure, capital accumulation and technological progress were considered the principal mechanisms through which less developed countries could achieve higher levels of economic development. Development policy therefore focused heavily on increasing production and modernizing economic structures.

By the 1970s, however, it became increasingly evident that economic growth alone did not automatically eliminate poverty or improve the living conditions of the entire population. Attention therefore shifted toward poverty reduction and basic human needs. Access to food, healthcare, education, employment and adequate living conditions became increasingly important elements of the international development agenda.

Another major transformation was associated with the emergence of the concept of sustainable development. The 1987 report *Our Common Future*, prepared by the World Commission on Environment and Development, played an important role in establishing the concept internationally. Sustainable development introduced the idea that economic and social progress should be achieved without undermining the environmental foundations and opportunities of future generations.

At the beginning of the twenty-first century, the international community adopted the Millennium Development Goals (MDGs). These goals concentrated international efforts on a limited number of major development problems, including extreme poverty, hunger, education, gender equality, child and maternal health, infectious diseases, environmental sustainability and global partnership.

The next major stage was the adoption of the 2030 Agenda for Sustainable Development in 2015. Its central framework consists of 17 Sustainable Development Goals and 169 targets. Unlike the MDGs, which were primarily focused on developing countries, the SDGs are universal. They apply to all countries, although countries differ considerably in their development conditions, resources, responsibilities and implementation capacities.

The contemporary development agenda has become even broader as a result of global instability. Armed conflicts, pandemics, climate

change, geopolitical tensions, economic crises, energy and food insecurity, technological disruption and growing inequality have demonstrated that development cannot be considered separately from resilience and security.

Therefore, the evolution of the international development agenda can be summarized as a gradual movement from economic growth and modernization toward a multidimensional understanding of development based on human well-being, sustainability, inclusion, resilience and international cooperation.

1.3. Global inequality and asymmetric distribution of world resources

One of the most important characteristics of the global development process is its unevenness. Countries and regions differ significantly in their levels of income, productivity, technological development, infrastructure, human capital and institutional capacity.

Global inequality refers to significant differences in income, wealth, living standards and access to opportunities between individuals, social groups, countries and regions of the world. It can therefore exist both between countries and within individual countries.

The distribution of resources and opportunities is also highly asymmetric. Some countries possess significant financial resources, advanced technologies, developed infrastructure and strong institutions, while others face shortages of capital, limited technological capacity, weak infrastructure and restricted access to international markets.

The concept of asymmetry is important because development differences are not limited to differences in income. Countries can also differ in their ability to influence international decisions, attract investment, introduce new technologies, respond to crises and participate effectively in global markets.

For example, a wealthy country with strong institutions may be able to respond to an economic crisis through large-scale public spending, financial support for businesses and investment in infrastructure. A highly indebted developing country may have much less capacity to undertake similar measures.

The same asymmetry exists between regions within countries. Capital cities and major metropolitan areas may have significantly better infrastructure, investment opportunities, skilled labour and access to services than peripheral or rural regions. Consequently, economic growth at the national level does not necessarily mean that all regions benefit equally.

Global inequality therefore creates a major challenge for international development. Countries enter international cooperation with very different starting conditions and different capacities to benefit from global economic processes.

This is one of the reasons why international development cooperation includes not only financial assistance but also technical assistance, capacity building, knowledge exchange, technology transfer, infrastructure development and support for institutional reforms.

At the same time, contemporary development policy increasingly emphasizes that the objective should not simply be to transfer resources from richer countries to poorer ones. Long-term development requires creating conditions in which countries and regions can build their own productive, institutional and human capacities and generate sustainable development outcomes.

1.4. Global problems and contemporary challenges to international development

Contemporary international development takes place under conditions of multiple interconnected global challenges. These challenges affect countries differently, but their consequences increasingly cross national borders.

Economic challenges include unstable economic growth, inflation, high levels of public and private debt, financial instability, trade tensions and disruptions in global supply chains. Such problems can rapidly spread from one country or region to another because modern economies are deeply interconnected through trade, investment and financial flows.

Social challenges include poverty, inequality, unemployment, unequal access to education and healthcare, migration and social exclusion. These problems are often closely connected. For example, limited access to quality education can reduce employment opportunities and contribute to persistent income inequality.

Environmental challenges have become central to the development agenda. Climate change, biodiversity loss, pollution, water scarcity and degradation of natural resources directly affect economic activity and people's well-being. Agriculture, infrastructure, public health, energy systems and urban development are all increasingly influenced by environmental conditions.

Geopolitical and security challenges have also become increasingly important. Armed conflicts can destroy infrastructure, reduce production, disrupt trade, increase migration and create humanitarian

needs. At the same time, geopolitical tensions can affect investment flows, energy markets, supply chains and international cooperation.

Technological transformation creates another group of opportunities and risks. Digitalization, artificial intelligence, automation and new communication technologies can increase productivity and expand access to knowledge and services. At the same time, countries and social groups do not have equal access to technologies or digital skills. This creates the risk of a new form of inequality –digital inequality.

An important characteristic of contemporary global problems is their interconnectedness. A single crisis can simultaneously create economic, social, environmental and political consequences. For example, an armed conflict may lead to the destruction of infrastructure, economic decline, unemployment, poverty, migration and environmental damage at the same time.

This means that contemporary international development requires integrated approaches. Solutions to individual problems must take into account their connections with other areas of development.

1.5. Sustainable Development Goals as a global framework for international development

The Sustainable Development Goals (SDGs) constitute the central framework of the contemporary international development agenda. They were adopted by all United Nations Member States in 2015 as part of the 2030 Agenda for Sustainable Development.

The framework consists of 17 goals and 169 targets covering the economic, social and environmental dimensions of development, as well as issues of peace, institutions and international partnership.

The 17 Sustainable Development Goals are:

- 1.No Poverty.
- 2.Zero Hunger.
- 3.Good Health and Well-being.
- 4.Quality Education.
- 5.Gender Equality.
- 6.Clean Water and Sanitation.
- 7.Affordable and Clean Energy.
- 8.Decent Work and Economic Growth.
- 9.Industry, Innovation and Infrastructure.
10. Reduced Inequalities.
11. Sustainable Cities and Communities.
12. Responsible Consumption and Production.
13. Climate Action.

14. Life Below Water.
15. Life on Land.
16. Peace, Justice and Strong Institutions.
17. Partnerships for the Goals.

The SDGs should not be understood as 17 completely independent objectives. They form an interconnected framework. Progress in education, for example, can contribute to employment, economic growth and poverty reduction. Clean energy is connected with industrial development, technological innovation and climate action. Reduced inequality is connected with education, employment and social protection.

An important characteristic of the SDGs is their universality. They are relevant to developed countries as well as developing countries. However, universal goals do not mean identical policies. Each country must determine its own priorities and mechanisms for implementing the goals according to its economic situation, institutional capacity, social conditions and security environment.

The SDGs perform several important functions in international development. They establish a common language for development policy, provide measurable targets, facilitate international cooperation and create a basis for monitoring progress.

At the same time, the SDGs are not a ready-made development strategy. They provide a global framework, while concrete implementation requires national policies, regional programmes and local projects.

This can be expressed as:

global goal → national priority → regional programme → local project → measurable result.

The current state of progress demonstrates that the adoption of global goals does not automatically guarantee their achievement. The *Sustainable Development Goals Report 2024* emphasizes that global progress remains insufficient and that crises, conflicts, climate change and inequality continue to undermine progress toward the 2030 Agenda.

Therefore, one of the key questions of contemporary international development is not simply what the global goals are, but how they can be translated into effective policies, programmes, projects and measurable results.

1.6. Contemporary trends and priorities of global development

The contemporary global development agenda is characterized by several major trends.

One of the most important is the increasing importance of sustainability. Economic development is increasingly assessed not only according to its immediate economic benefits but also according to its social and environmental consequences. This means that issues such as resource efficiency, climate risks, environmental protection and intergenerational responsibility are becoming part of economic decision-making.

Another important trend is the growing emphasis on resilience. Recent global crises have demonstrated that development achievements can be quickly undermined by war, pandemics, economic shocks or natural disasters. Therefore, countries and regions increasingly need the capacity to withstand shocks, adapt to changing conditions and recover from crises.

Digital transformation has also become a major driver of development. Digital technologies can improve public administration, education, healthcare, financial services, trade and communication. However, unequal access to technologies and digital skills can create new forms of inequality.

The green transition is another major priority. The transition toward more sustainable and low-carbon economic models affects energy, transport, industry, agriculture, infrastructure and finance. Consequently, the green transition is not simply an environmental policy but a broader economic transformation.

Another important trend is the increasing importance of development financing. The scale of contemporary global challenges requires resources that cannot be provided by traditional development assistance alone. Therefore, greater attention is being paid to development banks, private investment, blended finance and other mechanisms for mobilizing additional resources.

The role of partnerships is also increasing. International development increasingly involves cooperation between governments, international organizations, financial institutions, businesses, universities, civil society and local and regional authorities. Complex development problems require the combination of different forms of knowledge, resources and expertise.

At the same time, development is becoming increasingly geopoliticized. Infrastructure, energy, technology, trade routes, investment and access to markets have not only economic and development significance but also strategic and geopolitical significance. As a result, international development is increasingly connected with foreign policy, economic diplomacy and geoeconomics.

Finally, there is a growing emphasis on localizing global development goals. Although the SDGs are global, their practical implementation takes place at national, regional and local levels. Global objectives therefore need to be translated into concrete programmes and projects that respond to specific territorial needs.

Overall, the contemporary development agenda is moving toward a model in which sustainability, resilience, inclusiveness, technological transformation, partnership and strategic cooperation become increasingly important alongside traditional economic growth.

The contemporary concept of global development is much broader than economic growth. It combines economic prosperity, human well-being, social inclusion, environmental sustainability, technological progress and institutional development.

The international development agenda has evolved from a primary focus on economic growth and modernization toward a more comprehensive framework centred on human development, sustainable development, resilience and global cooperation.

At the same time, development remains highly uneven because countries and regions have different resources, opportunities and capacities. Global challenges such as poverty, inequality, climate change, conflicts, technological transformation and economic instability are increasingly interconnected and cannot be effectively addressed in isolation.

The Sustainable Development Goals provide the common global framework, but their practical achievement depends on the ability of states and other international actors to transform global priorities into concrete policies, programmes and projects. This creates a logical transition to the next topic: global initiatives, international actors and development diplomacy –that is, the question of who implements the international development agenda, how these actors interact, and what role diplomacy plays in coordinating their interests.

Questions for self-assessment

1. What is development, and how does it differ from economic growth?
2. Why can economic growth not be considered a sufficient indicator of development?
3. What is meant by human development? What aspects of people's well-being does it include?
4. What is the difference between international development and global development?
5. Why has development become an increasingly global process?

6. How has the international development agenda changed since the second half of the twentieth century?
7. What were the main differences between the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs)?
8. What is meant by global inequality?
9. What forms can the asymmetric distribution of resources and development opportunities take?
10. Why do countries have different capacities to respond to global economic and social challenges?
11. What are the main economic, social, environmental, geopolitical and technological challenges to contemporary international development?
12. Why are contemporary global problems increasingly interconnected?
13. What is the role of the Sustainable Development Goals in the international development agenda?
14. Why are the SDGs considered a universal framework?
15. Why cannot the SDGs be implemented through identical policies in all countries?
16. How are the economic, social and environmental dimensions of sustainable development interconnected?
17. What are the main contemporary trends in global development?
18. Why are resilience and sustainability becoming increasingly important for international development?
19. How can digital transformation simultaneously create opportunities for and risks to development?
20. Why is development becoming increasingly connected with geopolitical and geoeconomic processes?

Recommended reading: [2, 3, 4, 5, 7, 8 basic; 11 additional]

Topic 2. Global initiatives, international actors and development diplomacy.

2.2. Main actors of international development and their functions.

2.3. The role of international organizations and international financial institutions.

2.4. States, the European Union and non-state actors in international development.

2.5. Global citizenship, social responsibility and shared responsibility in international development.

2.6. Development diplomacy, international partnerships and coordination of stakeholders' interests.

2.1. The concept and types of global initiatives

Global initiatives are coordinated actions, programmes, frameworks or partnerships aimed at addressing problems and challenges that transcend national borders and require collective efforts of states, international organizations, businesses, civil society and other stakeholders.

Global initiatives emerge in response to the growing interdependence of countries and societies and the recognition that many contemporary challenges cannot be effectively addressed by individual states alone. These challenges include poverty and inequality, climate change, environmental degradation, global health threats, food and energy security, migration, conflicts, technological transformation and sustainable development.

The main characteristics of global initiatives include:

- transnational scope – they address problems whose causes or consequences extend beyond national borders;
- collective action – they involve several categories of actors and require coordination of their efforts;
- shared objectives – participating actors agree on common goals, priorities or expected outcomes;
- multilevel governance – implementation may involve global, regional, national and local levels;
- partnership and cooperation – initiatives often combine public, private and civil-society resources and expertise;
- long-term orientation – many initiatives seek structural changes and sustainable development outcomes.

Global initiatives may differ considerably in their scale, institutional structure, participants, instruments and degree of formalization. Some are established through international agreements and operate within formal institutional frameworks, while others take the form of voluntary partnerships, platforms or coalitions.

Main types of global initiatives

Global initiatives can be classified according to several criteria.

1. By geographical scope:

- global initiatives – involve actors from different regions of the world and address challenges of global significance;
- regional initiatives – focus on a particular geographical region;
- cross-border initiatives – involve cooperation between neighbouring countries or territories.

2. By institutional nature:

- intergovernmental initiatives – established and implemented primarily by states and international organizations;

- multistakeholder initiatives – bring together governments, international organizations, businesses, civil society and other stakeholders;

- non-governmental initiatives – initiated primarily by civil society organizations, foundations, professional networks or other non-state actors.

3. By thematic focus:

- development initiatives – aimed at reducing poverty, inequality and development gaps;

- environmental and climate initiatives – focused on climate change, biodiversity and environmental protection;

- social and humanitarian initiatives – addressing health, education, food security, migration and humanitarian needs;

- economic and technological initiatives – concerned with investment, trade, infrastructure, digital transformation and technological cooperation;

- peace and security initiatives – aimed at conflict prevention, peacebuilding and strengthening international security.

4. By degree of formalization:

- legally binding initiatives, based on international treaties or other formal agreements;

- voluntary initiatives, based on political commitments, common principles or voluntary participation;

- partnership-based initiatives, implemented through cooperation among different stakeholders without establishing a single supranational authority.

Global initiatives and international development

In the context of international development, global initiatives provide frameworks for collective action and help coordinate the priorities and resources of different development actors. They can establish common objectives, mobilize financial and technical resources, facilitate knowledge exchange and create mechanisms for monitoring and evaluating progress.

A particularly important example is the Sustainable Development Goals (SDGs), which provide a common global framework for addressing economic, social and environmental dimensions of development. Other initiatives may focus on specific development challenges, regions or groups of countries.

Therefore, global initiatives should not be understood simply as individual projects or programmes. They represent mechanisms for organizing collective action around shared development objectives, while their practical implementation may take place through specific international programmes, projects, partnerships and financing mechanisms.

2.2. Main actors of international development and their functions

International development is a multiactor process involving states, international organizations, international financial institutions, regional integration organizations, civil society, businesses, local communities and other stakeholders. Each actor has specific functions, resources and areas of responsibility, while effective development outcomes increasingly depend on their coordination and cooperation.

The diversity of development actors reflects the complexity of contemporary global challenges. No single actor usually possesses sufficient financial, institutional, technical and political resources to address major development problems independently.

Main actors of international development

1. States

States remain the central actors of international development. They establish national development priorities, participate in international cooperation and create the institutional and legal conditions for implementing development initiatives.

The main functions of states include:

- defining national development priorities and strategies;
- participating in bilateral and multilateral development cooperation;
- providing or receiving development assistance;
- negotiating and implementing international agreements;
- mobilizing domestic and external resources;
- coordinating development initiatives at the national level;
- ensuring the implementation of international commitments.

States can act both as donors and recipients of international development assistance.

2. International organizations

International organizations provide institutional frameworks for cooperation between countries and coordinate collective responses to global and regional challenges. They can develop international standards,

provide technical assistance, support capacity-building and facilitate dialogue among states and other stakeholders.

Their functions may include:

- coordinating international development efforts;
- developing global standards and policy frameworks;
- providing technical and institutional assistance;
- collecting and analysing development data;
- supporting capacity-building;
- monitoring progress towards international development goals;
- facilitating international dialogue and partnerships.

3. International financial institutions

International financial institutions play an important role in mobilizing and allocating financial resources for development. They provide loans, grants, guarantees, technical assistance and other financial instruments.

Their activities may focus on infrastructure, economic development, poverty reduction, institutional reform, private-sector development, environmental sustainability and other areas.

Key functions include:

- financing development programmes and projects;
- providing concessional and market-based financing;
- supporting structural and institutional reforms;
- mobilizing additional public and private investment;
- providing technical expertise;
- assessing economic and financial risks.

4. Regional integration organizations

Regional integration organizations contribute to development by coordinating economic, social and political cooperation among member states. They can develop common policies, provide financial support and implement regional development programmes.

Their functions include:

- promoting regional economic and social development;
- supporting regional infrastructure and connectivity;
- facilitating trade and investment;
- reducing regional development disparities;
- coordinating development policies among member states;
- supporting cross-border and territorial cooperation.

The European Union represents a particularly important example of a regional actor in international development. Through its development cooperation instruments, financial programmes and neighbourhood

policies, the EU combines development objectives with broader economic, political and strategic cooperation.

5. Civil society organizations

Civil society organizations, including non-governmental organizations, foundations and community-based organizations, contribute to development at both local and international levels.

Their functions may include:

- implementing development and humanitarian projects;
- representing the interests of particular social groups;
- providing services and support to vulnerable communities;
- promoting public participation;
- monitoring government and institutional policies;
- raising awareness of global development issues;
- contributing local knowledge and expertise.

Civil society organizations can also strengthen accountability and participation by creating channels through which communities and citizens can influence development processes.

6. Business and private-sector actors

Private companies and investors increasingly participate in international development through investment, innovation, infrastructure development, employment creation and partnerships with public institutions.

Their functions may include:

- mobilizing private capital;
- creating employment and generating income;
- introducing technologies and innovations;
- developing infrastructure and services;
- participating in public-private partnerships;
- supporting sustainable production and responsible business practices.

The private sector can therefore contribute to development not only through financial resources but also through technology, management expertise and innovation.

7. Local communities and citizens

Local communities and individual citizens are increasingly recognized as participants rather than merely beneficiaries of development initiatives. Their involvement can improve the relevance, inclusiveness and sustainability of development interventions.

Their roles may include:

- identifying local development needs;

- participating in decision-making;
- contributing local knowledge and experience;
- participating in project implementation;
- monitoring development initiatives;
- supporting community-based solutions.

This dimension is particularly relevant to the concepts of global citizenship and social responsibility, which will be considered further in this course.

Interaction among development actors

Contemporary international development increasingly relies on multi-stakeholder cooperation. Different actors contribute different types of resources: states provide political authority and public resources; international organizations provide coordination and expertise; financial institutions provide financing; businesses contribute capital and innovation; civil society provides community engagement and local knowledge.

Such cooperation can take the form of:

- international partnerships;
- development programmes and projects;
- public-private partnerships;
- donor coordination mechanisms;
- multi-stakeholder platforms;
- cross-border and regional cooperation networks.

The effectiveness of these mechanisms depends on the clear distribution of roles, coordination of interests, transparency, accountability and participation of relevant stakeholders.

2.3. The role of international organizations and international financial institutions

International organizations and international financial institutions are key institutional actors in the international development system. They provide platforms for international cooperation, coordinate development policies, mobilize financial and technical resources, establish standards and support the implementation of development programmes and projects.

Although these institutions often cooperate closely, their functions differ. International organizations primarily perform coordination, policy-making, norm-setting and technical functions, while international financial institutions have a particular focus on financing development and mobilizing financial resources.

International organizations in international development

International organizations are established through international agreements and involve states or other actors as members or participants. They provide institutional mechanisms through which countries can coordinate their interests and undertake collective action.

Their role in international development includes:

- coordination of international cooperation – facilitating cooperation between states and other development actors;
- policy and standard development – developing common principles, standards and frameworks for development;
- technical assistance – providing expertise, training and institutional support;
- capacity-building – strengthening the institutional and administrative capacities of partner countries;
- data collection and analysis – producing statistics, research and analytical reports to support evidence-based development policies;
- monitoring and evaluation – assessing progress towards international development objectives;
- facilitation of partnerships – bringing together governments, businesses, civil society and other stakeholders.

International organizations may operate at the global, regional or subregional level, depending on their mandate and membership.

Among the most significant actors in international development are organizations within the United Nations system, as well as regional organizations and specialized international institutions.

The United Nations system and development

The United Nations (UN) plays a central role in establishing global development frameworks and facilitating international cooperation.

A major example is the 2030 Agenda for Sustainable Development, which provides a common framework for addressing economic, social and environmental challenges through the Sustainable Development Goals.

The UN system contributes to development through:

- establishing global development priorities;
- supporting sustainable development policies;
- providing humanitarian and technical assistance;
- promoting human rights and social inclusion;
- supporting countries in implementing the SDGs;
- facilitating international dialogue and partnerships.

Different UN agencies and programmes have specialized mandates, allowing them to address particular areas such as health, education, food security, children's welfare, migration and environmental protection.

International financial institutions

International financial institutions (IFIs) are specialized institutions that provide financial and technical resources to support economic and social development.

Their activities may include financing infrastructure, supporting institutional reforms, improving access to essential services, promoting private-sector development and responding to economic crises.

The main functions of IFIs include:

1. Development financing

IFIs provide loans, grants and other forms of financing for development programmes and projects.

2. Mobilization of capital

They can attract additional public and private resources by reducing investment risks, providing guarantees and supporting investment partnerships.

3. Technical assistance

Financial institutions often provide expertise in areas such as public finance, infrastructure, governance, economic policy and project management.

4. Institutional development

IFIs may support reforms aimed at strengthening public institutions, improving regulatory systems and increasing the effectiveness of public administration.

5. Risk management

They help manage financial and investment risks associated with development projects and can provide instruments designed to encourage investment in higher-risk environments.

Major international financial institutions

The international development system includes several major financial institutions with different mandates.

The World Bank Group supports development through financing, technical assistance, research and institutional support. Its activities cover areas such as infrastructure, poverty reduction, education, healthcare, governance and environmental sustainability.

The International Monetary Fund (IMF) primarily focuses on international monetary and financial stability. Its activities include macroeconomic surveillance, policy advice, lending and capacity

development. Although its mandate differs from that of development banks, its work can influence the economic conditions under which development policies are implemented.

Regional development banks provide financing and expertise focused on particular geographical regions. They support infrastructure, economic integration, social development, climate action and other regional priorities.

Examples include the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Asian Development Bank (ADB) and the African Development Bank (AfDB).

International organizations and IFIs: interaction and complementarity

International organizations and financial institutions frequently cooperate in the implementation of development initiatives.

For example, an international organization may establish a development framework or provide technical expertise, while a financial institution provides funding for specific programmes or projects. Governments and local communities may then implement these initiatives at the national or local level.

This creates a system in which different actors contribute different resources:

international organizations → coordination, standards and expertise

financial institutions → financing and investment instruments

governments → policy implementation and institutional capacity

local actors and communities → implementation and local knowledge

Effective cooperation therefore requires coordination of mandates, resources and interests, as well as transparency and accountability.

Challenges and limitations

Despite their important role, international organizations and IFIs face a number of challenges.

These include:

- differences between donor and recipient priorities;
- coordination problems among multiple institutions;
- conditionality and policy requirements attached to some forms of financing;
- unequal access to financial and institutional resources;
- concerns about local ownership of development initiatives;
- difficulties in measuring long-term development impacts;

- the need to balance economic, social and environmental objectives.

For this reason, contemporary development practice increasingly emphasizes partnership, local ownership, participation, accountability and sustainability rather than purely donor-driven approaches.

2.4. States, the European Union and non-state actors in international development

States remain the central actors in international development because they possess political authority, legal capacity and responsibility for national development policies. At the same time, the growing complexity of global challenges has increased the importance of regional organizations and non-state actors. Contemporary development initiatives therefore increasingly rely on cooperation among governments, international institutions, businesses, civil society and local communities.

States as actors of international development

States play a central role in shaping and implementing development policies at the national and international levels.

Their main functions include:

- defining national development priorities and strategies;
- developing legislation and institutional frameworks;
- allocating public resources to development priorities;
- participating in bilateral and multilateral cooperation;
- providing or receiving development assistance;
- negotiating international agreements;
- coordinating international development programmes at the national level;
- ensuring the implementation of international commitments.

States can perform different roles within the development system.

Donor states provide financial, technical or humanitarian assistance, while recipient or partner states use external resources to support national development priorities.

Increasingly, development cooperation is based on the principle of partnership, in which recipient countries participate in defining priorities rather than simply receiving externally determined programmes.

The European Union as a development actor

The European Union (EU) is an important regional actor in international development and development cooperation. Its role combines financial, economic, institutional and diplomatic instruments.

The EU supports development through:

- development cooperation programmes;
- grants and other financial instruments;
- technical assistance and capacity-building;
- infrastructure and investment initiatives;
- humanitarian assistance;
- neighbourhood and regional cooperation;
- support for sustainable development and the SDGs;
- partnerships with governments, international organizations and non-state actors.

An important characteristic of the EU's approach is the combination of development objectives with broader external relations, including economic cooperation, regional integration, security and institutional development.

The EU also supports development within its own territory through regional and cohesion policies and participates in cross-border and transnational cooperation.

The EU therefore acts simultaneously as:

a policy-maker → a development donor → a financial actor → a partnership facilitator → a regional and global actor.

Non-state actors in international development

Non-state actors are organizations and groups that operate independently of national governments, although they may cooperate closely with public authorities.

The main categories include:

- non-governmental organizations (NGOs);
- civil society organizations;
- private businesses and investors;
- foundations and philanthropic organizations;
- research and academic institutions;
- professional and community organizations;
- local communities and citizen initiatives.

Their growing role reflects the recognition that development is not only a matter of intergovernmental cooperation but also depends on social participation, private initiative, knowledge and local action.

Civil society organizations

Civil society organizations contribute to development through both direct implementation and advocacy.

Their activities may include:

- implementing development and humanitarian projects;
- providing services to vulnerable groups;

- representing community interests;
- promoting human rights and social inclusion;
- monitoring public policies;
- raising public awareness;
- facilitating citizen participation;
- providing local knowledge and expertise.

Civil society can therefore contribute to accountability, particularly by monitoring how development resources are used and how development initiatives affect communities.

The private sector

Businesses and investors increasingly participate in international development through investment, innovation, infrastructure development, employment creation and public-private partnerships.

Their contribution may include:

- mobilizing private capital;
- creating jobs and income opportunities;
- developing new technologies;
- providing goods and services;
- improving infrastructure;
- introducing innovative business models;
- supporting sustainable production and responsible business practices.

At the same time, private-sector participation requires appropriate regulatory frameworks and mechanisms of transparency, responsibility and accountability, particularly when business activities have significant social or environmental impacts.

Local communities and citizen participation

Local communities are increasingly viewed as active participants in development rather than passive beneficiaries.

Their participation can include:

- identifying local needs and priorities;
- contributing local knowledge;
- participating in decision-making;
- co-designing development projects;
- supporting project implementation;
- monitoring development outcomes;
- providing feedback to development organizations.

The involvement of local communities contributes to local ownership, which is an important principle of sustainable development practice.

Cooperation among state and non-state actors

Effective international development increasingly depends on multi-actor and multi-level cooperation.

A development initiative may involve:

states –policy and institutional support;

international organizations –coordination and technical expertise;

financial institutions –financing;

businesses –investment and innovation;

civil society organizations –participation and advocacy;

local communities –local knowledge and implementation.

Such cooperation can create synergies, but it can also generate competing interests and different understandings of development priorities. Consequently, successful development initiatives require mechanisms for stakeholder dialogue, coordination, participation and accountability.

2.5. Global citizenship, social responsibility and shared responsibility in international development

Contemporary international development is based not only on the actions of states and international organizations but also on the participation of individuals, communities, civil society and businesses. The growing interdependence of societies has contributed to the development of the concepts of global citizenship, social responsibility and shared responsibility.

These concepts emphasize that global challenges require not only institutional responses but also active participation and responsible behaviour of different actors.

Global citizenship

Global citizenship refers to an understanding of individuals as participants in an interconnected global community who recognize the global dimension of contemporary challenges and their own potential role in addressing them.

Global citizenship does not replace national or local citizenship. Rather, it represents an additional dimension of civic identity and participation that reflects the increasing interdependence of societies.

Key dimensions of global citizenship include:

- awareness of global interdependence – understanding how economic, social, environmental and political processes in one part of the world can affect others;

- knowledge of global challenges – awareness of issues such as poverty, inequality, climate change, migration and global health;

- respect for diversity and human dignity;
- participation in addressing local and global challenges;
- solidarity with people and communities affected by global problems;
- responsible decision-making and consideration of the broader consequences of individual and collective actions.

Global citizenship is therefore connected with both rights and responsibilities.

Global citizenship and sustainable development

Global citizenship is closely related to the principles of sustainable development. The Sustainable Development Goals provide a framework within which governments, organizations, communities and individuals can contribute to common development objectives.

For example, participation in sustainable development may involve:

- supporting inclusive and sustainable communities;
- responsible consumption and production;
- environmental protection;
- participation in community initiatives;
- volunteering and civic engagement;
- promoting equal access to education and opportunities;
- supporting initiatives aimed at reducing social inequalities.

Thus, global citizenship can be understood as one of the social dimensions of sustainable development.

Social responsibility

Social responsibility refers to the responsibility of individuals, organizations and institutions for the social, economic and environmental consequences of their actions.

In the context of international development, social responsibility involves considering how decisions and activities affect:

- local communities;
- vulnerable groups;
- workers;
- the environment;
- future generations;
- other stakeholders.

Social responsibility applies to different types of actors.

For businesses, it may involve responsible employment practices, environmental responsibility, ethical supply chains and respect for human rights.

For international organizations and development institutions, it may involve transparency, responsible use of resources, meaningful stakeholder participation and consideration of the effects of development interventions.

For civil society organizations, it may involve accountability to communities, beneficiaries, donors and other stakeholders.

For individuals and citizens, it may involve responsible participation, civic engagement, volunteering and awareness of the wider consequences of personal actions.

Shared responsibility

Global development is characterized by shared responsibility, because development outcomes are influenced by the actions of multiple actors.

Shared responsibility does not necessarily mean that all actors have identical responsibilities. Their responsibilities depend on their authority, resources, capabilities, roles and potential impact.

For example:

- governments are responsible for public policies and institutional frameworks;
- international organizations coordinate cooperation and provide expertise;
- financial institutions mobilize and allocate development resources;
- businesses are responsible for the social and environmental effects of their activities;
- civil society organizations represent interests and facilitate participation;
- local communities contribute knowledge, participation and local ownership;
- individuals can contribute through civic participation and responsible behaviour.

This approach emphasizes that responsibility should be distributed according to the role and capacity of each actor.

Participation and agency

An important element of global citizenship and social responsibility is agency – the capacity of individuals and groups to influence development processes.

Participation can occur at different levels:

- individual level – responsible behaviour, volunteering, civic engagement;

- community level – participation in local development initiatives;
- organizational level – implementation of socially responsible practices;
- national level – participation in public policy and development processes;
- international level – participation in transnational networks and global initiatives.

Meaningful participation requires more than simply informing people about development initiatives. It involves opportunities to express needs, influence decisions, contribute to implementation and evaluate results.

Accountability and responsibility

Social responsibility is closely connected with accountability.

Accountability means that development actors are expected to explain and justify their decisions and actions and, where appropriate, respond to their consequences.

In international development, accountability may involve:

- transparency in the use of financial resources;
- reporting on activities and results;
- stakeholder consultation;
- monitoring and evaluation;
- mechanisms for feedback and complaints;
- assessment of social and environmental impacts.

Accountability helps ensure that development initiatives remain responsive to the people and communities they are intended to support.

Global citizenship and international development practice

For international development practitioners, these concepts have practical implications. Development initiatives should increasingly consider not only what is being implemented, but also:

Whose	Who	is	affected	by	the	intervention?
Whose	Who	is	responsible	for	the	results?
Whose	Who	is	affected	by	the	intervention?
How	are	stakeholders	involved	in	decision-making?	
How are accountability and transparency ensured?						

Consequently, global citizenship and social responsibility can be viewed as important dimensions of inclusive, participatory and sustainable international development practice.

2.6. Development diplomacy, international partnerships and coordination of stakeholders' interests

International development involves actors with different interests, priorities, resources and institutional capacities. Effective cooperation therefore requires mechanisms that allow these actors to communicate, negotiate, coordinate their actions and develop common solutions.

Development diplomacy and international partnerships provide such mechanisms and contribute to the coordination of interests in the international development process.

Development diplomacy

Development diplomacy can be understood as the use of diplomatic dialogue, negotiation, partnerships and other instruments of international relations to promote development objectives and coordinate the interests of development actors.

It connects development cooperation with broader diplomatic activities and may involve governments, international organizations, financial institutions, regional organizations and non-state actors.

Development diplomacy may pursue several objectives:

- building and maintaining international development partnerships;
- mobilizing financial and technical resources;
- coordinating development priorities;
- negotiating development agreements and programmes;
- facilitating dialogue between donors and partner countries;
- supporting implementation of international development commitments;
- addressing disagreements between stakeholders;
- promoting cooperation around common development goals.

Development diplomacy therefore has both a political and practical dimension. It involves not only negotiations between states but also coordination of concrete development initiatives.

Relationship between development, economic and multilateral diplomacy

Development diplomacy is closely connected with other forms of diplomatic activity.

Economic diplomacy focuses primarily on economic interests, including trade, investment, financial cooperation and access to markets. Development diplomacy may use similar instruments but places greater emphasis on development objectives and long-term development outcomes.

Multilateral diplomacy involves negotiations and cooperation among multiple states and international organizations within international institutions and forums.

These forms of diplomacy can overlap. For example, negotiations concerning infrastructure investment may simultaneously involve:

- economic interests;
- development objectives;
- diplomatic relations;
- regional cooperation;
- private-sector participation.

Therefore, contemporary development practice increasingly requires an integrated approach to diplomacy and development cooperation.

International partnerships

International partnerships are cooperative arrangements between two or more actors aimed at achieving shared development objectives.

Partners may include:

- states;
- international organizations;
- regional organizations;
- international financial institutions;
- businesses;
- civil society organizations;
- academic and research institutions;
- local and regional authorities;
- communities.

Partnerships may be bilateral, multilateral, regional, cross-border or multi-stakeholder, depending on the number and type of participants.

Effective partnerships are generally based on:

- clearly defined common objectives;
- complementary resources and expertise;
- division of responsibilities;
- mutual communication;
- transparency;
- accountability;
- respect for local priorities;
- mechanisms for monitoring and evaluation.

Coordination of stakeholders' interests

Development initiatives often involve stakeholders whose interests do not completely coincide. Donors may have particular

priorities, governments may focus on national development objectives, businesses may consider economic interests, while communities may prioritize local social and environmental needs.

Stakeholder coordination involves identifying these interests and establishing mechanisms through which they can be discussed and reconciled.

A practical coordination process may include:

1. Stakeholder identification
Determining who is affected by or can influence a development initiative.

2. Interest analysis
Identifying the priorities, expectations, resources and potential concerns of different stakeholders.

3. Dialogue and consultation
Creating opportunities for stakeholders to exchange views and provide input.

4. Negotiation and alignment
Identifying areas of common interest and addressing conflicting priorities.

5. Distribution of roles and responsibilities
Determining who is responsible for particular activities and decisions.

6. Continuous coordination
Maintaining communication throughout implementation rather than limiting stakeholder engagement to the planning stage.

Managing conflicting interests

Differences between stakeholders are a normal feature of international development. They may arise from:

- different development priorities;
- unequal access to resources;
- different political or economic interests;
- different perceptions of project benefits and risks;
- disagreements over the distribution of costs and benefits;
- differences between global and local priorities.

The objective of stakeholder coordination is not necessarily to eliminate all differences. Rather, it is to create transparent and inclusive mechanisms for negotiation and joint decision-making.

This is particularly important for development initiatives that affect local communities or involve significant financial, environmental or social consequences.

Partnership, participation and accountability

International partnerships are increasingly associated with the principles of participation, local ownership and accountability.

A partnership is more sustainable when local stakeholders have a meaningful role in defining priorities and making decisions. This reduces the risk of development initiatives being designed exclusively according to external priorities.

Accountability also requires partners to clarify:

- who makes decisions;
- who controls resources;
- who is responsible for implementation;
- how results are measured;
- how stakeholders can provide feedback;
- how disagreements or negative impacts are addressed.

Development diplomacy in practice

Development diplomacy can therefore be viewed as a process of building cooperation around shared development objectives despite differences in interests and capacities.

Its effectiveness depends not only on formal diplomatic negotiations but also on:

communication → trust → negotiation → coordination → partnership → joint action → accountability.

In this sense, development diplomacy connects the institutional dimension of international development with its practical implementation.

It also provides a natural transition from the discussion of actors and shared responsibility to subsequent topics concerning the implementation, financing and evaluation of international development initiatives.

Questions for self-assessment

1. What are global initiatives and what are their main characteristics?
2. What are the main types of global initiatives, and according to which criteria can they be classified?
3. Who are the main actors of international development and what functions do they perform?
4. What roles do international organizations and international financial institutions play in international development?
5. How do the roles of states and non-state actors differ in international development?
6. What is the role of the European Union as a regional and international development actor?

7. What is meant by global citizenship, and how is it related to international development?

8. How can social responsibility and shared responsibility contribute to sustainable development?

9. Why are participation, local ownership and accountability important for international development initiatives?

10. What is development diplomacy and how does it relate to economic and multilateral diplomacy?

11. Why is coordination of stakeholders' interests important for the success of international development initiatives?

12. How can international partnerships contribute to achieving common development objectives?

13. What challenges may arise when stakeholders have different or conflicting interests?

14. How can development actors balance global development priorities with national and local interests?

15. Practical question: Imagine that an international development initiative is being implemented in a local community. Which actors should be involved, what should their roles be, and how should their interests and responsibilities be coordinated?

16. Analytical question: To what extent can international development be effective without meaningful participation of local communities and non-state actors? Explain your position.

Recommended reading: [2, 7, 9 basic; 1, 2, 6 additional; 1, 5, 7 online resources]

Topic 3. International development cooperation and development financing.

3.1. The essence and principles of international development cooperation.

3.2. Bilateral and multilateral development cooperation.

3.3. Official development assistance and its main forms.

3.4. Grants, loans, technical assistance and other development financing instruments.

3.5. Blended finance and mechanisms for mobilizing private capital.

3.6. International donors, their priorities and mechanisms for attracting financing.

3.1. The Essence and Principles of International Development Cooperation

1. Definition of international development cooperation

International development cooperation is a system of cooperation between countries, international organizations, development finance institutions, the private sector, NGOs and other actors aimed at supporting the economic, social and institutional development of countries.

Its main purpose is to contribute to:

- poverty reduction;
- sustainable economic growth;
- improvement of living standards;
- reduction of inequality;
- development of human capital;
- strengthening of institutions;
- achievement of sustainable development goals.

Development cooperation is broader than financial assistance. It can include financial resources, knowledge, technology, expertise, investment and institutional support.

2. Main actors of development cooperation

The main participants are:

Donor countries – provide financial and technical resources to developing or partner countries.

Partner countries – receive support and implement development programmes and projects according to their national priorities.

International organizations – coordinate cooperation, provide financing and technical assistance, and implement international development programmes.

Examples include:

- United Nations;
- World Bank;
- International Monetary Fund;
- European Union;
- regional development banks.

Development finance institutions (DFIs) – provide loans, equity, guarantees and other financial instruments for development projects.

Private sector – provides investment capital, technologies, expertise and business solutions.

NGOs and civil society organizations – implement development and humanitarian programmes and represent the interests of local communities.

3. Main principles of international development cooperation

1. Partnership

Development cooperation should be based on cooperation between donors and partner countries rather than on a simple donor–recipient relationship.

2. Country ownership

Partner countries should play a leading role in defining their development priorities. External assistance should support national development strategies rather than replace them.

3. Results orientation

Development financing should focus on measurable development results, not simply on spending allocated funds.

For example, the result of an education project is not merely the construction of schools but improved access to education or better learning outcomes.

4. Transparency and accountability

All participants should provide clear information about how resources are allocated and used and what results are achieved.

5. Effectiveness and efficiency

Available resources should be used efficiently in order to achieve the greatest possible development impact.

6. Sustainability

Development projects should generate long-term benefits and create conditions for countries and communities to become less dependent on external assistance.

7. Inclusiveness

Development cooperation should benefit different groups of society, including vulnerable and disadvantaged populations.

8. Coordination

Different donors and development institutions should coordinate their activities in order to avoid duplication, reduce administrative costs and increase the overall impact of development assistance.

4. Main mechanisms of development cooperation

International development cooperation can operate through several mechanisms:

- financial assistance – grants, loans and other forms of financing;
- technical assistance – experts, training, consulting and institutional support;
- capacity building – development of skills and institutional capabilities;
- technology transfer – access to technologies and knowledge;

- investment cooperation – financing of productive and infrastructure projects;
- policy support – assistance with reforms and development strategies;
- risk-sharing mechanisms – guarantees, insurance and other instruments that reduce investment risks;
- blended finance – combining public/development finance with private capital.

A simplified mechanism can be presented as:

Donor → resources → partner country → development programme/project → development results → monitoring and evaluation.

In modern development cooperation, private investors can also be involved:

Public/development finance → risk reduction → private investment → additional capital → development project.

5. Main areas of development cooperation

Development cooperation can focus on:

- economic development;
- poverty reduction;
- education;
- healthcare;
- infrastructure;
- energy;
- climate change and environmental protection;
- digital transformation;
- agriculture;
- small and medium-sized enterprises;
- employment and skills development;
- public administration reform;
- institutional development;
- social protection;
- gender equality and social inclusion.

6. Importance of international development cooperation

International cooperation allows countries to obtain financial resources, knowledge, technologies and expertise that may be insufficient domestically.

It can also help countries:

- finance large infrastructure projects;
- strengthen public institutions;
- improve human capital;

- attract private investment;
- introduce new technologies;
- implement economic and social reforms;
- respond to global challenges such as climate change and economic crises.

However, the effectiveness of development cooperation depends not only on the amount of funding, but also on the quality of institutions, project design, transparency, coordination and the ability of the partner country to use resources effectively.

Key idea to remember

International development cooperation is not simply the transfer of money from richer to poorer countries. It is a broader system of financial, technical, institutional and investment cooperation aimed at achieving sustainable development results.

3.2. Bilateral and Multilateral Development Cooperation

1. Bilateral development cooperation

Bilateral development cooperation is cooperation between two countries: a donor country and a partner/recipient country.

The donor country provides financial resources, technical assistance, expertise or other forms of support directly to the partner country.

Example:

Germany → Ukraine

Germany provides financial or technical assistance to Ukraine through its government agencies or development institutions.

Bilateral cooperation is usually based on specific agreements, programmes or projects between the two countries.

2. Main instruments of bilateral cooperation

Bilateral cooperation can include:

- grants – non-repayable financial assistance;
- concessional loans – loans provided on more favorable terms than market loans;
- technical assistance – experts, training, consulting and institutional support;
- equipment and goods – provision of materials, technologies or infrastructure;
- budget support – financial resources provided to support government programmes;

- investment support – assistance aimed at attracting or facilitating investment.

3. Advantages and characteristics of bilateral cooperation

Bilateral cooperation allows donors to:

- establish direct relationships with partner countries;
- focus resources on specific national priorities;
- design programmes according to local needs;
- maintain direct control over implementation and monitoring.

For partner countries, bilateral cooperation can provide direct access to financial and technical resources and specialized expertise.

At the same time, bilateral programmes can sometimes reflect the strategic, economic or foreign-policy interests of the donor country. Therefore, the alignment between donor priorities and the development needs of the partner country is important.

4. Multilateral development cooperation

Multilateral development cooperation involves three or more countries, usually through an international organization or multilateral development institution.

Instead of providing assistance directly, donor countries contribute resources to a multilateral institution, which then allocates or manages these resources for development programmes.

The basic mechanism is:

Several donor countries → international organization → partner countries/projects

Examples of multilateral actors include:

- World Bank;
- European Union;
- United Nations;
- regional development banks such as the European Bank for Reconstruction and Development and the Asian Development Bank.

5. Main characteristics of multilateral cooperation

Multilateral institutions:

- pool financial resources from multiple donors;
- distribute financing among different countries and sectors;
- provide loans, grants and technical assistance;
- coordinate large-scale development programmes;
- establish common standards and procedures;
- monitor and evaluate projects.

An important feature is resource pooling. By combining contributions from many countries, multilateral institutions can finance projects that may be too large or complex for a single donor.

6. Bilateral vs. multilateral cooperation

Feature	Bilateral cooperation	Multilateral cooperation
Main participants	Two countries	Several countries + international institution
Flow of resources	Directly from donor to partner	Through a multilateral institution
Decision-making	Mainly donor + partner	Shared among member countries/institution
Focus	Often country-specific	Often regional or global
Coordination	Between two main partners	Coordination among many actors
Examples	Germany → Ukraine	World Bank → Ukraine

7. Key difference

The main difference is the way resources and decisions are organized.

Bilateral cooperation:

Donor country → Partner country

Multilateral cooperation:

Several donor countries → International institution → Partner countries

8. Why both forms are important

Bilateral and multilateral cooperation complement each other.

Bilateral cooperation can provide more direct and country-specific support, while multilateral cooperation can mobilize larger pooled resources, international expertise and coordinated action.

Therefore, the international development system combines both approaches depending on the objectives, scale and nature of a particular development problem.

Key idea to remember

Bilateral cooperation involves direct cooperation between two countries, while multilateral cooperation involves several countries working through an international organization or development institution.

3.3. Official Development Assistance and Its Main Forms

1. Definition of Official Development Assistance

Official Development Assistance (ODA) is government-provided support aimed primarily at promoting the economic development and welfare of developing countries.

ODA is provided by:

- national governments;
- government agencies;
- international organizations.

It can be provided either bilaterally (directly from one country to another) or multilaterally (through international organizations).

A key feature of ODA is that it is provided on concessional terms, meaning that it contains a significant element of assistance rather than being purely commercial financing.

2. Main objectives of ODA

ODA is used to support:

- poverty reduction;
- economic development;
- education and healthcare;
- infrastructure development;
- institutional reforms;
- environmental protection;
- climate action;
- humanitarian and social programmes;
- development of local businesses and employment;
- achievement of the Sustainable Development Goals (SDGs).

The ultimate purpose is to improve the economic and social conditions of people in developing countries.

3. Main forms of ODA

ODA can take several forms.

1. Grants

Grants are non-repayable funds provided for a specific development purpose.

For example, a donor can provide a grant to finance the construction of schools or improve healthcare services.

The main advantage is that the recipient does not have to repay the money.

2. Concessional loans

These are loans provided on more favorable terms than commercial loans.

They may have:

- lower interest rates;

- longer repayment periods;
- grace periods before repayment begins.

Unlike grants, concessional loans must be repaid, but their favorable conditions make them suitable for development projects.

3. Technical assistance

Technical assistance involves the transfer of knowledge, skills and expertise rather than simply financial resources.

It can include:

- training government officials;
- consulting services;
- experts and advisors;
- institutional capacity building;
- assistance with legislation and reforms;
- project management support.

For example, a donor may finance experts who help a government modernize its public administration system.

4. Budget support

Budget support involves transferring financial resources to the government of a partner country to support its public budget and development policies.

It can provide greater flexibility than financing a single project, but it normally requires strong systems of financial management, transparency and accountability.

5. Project financing

ODA can be directed toward a specific development project.

Examples include:

- building roads;
- modernizing hospitals;
- constructing schools;
- developing renewable energy;
- improving water and sanitation systems.

Project financing is usually linked to clearly defined objectives, activities and expected results.

4. Bilateral and multilateral ODA

ODA can be divided according to the channel through which it is provided.

Bilateral ODA:

Donor country → Partner country

For example, a government provides development assistance directly to another government or through its development agency.

Multilateral ODA:

Donor country → International organization → Partner country

The donor contributes resources to an organization such as the World Bank, UN agencies or regional development banks, which then uses these resources for development purposes.

5. ODA vs. commercial financing

It is important to distinguish ODA from ordinary commercial financing.

ODA	Commercial financing
Development-oriented	Profit-oriented
Provided by governments/international institutions	Usually provided by private financial institutions
Can be a grant or concessional loan	Usually a market-rate loan or investment
Often involves favorable financial terms	Market-based terms
Focuses on development impact	Focuses primarily on financial return

Thus, ODA is primarily motivated by development objectives, while commercial finance is primarily motivated by financial returns.

6. Importance of ODA

ODA is particularly important for countries where domestic resources and access to international capital markets are limited.

It can help finance areas that may not generate sufficient short-term financial returns for private investors, such as:

- basic education;
- public healthcare;
- rural infrastructure;
- poverty reduction;
- institutional development;
- environmental protection.

ODA can also be used to reduce risks and attract additional private investment, which connects ODA with the concept of blended finance discussed later in section 3.5.

Key idea to remember

Official Development Assistance (ODA) is government or multilateral support provided primarily to promote the economic development and welfare of developing countries.

3.4. Grants, Loans, Technical Assistance and Other Development Financing Instruments

Development financing includes a wide range of financial and non-financial instruments used to support economic and social development. The choice of instrument depends on the type of project, level of risk, expected returns, and financial capacity of the recipient.

1. Grants

Grants are financial resources provided to a recipient without an obligation to repay them.

They are commonly used for projects that have high social or developmental value but may not generate enough financial income to repay a loan.

Grants can finance:

- education and healthcare;
- humanitarian and social programmes;
- institutional reforms;
- environmental projects;
- research and innovation;
- capacity building;
- infrastructure preparation.

Example:

A donor provides €5 million to improve a country's healthcare system. The recipient uses the funds for equipment and training but does not repay the €5 million.

Main characteristic:

Grant = non-repayable financing.

2. Loans

A loan is financing that must be repaid over a specified period, usually with interest.

Development loans can be provided by:

- governments;
- international financial institutions;
- development banks;
- commercial banks.

Development institutions often provide concessional loans, which have more favorable conditions than commercial loans.

These may include:

- lower interest rates;
- longer repayment periods;
- grace periods;

- longer maturities.

Loans are particularly suitable for projects that generate economic or financial returns, such as:

- transport infrastructure;
- energy;
- water supply;
- telecommunications;
- industrial development.

Main characteristic:

Loan = repayable financing.

3. Technical assistance

Technical assistance (TA) is support provided in the form of knowledge, expertise, training and advisory services.

It does not necessarily involve transferring large amounts of money directly to the recipient.

Technical assistance can include:

- international experts;
- consulting;
- professional training;
- institutional capacity building;
- policy advice;
- feasibility studies;
- legal and regulatory assistance;
- project preparation and management.

For example, before financing a large infrastructure project, a development institution may provide technical assistance to conduct a feasibility study and environmental assessment.

Main characteristic:

Technical assistance = transfer of knowledge and expertise.

4. Equity financing

Equity financing means providing capital in exchange for an ownership stake in a company or project.

Instead of receiving regular loan repayments, the investor participates in the potential profits and value growth of the investment.

Equity financing is often used to support:

- private companies;
- infrastructure projects;
- financial institutions;
- startups and innovative businesses.

For development purposes, equity can help businesses expand when they are not able or willing to take on additional debt.

Main characteristic:

Equity = capital in exchange for ownership.

5. Guarantees

A guarantee is a commitment by a donor, government or development institution to cover certain losses if a borrower or project fails to meet its financial obligations.

Guarantees help reduce risk for private investors and lenders.

For example:

Development institution → guarantee → private bank → loan to development project

Because part of the risk is covered by the development institution, the private bank may be more willing to provide financing.

Main characteristic:

Guarantee = risk-sharing instrument.

6. Development bonds

Development bonds are debt securities issued to raise money for development-related activities.

Investors provide capital by purchasing bonds and receive repayment according to the terms of the bond.

They can be issued by:

- governments;
- development banks;
- international financial institutions;
- other eligible institutions.

Bonds can mobilize significant amounts of capital from institutional investors.

7. Other financing instruments

Other important instruments include:

Results-based financing – funds are released when predefined results or indicators are achieved.

Credit lines – financing provided through financial institutions for lending to specific sectors or groups, such as SMEs.

Risk-sharing facilities – mechanisms where development institutions and private investors share the risks associated with a project.

Insurance mechanisms – protect investors against specific risks, such as political or commercial risks.

Venture capital – investment in innovative or high-growth businesses in exchange for equity.

8. Comparison of main instruments

Instrument	Repayment?	Main purpose	Typical use
Grant	No	Social/development objectives	Healthcare, education
Loan	Yes	Financing investments	Infrastructure, energy
Technical assistance	No	Knowledge and capacity	Institutional reform
Equity	No repayment	fixed Investment and business growth	Companies, infrastructure
Guarantee	Usually no direct financing	Risk reduction	Private investment
Bond	Yes	Raising large-scale capital	Infrastructure, development programmes
Results-based financing	Depends on structure	Achieving measurable results	Public-sector programmes

9. Choosing the appropriate instrument

The choice of financing instrument depends on several factors:

Project profitability:

Projects that generate revenues can often use loans or equity.

Social value:

Projects with high social benefits but limited financial returns may require grants.

Risk level:

High-risk projects may need guarantees or concessional financing.

Repayment capacity:

The recipient must be able to repay loans without creating unsustainable debt.

Development impact:

The instrument should be selected according to the expected economic and social results.

Key idea to remember

Development financing is not limited to grants and loans. It includes a combination of grants, concessional loans, technical assistance, equity, guarantees, bonds and risk-sharing instruments.

3.5. Blended Finance and Mechanisms for Mobilizing Private Capital

1. Definition of blended finance

Blended finance is the strategic use of public or development finance to mobilize additional private capital for development projects.

The basic idea is to combine different sources of financing in one transaction or project:

Public/development finance + Private capital → Development project

Public funds can be used to reduce risks, improve the financial attractiveness of a project, or make projects possible that would otherwise not attract enough private investment.

2. Why blended finance is needed

Developing countries face large financing needs for:

- infrastructure;
- renewable energy;
- healthcare;
- education;
- agriculture;
- digitalization;
- climate projects;
- SMEs.

Public development resources alone are often insufficient to finance all these needs.

At the same time, private investors may be reluctant to invest because of:

- high political risk;
- currency risk;
- regulatory uncertainty;
- weak infrastructure;
- low or uncertain returns;
- long investment periods;
- limited information about markets.

Blended finance attempts to reduce these barriers and mobilize private investment.

3. Main principle of blended finance

The key principle is risk-sharing.

A development institution may provide a relatively small amount of public or concessional financing that improves the risk-return profile of a project and allows private investors to participate.

For example:

Donor grant → preparation of project

Development bank guarantee → reduction of investment risk

Private investors → provision of major part of capital

→ Infrastructure project

Thus, public financing acts as a catalyst for additional private investment.

4. Main mechanisms for mobilizing private capital

4.1. Guarantees

A guarantee reduces the potential losses of private lenders or investors.

If a borrower fails to meet certain obligations, the guarantor covers part of the loss according to the guarantee agreement.

This reduces perceived risk and can encourage private banks to provide financing.

Guarantee → lower risk → greater willingness to invest

4.2. Concessional financing

Development institutions can provide loans at below-market interest rates or with longer repayment periods.

This can improve the financial viability of projects and make them more attractive to private investors.

4.3. First-loss capital

First-loss capital is financing that agrees to absorb the first portion of losses if a project or investment performs poorly.

This protects other investors from part of the initial losses.

For example:

Public investor → first-loss layer

Private investors → senior layers

Because private investors receive additional protection, they may be more willing to participate.

4.4. Grants for project preparation

Many projects fail to attract private financing because they are not sufficiently prepared.

A development institution can provide a grant to finance:

- feasibility studies;
- technical design;
- environmental assessments;
- legal analysis;
- financial modelling;
- project management.

After preparation, the project may become sufficiently developed for private investors.

Preparation grant → bankable project → private investment

4.5. Equity investment

Development finance institutions can invest directly in companies or projects by acquiring an equity stake.

This provides additional capital and can also increase the confidence of other investors.

For example:

Development institution + Private investors → Equity investment in a company.

4.6. Public-private partnerships (PPPs)

A Public-Private Partnership (PPP) is a long-term cooperation between the public and private sectors for providing infrastructure or public services.

The private sector can provide:

- capital;
- technology;
- management expertise;
- operational capacity.

The government provides the regulatory framework and may contribute financing, guarantees or other support.

PPPs are commonly used for:

- roads;
- airports;
- energy;
- water infrastructure;
- hospitals;
- public transport.

5. Structure of a blended finance transaction

A simplified structure can look like this:

Public donor / development institution

↓

Grant + concessional loan + guarantee

↓

Development project

↑

Private bank + institutional investors + private companies

The public component helps reduce risks or improve project viability, while the private component provides additional capital.

6. Financial leverage

An important concept in blended finance is financial leverage.

Leverage describes how much additional private capital is mobilized by a unit of public or development finance.

For example:

- public/development financing = €10 million;
- private financing mobilized = €40 million;
- total project financing = €50 million.

In this simplified example, €1 of public financing mobilizes €4 of private capital.

The exact leverage ratio depends on the project, instrument, risk level and methodology used to measure mobilization.

7. Benefits and limitations

Potential benefits:

- mobilizes additional capital;
- allows larger development projects to be financed;
- shares risks between public and private actors;
- makes some projects more financially viable;
- can support private-sector development;
- reduces reliance on public funds alone.

Potential limitations:

- projects may be complex to structure;
- public resources can create risks if poorly designed;
- measuring the amount of private capital actually mobilized can be difficult;
- not every development project is commercially viable;
- projects must balance financial returns with development objectives.

8. Key distinction: traditional aid vs. blended finance

Traditional development assistance:

Donor → Grant/loan → Development project

Blended finance:

Public/development finance → Risk reduction → Private capital
→ Development project

Therefore, the main difference is that blended finance seeks to use development finance as a catalyst for mobilizing additional private investment.

Key idea to remember

Blended finance combines public or concessional development finance with private capital in order to reduce investment risks and mobilize additional resources for development.

3.6. International Donors, Their Priorities and Mechanisms for Attracting Financing

1. International donors

International donors are governments, international organizations, development banks, foundations and other institutions that provide financial, technical or other resources to support development.

They can operate through bilateral or multilateral cooperation.

The main groups of donors include:

- national governments – provide bilateral development assistance;
- international organizations – coordinate and finance multilateral programmes;
- multilateral development banks – provide loans, grants, guarantees and equity;
- regional development institutions – focus on particular geographical regions;
- development agencies – implement the development policy of donor governments;
- international foundations and NGOs – finance specific social, humanitarian and development initiatives.

2. Main international donors and institutions

Important actors in international development financing include:

European Union (EU) – supports economic and social development, infrastructure, institutional reforms, environmental and climate-related initiatives, and private-sector development.

World Bank Group – provides financing and technical assistance for poverty reduction, infrastructure, human development, institutional development and private-sector growth.

International Monetary Fund (IMF) – primarily focuses on macroeconomic and financial stability, including policy advice and financial assistance to countries facing balance-of-payments problems.

European Bank for Reconstruction and Development (EBRD) – focuses strongly on private-sector development, infrastructure, energy transition and economic transformation.

Asian Development Bank (ADB) – finances development projects and programmes in Asia and the Pacific.

United Nations agencies – support areas such as humanitarian assistance, health, education, food security, governance and sustainable development.

3. Development priorities of donors

Donors usually establish development priorities that determine where and how their resources will be allocated.

Common priorities include:

- poverty reduction and social protection;
- economic growth and employment;
- infrastructure development;
- education and healthcare;
- climate change and environmental protection;
- renewable energy and energy efficiency;
- digital transformation;
- good governance and institutional reform;
- private-sector and SME development;
- gender equality and social inclusion;
- crisis recovery and resilience.

Donor priorities can differ because they reflect the institution's mandate, geographical focus and development strategy.

4. Development Finance Institutions

Development Finance Institutions (DFIs) are specialized financial institutions that provide financing for projects and businesses that contribute to economic and social development.

Unlike purely commercial financial institutions, DFIs consider not only financial returns but also development impact.

They can provide:

- loans;
- concessional financing;
- equity;
- guarantees;
- risk-sharing instruments;
- technical assistance.

DFIs can work with both governments and private companies.

A simplified structure is:

DFI → financing/risk-sharing → development project → economic and social impact

5. Mechanisms for attracting development financing

Countries and organizations can attract international financing through several mechanisms.

5.1. Development projects and programmes

A country identifies a development need and prepares a project proposal that demonstrates:

- the problem to be addressed;
- project objectives;
- expected results;
- required financing;
- implementation plan;
- risks;
- monitoring indicators.

A well-prepared project is more likely to attract donor support.

5.2. International agreements and programmes

Financing can be attracted through:

- bilateral agreements;
- international development programmes;
- cooperation frameworks;
- sector-specific agreements;
- reconstruction and investment programmes.

These frameworks establish the priorities, conditions and procedures for cooperation.

5.3. Co-financing

Co-financing means that a project receives funding from several sources.

For example:

Government		–	€20	million
Development bank		–	€30	million
Donor		–	€10	million
Private investors		–	€40	million
Total – €100 million				

Co-financing allows large projects to be implemented and distributes financial risk among several participants.

5.4. Public-private partnerships

PPPs can attract private capital to projects that traditionally depend on public financing.

The government and private sector share responsibilities, risks and resources.

This mechanism is particularly relevant for:

- transport;
- energy;
- healthcare;

- water and sanitation;
- telecommunications;
- urban infrastructure.

5.5. Blended finance

Blended finance uses public or concessional resources to mobilize private capital.

For example:

Donor grant + Development bank guarantee + Private investment

→ Development project

The public component can reduce risks and make the project more attractive to private investors.

5.6. Guarantees and risk-sharing

Guarantees can reduce the risks faced by private banks and investors.

For example, a development institution may guarantee part of a loan. If the project experiences certain losses, the guarantee covers an agreed portion.

This can improve access to financing and reduce the cost of capital.

6. What makes a project attractive to donors?

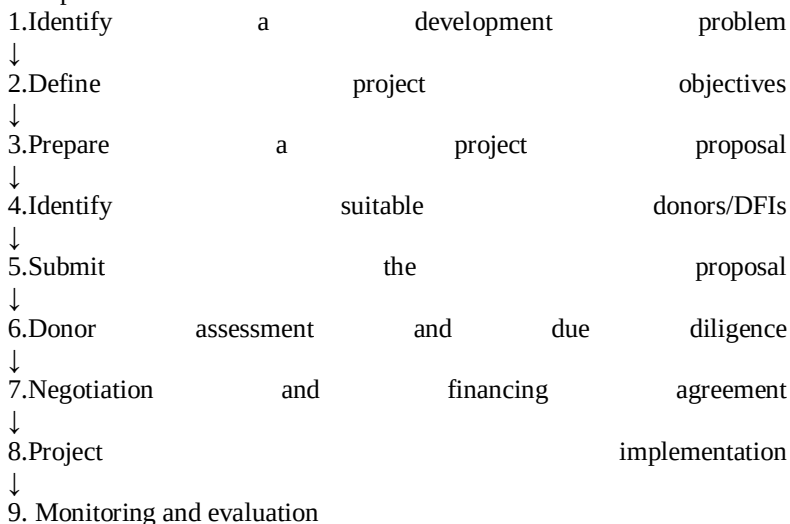
When donors and development institutions evaluate projects, they generally consider factors such as:

- development impact – what economic or social results will be achieved;
- relevance – whether the project corresponds to development priorities;
- feasibility – whether the project can realistically be implemented;
- financial sustainability – whether the project can remain financially viable;
- institutional capacity – whether the implementing organization can manage the project;
- risk management – identification and mitigation of major risks;
- transparency and accountability;
- environmental and social sustainability;
- co-financing and potential to mobilize additional resources.

Therefore, attracting international financing is not simply about requesting money. It requires a well-designed project that demonstrates a clear development problem, realistic solution, measurable results and appropriate financial structure.

7. Simplified financing cycle

The process of attracting international development financing can be represented as:



8. Key idea to remember

International donors provide financial and technical resources according to their development priorities and institutional mandates. Countries attract this financing through well-prepared projects, international programmes, co-financing, PPPs, guarantees and blended finance.

Questions for self-assessment

1. What is international development cooperation?
2. What are the main objectives of international development cooperation?
3. Who are the main actors involved in development cooperation?
4. What is meant by the principle of country ownership?
5. Why are transparency and accountability important in development cooperation?
6. What does a results-oriented approach mean?
7. Why is sustainability an important principle of development cooperation?
8. What are the main mechanisms of international development cooperation?
9. What is bilateral development cooperation?
10. What is multilateral development cooperation?

11. What is the main difference between bilateral and multilateral cooperation?
12. Give an example of a bilateral cooperation mechanism.
13. Give examples of multilateral development institutions.
14. What are the advantages of bilateral cooperation?
15. What are the advantages of multilateral cooperation?
16. Why are bilateral and multilateral cooperation considered complementary?
17. What is Official Development Assistance (ODA)?
18. Who can provide ODA?
19. What are the main objectives of ODA?
20. What are the main forms of ODA?

Recommended reading: [2, 4, 6, 8 basic; 6, 10, 13 additional; 3, 5, 9 online resources]

Topic 4. Implementation of international development initiatives.

- 4.1. The project approach to international development and the project life cycle.
- 4.2. Problem identification, needs analysis and target groups.
- 4.3. Stakeholder analysis and international partnership building.
- 4.4. Formulation of objectives, tasks and expected results.
- 4.5. Planning activities, resources and implementation periods.
- 4.6. Risk management and sustainability of international development initiatives.

4.1. The project approach to international development and the project life cycle

The project approach is one of the most widely used approaches to planning and implementing international development initiatives. It provides a structured framework for transforming identified development needs into concrete actions, measurable results and sustainable changes. Governments, international organizations, development agencies, international financial institutions, non-governmental organizations and local authorities commonly use project-based approaches when implementing development programmes and cooperation initiatives.

In the context of international development, a project can be defined as a temporary and structured set of coordinated activities designed to achieve specific development objectives within a defined period and using allocated resources. Unlike routine institutional activities, a project has a clearly defined beginning and end, a particular

target group, specific expected results and a predetermined resource framework.

International development projects may address a wide range of economic, social, environmental and institutional challenges. They can focus, for example, on improving transport infrastructure, supporting small and medium-sized enterprises, strengthening public institutions, developing human capital, improving environmental protection, promoting digital transformation, supporting local communities or increasing the resilience of vulnerable regions.

The project approach is particularly important in international development because development initiatives usually involve multiple actors, different institutional environments and limited resources. A project framework makes it possible to coordinate the activities of donors, implementing organizations, public authorities, local communities, businesses and other stakeholders. It also creates a basis for monitoring the use of resources and assessing whether the planned development results have been achieved.

A typical international development project is based on several interconnected elements:

- development problem – the economic, social, environmental or institutional problem that requires intervention;
- needs – the specific requirements of the target population or institutions that should be addressed;
- objectives – the changes that the project intends to achieve;
- activities – the actions undertaken to achieve the objectives;
- outputs – the immediate products or services generated by project activities;
- outcomes – the short- and medium-term changes resulting from the outputs;
 - impact – the broader and longer-term development effects;
 - resources – financial, human, technological, informational and organizational resources required for implementation;
 - stakeholders – individuals, organizations and institutions that influence or are affected by the project;
 - time frame – the period within which project activities and results are expected to be delivered.

These elements are interconnected through a logical sequence:

Problem → Needs → Objectives → Activities → Outputs → Outcomes → Impact

This logic is important because international development projects should not be viewed simply as a collection of activities. The central question is not only what the project does, but also what changes it produces and for whom.

The project cycle

International development projects normally follow a project life cycle, which represents the successive stages through which a project passes from the initial identification of a development problem to the assessment of its results and longer-term effects.

Although different international organizations and donors may use somewhat different terminology, the project cycle generally includes the following stages:

1. Problem and needs identification
2. Project formulation and design
3. Project appraisal and approval
4. Implementation
5. Monitoring and control
6. Evaluation and closure
7. Follow-up and sustainability

The project cycle can therefore be presented as follows:

Identification → Design → Appraisal → Implementation →
Monitoring → Evaluation → Follow-up

The first stage involves identifying a development problem and analysing the needs of the population, institutions or territory concerned. At this stage, project initiators determine why intervention is necessary and whether the identified problem can realistically be addressed through an international development initiative.

The second stage is project formulation and design. The problem is transformed into a structured intervention. Project objectives, target groups, expected results, activities, indicators, resources, responsibilities and implementation periods are defined. A well-designed project should establish a clear connection between the identified problem and the proposed intervention.

The third stage is appraisal and approval. Donors or other financing institutions assess the proposed project according to a number of criteria, including its relevance, feasibility, expected development effects, financial requirements, risks and institutional capacity of the implementing partners. In competitive funding environments, the quality of project design can significantly influence the possibility of receiving financial support.

The fourth stage is implementation. Planned activities are carried out and the allocated financial, human and organizational resources are used. Implementation frequently requires coordination between organizations from different countries and institutional levels. Consequently, communication and partnership management become important components of international development practice.

The fifth stage is monitoring and control. Project progress is systematically observed to determine whether activities are being implemented according to the approved plan and whether resources are being used appropriately. Monitoring also makes it possible to identify delays, emerging risks and deviations from the original plan and to introduce corrective measures when necessary.

The sixth stage is evaluation and project closure. Evaluation examines the extent to which the project achieved its objectives and produced the expected results. Depending on the type and timing of evaluation, attention may be given to relevance, efficiency, effectiveness, impact and sustainability. Project closure includes the completion of administrative and financial procedures, documentation of results and transfer of responsibilities where appropriate.

The final stage concerns follow-up and sustainability. International development initiatives should ideally produce effects that continue after external financing and direct project activities have ended. Sustainability may involve the continuation of project services, institutional capacity, infrastructure use, financial mechanisms, partnerships or behavioural changes generated by the project.

The importance of the project approach for international development

The project approach provides several important advantages for international development practice.

First, it links development needs with concrete interventions. Instead of addressing development challenges through general declarations, projects translate broad priorities into specific activities and measurable results.

Second, it supports accountability and transparency. Donors and implementing organizations can establish what resources have been provided, how they have been used and what results have been achieved.

Third, the project approach facilitates coordination among international actors. A clearly defined project structure helps distribute responsibilities between governments, international organizations, financial institutions, NGOs, businesses and local authorities.

Fourth, it supports results-based management. The emphasis is placed not only on the completion of activities but also on the outputs, outcomes and longer-term development effects generated by those activities.

Finally, the project approach creates a framework for learning and institutional improvement. Monitoring and evaluation provide information that can be used to improve future development programmes and projects.

At the same time, project-based development has certain limitations. Development problems are often complex and cannot be completely addressed within a single project or a short funding period. Political instability, economic crises, institutional weaknesses, changes in donor priorities and external shocks may affect project implementation. Therefore, effective international development practice requires not only careful project planning but also flexibility, adaptive management, risk management and attention to long-term sustainability.

For students of International Economic Relations, understanding the project approach is particularly important because international development projects represent one of the practical mechanisms through which economic cooperation, development finance, international partnerships and development diplomacy are translated into concrete actions.

Key terms: project approach; international development project; project life cycle; development problem; target group; project objectives; outputs; outcomes; impact; project implementation; monitoring; evaluation; sustainability.

4.2. Problem Identification, Needs Analysis and Target Groups

The successful implementation of an international development initiative begins with a clear understanding of the development problem that the initiative is intended to address. Poorly identified problems may lead to inappropriate objectives, inefficient use of financial resources and limited development effects. Therefore, problem identification and needs analysis are fundamental stages of project design.

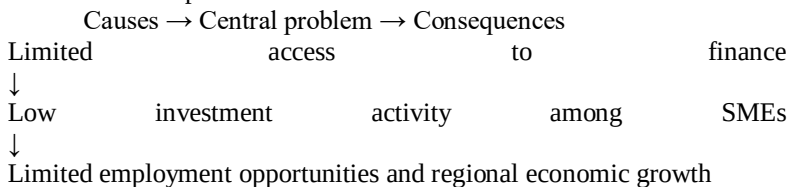
A development problem is a situation or condition that negatively affects the economic, social, environmental or institutional development of a country, region, community or particular group of people and requires an appropriate intervention. Development problems may include unemployment, poverty, insufficient infrastructure, limited access to education or healthcare, environmental degradation, weak institutional

capacity, regional disparities, inadequate access to finance, low competitiveness of enterprises or insufficient cross-border cooperation.

It is important to distinguish between a problem, its causes and its consequences. For example, low employment in a peripheral region may be a development problem, while limited investment, insufficient entrepreneurial skills and poor transport connectivity may represent some of its causes. Low household incomes, population outmigration and social exclusion may be among its consequences. Identifying these relationships helps determine where intervention can generate meaningful results.

A useful instrument for analysing the structure of a development problem is the problem tree. The central problem is placed in the middle, its main causes are identified below it, and its consequences are placed above it. This approach helps project designers move beyond symptoms and identify the underlying factors that should be addressed.

For example:



A problem should be formulated as a negative existing situation, rather than as the absence of a proposed solution. For example, “limited access of SMEs to financing” is a problem, whereas “lack of an SME support programme” already represents a possible solution. This distinction is important because defining the problem in terms of a predetermined solution may unnecessarily restrict the range of possible interventions.

Needs analysis

Once the development problem has been identified, the next step is needs analysis. Needs analysis determines what changes are required, who requires them, what resources or capacities are lacking and what type of intervention may be appropriate.

In international development, needs may be economic, social, institutional, environmental, technological or infrastructural. A single development problem may involve several types of needs simultaneously.

For example, the problem of low competitiveness of local enterprises may involve:

- a need for access to finance;
- a need for business and management skills;
- a need for technological modernization;

- a need for access to international markets;
- a need for improved digital capabilities;
- a need for stronger cooperation between enterprises and public institutions.

Needs analysis should be based on evidence rather than assumptions. Relevant information may be obtained from statistical data, socioeconomic indicators, policy documents, academic research, institutional reports, surveys, interviews, focus groups, consultations with local communities and stakeholder discussions.

Both quantitative and qualitative methods can be used.

Quantitative analysis may include indicators such as unemployment rates, income levels, GDP or GRP per capita, investment volumes, trade flows, demographic trends, enterprise statistics or environmental indicators.

Qualitative analysis can provide information about perceptions, institutional barriers, behavioural factors and the experiences of particular social or economic groups. Interviews, focus groups and consultations are particularly useful when statistical information does not fully explain the causes of a development problem.

Needs analysis should also consider the local and international context. International development projects are often implemented in environments influenced by national policies, international agreements, regional integration processes, donor priorities, geopolitical developments and economic conditions. Therefore, a project cannot be designed effectively by considering the target territory in isolation.

Target groups

An important result of needs analysis is the identification of the target groups of the project.

A target group is a specific group of people, organizations, institutions or communities whose needs are directly addressed by the project and who are expected to benefit from its activities and results.

Target groups should be defined as precisely as possible. A broad formulation such as “the population of the region” may be insufficient if the project is actually designed for unemployed young people, SMEs, local government officials, researchers or specific communities.

Target groups may include:

- households and vulnerable social groups;
- young people and students;
- unemployed persons;
- entrepreneurs and SMEs;

- farmers and rural communities;
- local governments and public institutions;
- educational and research institutions;
- civil society organizations;
- professional associations;
- border communities;
- regional development agencies.

It is useful to distinguish between direct and indirect beneficiaries.

Direct beneficiaries participate directly in project activities or receive project services. For example, SMEs participating in a business-support programme or local government officials receiving professional training are direct beneficiaries.

Indirect beneficiaries do not necessarily participate directly in project activities but may benefit from the broader effects of the project. For example, employees and local households may benefit indirectly from the increased competitiveness of supported enterprises.

The distinction can be represented as:

Project activities → Direct beneficiaries → Immediate results → Wider effects → Indirect beneficiaries

Target group segmentation

In many international development projects, target groups are heterogeneous. Different groups may have different needs, levels of access to resources and capacities to participate in project activities. Therefore, target groups may need to be further segmented.

For example, an SME development project could distinguish between:

- micro-enterprises and medium-sized enterprises;
- enterprises in urban and rural areas;
- newly established and established firms;
- export-oriented and domestically oriented enterprises;
- enterprises operating in different sectors.

Such segmentation allows project activities to be adapted to the actual characteristics of beneficiaries.

Particular attention should also be paid to vulnerable and marginalized groups. Development initiatives should consider whether certain groups face additional barriers to participation because of income, geographical location, age, disability, institutional exclusion or other socioeconomic factors. Identifying such barriers at the design stage can improve the inclusiveness of the project.

From problem analysis to project intervention

Problem identification and needs analysis should ultimately provide the basis for defining the project intervention. The connection between the problem, its causes, the identified needs and the target groups should be logically consistent.

A simplified analytical sequence is:

Development problem → Causes → Needs → Target groups → Possible intervention → Expected results

For example, if a peripheral region experiences low SME competitiveness, the analysis may identify limited access to finance, insufficient digital skills and weak international market connections as important causes. The corresponding needs may include financial support, capacity building and internationalization assistance. The target groups may include local SMEs, entrepreneurs and business-support organizations. These findings can then provide the basis for designing appropriate project activities.

A well-designed international development initiative should therefore answer four fundamental questions:

1. What is the problem?
2. Why does the problem exist?
3. Who is affected and what are their needs?
4. What type of intervention can realistically address these needs?

The quality of the answers determines the relevance of the subsequent project design. If the problem is incorrectly defined or the needs of target groups are insufficiently understood, even a well-funded project may produce limited or unsustainable development results.

Key terms

Development problem; problem analysis; causes and consequences; problem tree; needs analysis; quantitative analysis; qualitative analysis; target group; direct beneficiaries; indirect beneficiaries; vulnerable groups; project intervention; evidence-based project design.

4.3. Stakeholder Analysis and International Partnership Building

International development initiatives rarely depend on the actions of a single organization. Their implementation usually involves governments, international organizations, local authorities, development agencies, financial institutions, businesses, universities, civil society organizations and local communities. These actors may have different interests, responsibilities, resources and levels of influence. Therefore,

stakeholder analysis and partnership building are essential elements of international development practice.

A stakeholder is an individual, group, organization or institution that can affect an international development initiative, is affected by it, or has an interest in its implementation and results.

Stakeholders can be internal or external to the organization implementing the project. They can also operate at different levels: local, regional, national and international.

Typical stakeholders in international development projects include:

- national governments and public authorities;
- regional and local governments;
- international organizations;
- international financial institutions;
- donor agencies;
- non-governmental and civil society organizations;
- universities and research institutions;
- businesses and business associations;
- local communities;
- beneficiaries and vulnerable groups;
- professional organizations;
- development agencies;
- media and other communication actors.

Stakeholder analysis

Stakeholder analysis is a systematic process of identifying relevant stakeholders, understanding their interests and expectations, assessing their influence and determining how they should be involved in the project.

The purpose of stakeholder analysis is not simply to produce a list of organizations. It is to understand the relationships between different actors and determine how these relationships may influence project implementation.

A stakeholder analysis normally considers several key characteristics:

- interests – what the stakeholder expects to gain or protect;
- influence – the stakeholder's ability to affect decisions or project implementation;
- resources – financial, institutional, technical, informational or human resources available to the stakeholder;
- expectations – what the stakeholder expects from the project;

- level of support – whether the stakeholder supports, opposes or remains neutral towards the initiative;
- potential risks – how the stakeholder may create or face risks during implementation;
- potential contribution – what the stakeholder can contribute to achieving project objectives.

A useful instrument for stakeholder analysis is the power–interest matrix. It classifies stakeholders according to two dimensions: their level of influence or power and their level of interest in the project.

The matrix can be divided into four broad categories:

Stakeholder category	Characteristics	Appropriate approach
High power – high interest	Key actors who can strongly influence the project and are directly interested in its results	Manage closely and involve in major decisions
High power – low interest	Actors with substantial influence but limited interest	Keep satisfied and maintain regular communication
Low power – high interest	Actors strongly affected or interested but with limited decision-making power	Keep informed and provide opportunities for participation
Low power – low interest	Actors with limited influence and limited interest	Monitor with proportionate communication

The power–interest matrix should not be regarded as a static classification. The position of stakeholders can change during the project life cycle. For example, a local government may have limited involvement during the design stage but become a key actor during implementation.

Stakeholder engagement

After stakeholders have been identified and analysed, project managers need to determine an appropriate stakeholder engagement strategy.

Engagement may take different forms, including:

- information sharing;
- consultations;
- public discussions;
- technical meetings;
- workshops;
- joint planning;

- participation in project governance structures;
- joint implementation of activities;
- monitoring and evaluation;
- feedback mechanisms.

The appropriate level of engagement depends on the stakeholder's role, influence, interests and contribution to the project.

Effective engagement should be based on several principles. These include transparency, inclusiveness, accountability, regular communication and mutual respect. In international projects, communication is particularly important because partners may operate in different institutional, cultural and administrative environments.

International partnerships

Stakeholder engagement becomes especially important when an initiative involves organizations from different countries. In this case, the project requires international partnership building.

An international development partnership is a structured form of cooperation between actors from different countries or institutional systems aimed at achieving shared development objectives.

International partnerships may involve:

- governments and public authorities;
- international organizations;
- universities and research institutions;
- development agencies;
- NGOs;
- businesses;
- local and regional authorities;
- international financial institutions.

Partnerships may be bilateral, involving actors from two countries, or multilateral, involving several countries and organizations.

For example, a cross-border regional development project may involve local authorities from two neighbouring countries, universities, chambers of commerce, SMEs, civil society organizations and an international donor. Each partner may have a different role but contribute to a common development objective.

Partnership building process

Building an effective international partnership is a gradual process. It normally includes several interconnected steps:

Identification of potential partners → Assessment of interests and capacities → Establishment of contact → Development of a common

vision → Definition of roles and responsibilities → Formalization of cooperation → Joint implementation → Monitoring and learning

The first step is identifying organizations that possess relevant expertise, institutional authority, resources or access to target groups.

The second step involves assessing the potential partner's capacity and reliability. Important considerations may include technical expertise, previous experience, institutional capacity, financial management, reputation, networks and ability to fulfil project responsibilities.

The next stage is establishing communication and determining whether the organizations have sufficiently compatible interests. A successful partnership does not require identical interests, but partners need to identify a common development objective.

Once a common vision has been established, the partners should define their respective responsibilities. Clear division of responsibilities helps prevent duplication of activities and reduces the risk of conflicts.

The partnership may then be formalized through appropriate institutional arrangements, such as a partnership agreement, memorandum of understanding, consortium agreement or other contractual mechanism, depending on the requirements of the project and donor.

Principles of effective international partnerships

Several principles are particularly important for international development partnerships.

Complementarity means that partners contribute different but mutually reinforcing resources, expertise or capacities.

Shared ownership means that the project should not be perceived exclusively as the initiative of one donor or organization. Partners should participate in defining priorities and implementing solutions.

Mutual accountability means that each partner is responsible for fulfilling agreed commitments and reporting on progress.

Transparency concerns the open communication of responsibilities, resources, decisions and results.

Trust is particularly important in international cooperation because partnerships may involve differences in administrative traditions, organizational cultures and expectations.

Inclusiveness requires consideration of the interests of beneficiaries and less powerful stakeholders, rather than limiting decision-making to the most influential organizations.

Coordination mechanisms

Large international development initiatives require formal and informal coordination mechanisms. These mechanisms help partners

exchange information, make joint decisions and resolve implementation problems.

Common coordination mechanisms include:

- steering committees;
- project management teams;
- thematic working groups;
- interinstitutional coordination meetings;
- joint monitoring systems;
- shared information platforms;
- regular progress reports;
- consultation mechanisms;
- joint evaluation procedures.

A steering committee may provide strategic guidance and approve major changes, while a project management team may be responsible for day-to-day coordination. Thematic working groups can address specific technical areas.

Coordination is particularly important in projects involving several countries or levels of governance. Differences in legislation, administrative procedures, financial rules and institutional responsibilities may create additional coordination challenges.

Stakeholders, partnerships and development diplomacy

Stakeholder analysis and partnership building are also closely connected with development diplomacy. International development initiatives frequently require governments and organizations to coordinate interests, negotiate priorities and establish long-term cooperation.

Development diplomacy can therefore be understood not only as communication between states but also as the broader process of building cooperative relationships around development objectives.

For students of International Economic Relations, this connection is particularly important. An international development project may simultaneously involve economic interests, institutional cooperation, financial relations, diplomatic communication and regional development objectives.

Consequently, successful project implementation depends not only on financial resources and technical expertise but also on the ability of participating actors to negotiate interests, coordinate actions, communicate effectively and build durable partnerships.

Practical example

Consider a cross-border project designed to improve the competitiveness of SMEs in a border region.

Potential stakeholders may include:

- regional and local authorities;
- SMEs and business associations;
- universities;
- chambers of commerce;
- development agencies;
- financial institutions;
- NGOs;
- local communities;
- international donors.

The regional authorities may provide institutional support, universities may provide research and training, business associations may represent SMEs, financial institutions may facilitate access to finance, and international donors may provide financial and technical assistance.

The project therefore depends on the complementarity of stakeholder roles. If one important stakeholder group is excluded from the planning process, the project may face implementation difficulties or fail to respond adequately to the needs of its beneficiaries.

Key terms

Stakeholder; stakeholder analysis; stakeholder engagement; power–interest matrix; international partnership; partnership building; complementarity; shared ownership; mutual accountability; transparency; coordination mechanism; steering committee; development diplomacy.

4.4. Formulation of Objectives, Tasks and Expected Results

The formulation of objectives, tasks and expected results is a central stage in the design of an international development initiative. At this stage, the development problem and identified needs are transformed into a structured intervention with clearly defined directions of action and measurable results.

A well-designed project should establish a logical connection between the development problem, project objectives, activities and expected results:

Development problem → Needs → Objectives → Tasks and activities → Outputs → Outcomes → Impact

This logic makes it possible to determine not only what the project intends to do but also what changes it is expected to produce.

Project objectives

A project objective describes the desired change that an international development initiative intends to achieve. It should respond

directly to the development problem identified during the project design stage.

An objective should be sufficiently specific to provide clear direction for project implementation while remaining broad enough to encompass the main activities required to address the problem.

For example:

Problem: Low competitiveness of SMEs in a peripheral region.

Objective: To strengthen the competitiveness and internationalization capacity of SMEs in the target region.

The objective describes the intended change but does not yet specify all the activities required to achieve it.

In international development projects, it is useful to distinguish between a general objective and specific objectives.

The general objective describes the broader development change to which the project contributes.

The specific objectives define the particular changes that the project intends to achieve within its implementation period.

For example:

General	objective:
To contribute to sustainable economic development in a peripheral border region.	

Specific objectives:

- 1.To improve the digital and managerial capacities of local SMEs.
- 2.To strengthen cooperation between SMEs and business-support institutions.
- 3.To improve SMEs' access to international markets.
- 4.To promote cross-border business cooperation.

The specific objectives should collectively contribute to the achievement of the general objective.

SMART objectives

One commonly used approach to formulating project objectives is the SMART framework. According to this approach, objectives should be:

- Specific – clearly define what is to be achieved;
- Measurable – allow progress and achievement to be assessed;
- Achievable – realistic given the available resources and institutional capacity;
- Relevant – directly related to the identified development problem;
- Time-bound – associated with a defined time period.

For example, the objective

“To improve the competitiveness of SMEs”

is relatively broad and difficult to measure.

A more operational formulation could be:

“To improve the digitalisation capacity of 100 SMEs in the target region through training and technical support during the 24-month project period.”

The second formulation identifies the target group, approximate scale, intervention and time frame, making it easier to monitor achievement.

However, not every objective needs to contain all SMART elements explicitly in its wording. In many international development projects, detailed indicators, baselines and targets are defined separately within the project's results framework.

Project tasks

Tasks specify what needs to be done in order to achieve the project objectives. They translate objectives into concrete areas of action.

For example, if the objective is to improve the digital capacity of SMEs, possible tasks may include:

- assessing the digital skills needs of participating SMEs;
- developing training materials;
- organizing digital skills workshops;
- providing individual technical consultations;
- supporting the introduction of digital tools;
- establishing cooperation between SMEs and technology providers.

Tasks are therefore more operational than objectives.

The relationship can be illustrated as follows:

Objective:

Improve the digital capacity of SMEs.

↓

Tasks:

Assess needs → Develop training → Organize workshops → Provide consultations → Support digitalisation.

Tasks should be logically connected to the objective. Activities that do not contribute to a defined objective may indicate weaknesses in project design.

Expected results

Expected results describe the changes or products that are expected to emerge from project activities. In results-based management, it is important to distinguish between different levels of results.

The most common distinction is between outputs, outcomes and impact.

Outputs

Outputs are the immediate products, services or deliverables generated by project activities.

Examples include:

- training sessions delivered;
- participants trained;
- research reports produced;
- business-support services established;
- digital platforms developed;
- feasibility studies completed;
- cooperation agreements signed.

Outputs are generally under the relatively direct control of the project.

For example:

Activity: Organize digitalisation training.

Output: 10 training sessions delivered and 150 SME representatives trained.

Outcomes

Outcomes are the changes that occur as a result of the use or application of project outputs.

For example:

Output: 150 SME representatives trained.

Outcome: Participating SMEs improve their ability to use digital technologies in business operations.

Outcomes are more significant from a development perspective because they demonstrate whether project outputs have actually generated a change in behaviour, capacity, performance or institutional practice.

Impact

Impact refers to broader, longer-term changes to which the project contributes.

For example:

Outcome: SMEs increase their use of digital technologies.

Impact: Increased SME productivity and competitiveness contribute to sustainable regional economic development.

Impact is usually influenced by many factors beyond the control of a single project. Therefore, a project should generally claim that it contributes to a broader impact rather than that it independently produces the entire impact.

The relationship can be summarized as:

Activities → Outputs → Outcomes → Impact

This distinction is fundamental for international development practice because a project may successfully deliver all planned outputs without necessarily achieving the intended outcomes or contributing significantly to long-term development.

Results framework

A results framework provides a structured representation of the relationship between project objectives, activities, outputs, outcomes and indicators.

A simplified results framework can be presented as follows:

Level	Main question	Example
Impact	What broader change does the project contribute to?	Increased regional economic resilience
Outcome	What change results from using the project outputs?	Improved SME competitiveness
Output	What does the project directly deliver?	SMEs receive training and advisory support
Activity	What does the project do?	Training sessions and consultations

This structure helps project managers and donors determine whether the intervention has a coherent internal logic.

Indicators and targets

Objectives and expected results should be supported by indicators. An indicator is a measurable variable used to assess progress towards a particular result.

Indicators may be:

- quantitative or qualitative;
- absolute or relative;
- financial, economic, social, environmental or institutional.

Examples include:

- number of SMEs supported;
- percentage of participants completing training;
- increase in the number of enterprises entering foreign markets;
- number of cross-border partnerships established;
- percentage change in energy consumption;
- employment created;
- increase in institutional capacity;
- level of beneficiary satisfaction.

A baseline describes the situation before the intervention, while a target defines the expected level of achievement by a specified point in time.

For example:

Baseline: 20 SMEs participate in cross-border business networks.

Target: 80 SMEs participate by the end of the project.

Without a baseline, it may be difficult to determine whether a project has generated a meaningful change.

Theory of change

For more complex international development initiatives, objectives and expected results can also be structured through a Theory of Change.

A Theory of Change explains how and why a particular intervention is expected to contribute to a desired development change.

It identifies:

Inputs → Activities → Outputs → Outcomes → Impact

It also considers the assumptions and external factors that must hold for the expected change to occur.

For example, a project may provide training to SMEs with the expectation that improved skills will lead to greater use of digital technologies and, ultimately, increased competitiveness.

However, this chain depends on assumptions such as:

- SMEs have access to appropriate technologies;
- firms are willing to adopt new practices;
- financial resources are available for technological investment;
- market conditions remain sufficiently stable.

Identifying these assumptions helps project managers recognize potential risks and avoid unrealistic expectations.

Logical consistency of project objectives and results

A high-quality project should demonstrate vertical and horizontal coherence.

Vertical coherence means that activities contribute to outputs, outputs contribute to outcomes, and outcomes contribute to the broader objectives and impact.

Horizontal coherence means that objectives, indicators, activities, resources and implementation periods are consistent with one another.

For example, a project cannot realistically aim to transform the competitiveness of an entire regional economy if its resources are sufficient only to provide a small number of training sessions to a limited group of participants.

Therefore, project objectives should correspond to the available financial, human, institutional and temporal resources.

Common mistakes in formulating objectives and results

Several common mistakes can reduce the quality of international development projects.

First, objectives may be formulated too broadly, making them difficult to measure.

Second, objectives may describe activities rather than changes. For example, “to organize training” is an activity, not a development objective.

Third, projects may confuse outputs with outcomes. The fact that a service has been delivered does not necessarily mean that the expected change has occurred.

Fourth, indicators may measure the volume of activities rather than their development effects. For example, the number of workshops conducted is useful as an output indicator, but it does not demonstrate whether participants improved their performance.

Finally, projects may establish unrealistic objectives that exceed their available resources or implementation period.

Effective formulation therefore requires a clear distinction between what the project does, what it delivers, what changes as a result, and what broader development effects it contributes to.

Key terms

Project objective; general objective; specific objective; SMART objectives; project task; expected result; output; outcome; impact; results framework; indicator; baseline; target; Theory of Change; results-based management; logical consistency.

4.5. Planning Activities, Resources and Implementation Periods

After the objectives, tasks and expected results of an international development initiative have been defined, the next step is to determine how, with what resources and within what period the project will be implemented. Effective planning transforms the project's strategic objectives into a realistic programme of activities.

Project planning involves the identification and sequencing of activities, allocation of responsibilities, estimation of required resources, preparation of a budget and establishment of an implementation schedule.

A basic planning logic can be presented as:

Objectives → Tasks → Activities → Resources →
Responsibilities → Timeline → Outputs

The quality of this planning determines whether a project can realistically achieve its expected results.

Planning project activities

A project activity is a specific action undertaken to produce a planned output and contribute to the achievement of a project objective.

Activities should be directly connected to the project's objectives and expected results. Each activity should answer several questions:

- What needs to be done?
- Why is it necessary?
- Who will be responsible?
- What resources are required?
- When will it be implemented?
- What output is expected?

For example, if the project objective is to strengthen the internationalization capacity of SMEs, relevant activities may include:

- 1.assessment of SMEs' internationalization needs;
- 2.development of training materials;
- 3.organization of export-readiness workshops;
- 4.individual consultations for participating enterprises;
- 5.organization of business-to-business meetings;
- 6.development of international business networks;
- 7.monitoring of participating firms' progress.

Activities should be sufficiently specific to allow implementation and monitoring, but they should not be unnecessarily fragmented into very small operational tasks.

Activity sequencing

Project activities are rarely independent. Some activities must be completed before others can begin, while some can be implemented simultaneously.

For example:

Needs assessment → Training programme design → Training delivery → Business support → Evaluation

In other cases, several activities may take place in parallel:

Training + Technical assistance + Networking events

The sequencing of activities helps project managers identify dependencies and avoid delays.

Some activities may be described as:

- predecessor activities – activities that must be completed first;
- successor activities – activities that depend on previous activities;

- parallel activities – activities that can be implemented simultaneously;
- milestone activities – important points marking the completion of a major stage.

Work Breakdown Structure

A useful planning instrument is the Work Breakdown Structure (WBS). It divides the project into progressively smaller and more manageable components.

A simplified WBS may look like:

Project

- Work Package 1: Research and needs assessment
- Activity 1.1: Data collection
- Activity 1.2: Stakeholder consultations
- Activity 1.3: Needs assessment report
- Work Package 2: Capacity building
- Activity 2.1: Training design
- Activity 2.2: Training delivery
- Activity 2.3: Individual consultations
- Work Package 3: International cooperation
- Activity 3.1: Partner identification
- Activity 3.2: Networking events
- Activity 3.3: Cross-border business cooperation
- Work Package 4: Monitoring and evaluation

The WBS helps project teams divide a complex international initiative into manageable components and assign responsibilities to specific partners.

Work packages

A work package is a group of related activities that contribute to a particular project output or result.

International development projects are often organized around several work packages. For example:

Work package	Main purpose	Typical output
WP1. Research and analysis	Identify needs and establish the evidence base	Needs assessment
WP2. Capacity building	Improve skills and institutional capacity	Training programme
WP3. Pilot activities	Test practical solutions	Pilot intervention

Work package	Main purpose	Typical output
WP4. Partnership development	Strengthen cooperation	Partnership network
WP5. Communication	Disseminate results	project Communication materials
WP6. Monitoring and evaluation	Assess project performance	Monitoring and evaluation reports

Work packages also make it easier to divide responsibilities between international partners.

Resource planning

Project implementation requires different types of resources. Resource planning determines what resources are necessary to carry out project activities and achieve the expected results.

The main categories of project resources include:

- human resources – project managers, researchers, trainers, technical experts, administrative staff and other specialists;
- financial resources – grants, co-financing, salaries, procurement budgets and operational expenditure;
- material resources – equipment, premises, vehicles and other physical assets;
- technological resources – software, digital platforms, databases and technical infrastructure;
- informational resources – statistical data, research, reports and knowledge;
- institutional resources – organizational capacity, administrative systems and partner networks;
- time resources – staff time and the duration available for project activities.

Resource requirements should correspond to the scale and complexity of the project.

Human resource planning

International development projects frequently involve teams from different organizations and countries. Therefore, clear allocation of responsibilities is essential.

Typical project roles may include:

- project coordinator;
- financial manager;
- communication manager;
- technical experts;

- researchers;
- administrative staff;
- monitoring and evaluation specialists;
- representatives of partner organizations.

Responsibilities can be formally allocated using a RACI matrix.

RACI stands for:

- R – Responsible: the person or organization performing the task;
- A – Accountable: the actor ultimately responsible for the result;
- C – Consulted: stakeholders whose expertise or opinion is

required;

- I – Informed: stakeholders who should receive information about

progress.

For example:

Activity	Project coordinator	Partner university	Local authority	Donor
Needs assessment	A	R	C	I
Training programme	A	R	C	I
Local consultations	C	R	A	I
Financial reporting	R	C	I	A

The exact distribution of responsibilities depends on the institutional structure and donor requirements.

Financial and budget planning

Financial planning determines the estimated cost of project activities and the sources of financing required to implement them.

A project budget may include:

- personnel costs;
- travel and accommodation;
- equipment;
- procurement of services;
- training and events;
- communication and visibility;
- research and consultancy;
- administrative costs;
- monitoring and evaluation;

- contingency or other eligible costs where permitted by the financing rules.

Budget planning should follow the activity-based approach: resources are estimated according to the activities and outputs that the project intends to deliver.

For example:

Activity: Organization of international training workshops.

Possible cost items:

- trainers' fees;
- venue;
- travel;
- accommodation;
- interpretation;
- training materials;
- technical equipment;
- communication and promotion.

The budget should be realistic and consistent with the project's objectives and expected results.

Time planning

The implementation period specifies the time during which project activities will be carried out.

A project schedule should indicate:

- project start date;
- project completion date;
- duration of individual activities;
- sequence and dependencies between activities;
- major milestones;
- reporting periods;
- monitoring and evaluation points.

A common tool for visualizing the implementation schedule is the Gantt chart.

A simplified example is:

Activity	M1–3	M4–6	M7–12	M13–18	M19–24
Needs assessment	•				
Training design		•			
Training activities		•	•	•	
Partnership development		•	•	•	
Pilot activities			•	•	

Activity	M1–3	M4–6	M7–12	M13–18	M19–24
Monitoring	•	•	•	•	•
Final evaluation					•

A Gantt chart helps project teams understand which activities should be undertaken at each stage and whether several activities need to be coordinated simultaneously.

Milestones

A milestone is a significant point or event in the project that indicates the completion of an important stage or the achievement of a major result.

Examples include:

- completion of the needs assessment;
- approval of the project methodology;
- launch of a training programme;
- establishment of a partnership network;
- completion of a pilot phase;
- publication of a major project report;
- completion of the final evaluation.

Milestones do not necessarily require substantial financial resources themselves. Their main function is to help project managers and stakeholders monitor progress.

Critical path and dependencies

In complex projects, some activities are strongly dependent on the completion of previous activities. Delays in these activities can affect the entire project schedule.

The critical path is the sequence of activities that determines the minimum time required to complete the project. Delays in activities on the critical path may directly delay the project completion date.

For example:

Needs assessment → Project design → Procurement → Equipment installation → Pilot implementation

If procurement is delayed, equipment installation and pilot implementation may also be delayed.

Understanding dependencies and the critical path is particularly important in international projects where procurement, cross-border travel, regulatory approvals or coordination between institutions may require additional time.

Adaptive planning

International development projects operate in changing environments. Political developments, economic crises, natural disasters,

changes in legislation, security conditions, exchange-rate fluctuations or changes in donor priorities may affect implementation.

Therefore, project planning should not be understood as completely fixed. Effective project management combines structured planning with flexibility.

When significant changes occur, project teams may need to:

- revise activity schedules;
- reallocate resources;
- modify implementation methods;
- adjust targets;
- introduce alternative activities;
- revise risk mitigation measures.

Such changes should normally be documented and, where required, approved by the relevant donor or project governance body.

Implementation plan

All major planning elements can be integrated into an implementation plan.

A simplified implementation plan may contain the following components:

Component	Main question
Objective	What change should be achieved?
Activity	What needs to be done?
Responsible partner	Who will do it?
Resources	What is required?
Budget	How much will it cost?
Timeline	When will it be implemented?
Output	What will be delivered?
Indicator	How will achievement be measured?
Milestone	What major stage should be completed?
Risk	What could prevent implementation?

This integrated approach ensures that the project's objectives, activities, resources, time frame and expected results remain consistent.

Planning challenges in international development projects

Planning international development initiatives can be more complex than planning projects within a single organization or country. Several factors contribute to this complexity.

First, international projects involve multiple institutional systems. Partners may follow different administrative and financial procedures.

Second, projects may operate across different legal and regulatory environments.

Third, differences in language, organizational culture and management practices may affect communication.

Fourth, international projects may depend on external financing and therefore have to comply with specific donor rules.

Finally, external political and economic developments can significantly change the environment in which the project is implemented.

For these reasons, effective planning should combine clarity, realism, coordination and adaptability.

Key terms

Project activity; work plan; Work Breakdown Structure (WBS); work package; resource planning; human resources; financial resources; RACI matrix; project budget; implementation period; Gantt chart; milestone; critical path; activity dependency; adaptive planning; implementation plan.

4.6. Risk Management and Sustainability of International Development Initiatives

International development initiatives are implemented in complex and changing environments. Political instability, economic crises, institutional weaknesses, financial constraints, changes in legislation, natural disasters and other external factors may affect the achievement of project objectives. Therefore, risk management is an essential component of project planning and implementation.

At the same time, successful completion of project activities does not necessarily guarantee long-term development effects. International development initiatives should therefore also address the question of sustainability: whether the benefits and results of the project can continue after the project has formally ended and external financing has been discontinued.

Risk management and sustainability are closely connected. Effective risk management protects the project during implementation, while sustainability mechanisms help preserve its results in the longer term.

The concept of project risk

A project risk is an uncertain event or condition that, if it occurs, may have a positive or negative effect on the achievement of project objectives.

In international development, risks may arise from both internal and external factors. They may affect the project's budget, schedule, activities, outputs, outcomes or long-term impact.

Examples include:

- political instability;
- changes in government policies;
- armed conflict and security threats;
- economic crises;
- inflation and exchange-rate fluctuations;
- delays in financing;
- institutional weaknesses;
- insufficient administrative capacity;
- procurement problems;
- staff turnover;
- lack of stakeholder participation;
- technological failures;
- environmental hazards;
- natural disasters;
- changes in donor priorities.

It is important to distinguish risk from a problem that has already occurred. A risk is a potential future event, whereas a problem or issue is an event that is already affecting project implementation.

Risk identification

The first step in risk management is risk identification. Project teams systematically determine what factors could prevent or negatively affect the achievement of project objectives.

Risk identification may involve:

- analysis of the political and economic environment;
- review of previous projects;
- consultations with stakeholders;
- expert assessment;
- scenario analysis;
- analysis of legal and institutional conditions;
- examination of project assumptions and dependencies.

Stakeholders can provide particularly valuable information because different actors may perceive different risks. For example, a donor may focus on financial and compliance risks, while a local authority may be more concerned with institutional capacity or political changes.

Categories of risks

International development risks can be classified into several broad categories.

Political and geopolitical risks may include political instability, changes in government priorities, international tensions, armed conflict or changes in international relations.

Economic and financial risks may include inflation, exchange-rate fluctuations, economic recession, changes in interest rates or insufficient project financing.

Institutional risks may arise from weak administrative capacity, unclear responsibilities, staff turnover or insufficient coordination between partner organizations.

Operational risks concern the practical implementation of project activities. They may include procurement delays, logistical problems, inadequate equipment or difficulties in organizing activities.

Legal and regulatory risks may result from changes in legislation, administrative procedures, taxation or regulatory requirements.

Social risks may include insufficient participation of beneficiaries, social resistance, inequalities or conflicts between stakeholder groups.

Environmental risks may include natural disasters, climate-related events, environmental degradation or unexpected ecological effects.

Security risks are particularly relevant to international development initiatives implemented in fragile or conflict-affected environments. They may affect personnel, infrastructure, travel and the continuity of project activities.

Risk assessment

After risks have been identified, they should be assessed according to their probability and potential impact.

A simple risk assessment matrix can be used:

Probability Impact General level of attention

Low Low Monitor

Low High Prepare mitigation measures

High Low Monitor and manage

High High Priority risk requiring active management

The combination of probability and impact helps project managers determine which risks require the greatest attention.

For example, a minor delay in organizing one workshop may have limited consequences, while a major delay in project financing may affect multiple activities and therefore represent a much more significant risk.

Risk response strategies

Once risks have been assessed, appropriate response strategies should be developed.

Four commonly used approaches are:

1. Risk avoidance
2. Risk mitigation
3. Risk transfer
4. Risk acceptance

Risk avoidance involves changing the project design or activity in order to eliminate the risk.

For example, if a particular procurement method creates unacceptable legal or operational risks, the project may use an alternative procurement approach.

Risk mitigation aims to reduce the probability or impact of a risk.

For example, staff training, additional quality controls or alternative suppliers may reduce operational risks.

Risk transfer involves allocating the consequences of a risk to another party through contractual or financial mechanisms. Insurance is one common example.

Risk acceptance means recognizing that a risk exists and deciding not to take additional measures beyond monitoring it, usually because the potential impact is limited or the cost of mitigation would be disproportionate.

Risk register

A risk register is a practical instrument for documenting and monitoring project risks.

A simplified risk register may include:

Risk	Probability	Impact	Response	Responsible actor
Financing delay	Medium	High	Maintain communication with donor and revise cash-flow planning	Project coordinator
Staff turnover	Medium	Medium	Maintain documentation and staff substitution procedures	Project manager
Procurement delay	Medium	High	Start procurement early and identify alternatives	Procurement officer

Risk	Probability	Impact	Response	Responsible actor
Low beneficiary participation	Low	Medium	Strengthen communication and stakeholder engagement	Communication manager
Security restrictions	High	High	Develop alternative implementation scenarios	Project coordinator

The risk register should not be prepared only at the beginning of a project. It should be regularly updated because new risks may emerge and existing risks may change.

Risk monitoring

Risk management is a continuous process.

During implementation, project teams should monitor:

- whether identified risks are becoming more or less likely;
- whether their potential impact has changed;
- whether mitigation measures are effective;
- whether new risks have appeared;
- whether contingency measures need to be activated.

This creates a continuous cycle:

Identify → Assess → Respond → Monitor → Review

Such an approach allows project managers to respond to changing conditions rather than relying exclusively on the original project plan.

Contingency planning

Some risks cannot be completely eliminated. Therefore, projects may require contingency planning.

A contingency plan specifies what actions should be taken if a significant risk materializes.

For example, an international training programme may normally involve face-to-face meetings. If travel becomes impossible because of security or other restrictions, the contingency plan may provide for:

- online training;
- hybrid meetings;
- alternative locations;
- rescheduling;
- redistribution of activities.

Contingency planning is particularly important for projects implemented in unstable or crisis-affected environments.

Sustainability of international development initiatives

Risk management focuses primarily on protecting project implementation. Sustainability focuses on what happens after the project ends.

Sustainability can be defined as the capacity of project results and benefits to continue over time after external project support or financing has ended.

A project may be successfully implemented but still have limited sustainability. For example, a donor may finance a training programme for local institutions, but if trained staff leave and the institution has no resources to continue the activities, the project's long-term effect may be limited.

Therefore, sustainability should be considered from the project design stage, rather than only during project closure.

Dimensions of sustainability

International development sustainability has several dimensions.

Financial sustainability

Financial sustainability refers to the ability to maintain project activities or results without permanent dependence on external donor financing.

Possible mechanisms include:

- integration of project activities into regular institutional budgets;
- generation of revenue where appropriate;
- diversification of funding sources;
- co-financing;
- private-sector participation;
- establishment of financial mechanisms supporting continuation.

For example, a business-support centre established through an international project may become financially sustainable if its core functions are incorporated into a regional development institution and supported through a combination of public and external funding.

Institutional sustainability

Institutional sustainability concerns the ability of organizations and institutions to continue using and maintaining project results.

It may involve:

- development of institutional capacity;
- staff training;
- establishment of permanent procedures;
- integration of project activities into institutional strategies;
- development of organizational structures;

- transfer of knowledge and responsibilities.

Institutional sustainability is particularly important when international development projects aim to strengthen public administration or local government capacity.

Social sustainability

Social sustainability concerns the continued relevance and acceptance of project results among beneficiaries and communities.

A project is more likely to produce sustainable social effects when beneficiaries participate in its design and implementation and perceive the results as useful.

Social sustainability can therefore be strengthened through:

- participation;
- inclusion;
- local ownership;
- community engagement;
- accessible services;
- consideration of vulnerable groups.

Environmental sustainability

Environmental sustainability concerns the long-term environmental consequences of development activities.

International development projects should consider:

- efficient use of natural resources;
- energy efficiency;
- reduction of pollution;
- waste management;
- climate resilience;
- protection of biodiversity;
- sustainable infrastructure.

Environmental sustainability is particularly important for projects involving infrastructure, transport, agriculture, energy or natural resource management.

Technical sustainability

Technical sustainability refers to the ability to maintain and use technological solutions after the project has ended.

For example, if a project introduces a digital platform, sustainability requires not only its initial development but also:

- maintenance;
- technical support;
- software updates;
- data management;

- trained personnel;
- financial resources for continued operation.

Local ownership

One of the most important factors influencing sustainability is local ownership.

Local ownership means that national, regional or local actors participate actively in defining priorities, making decisions and implementing development solutions.

Projects that are designed and implemented entirely by external actors may face difficulties after donor support ends. By contrast, participation of local institutions and communities can increase the likelihood that project results will be integrated into existing structures.

Local ownership does not mean that international partners become irrelevant. Rather, international partners can provide financing, expertise, technology, knowledge and access to international networks while local actors gradually assume greater responsibility for maintaining results.

Capacity building and knowledge transfer

Capacity building is another major mechanism for sustainability.

International development projects often seek not only to deliver a particular service but also to strengthen the ability of local institutions, organizations and communities to continue addressing development challenges independently.

Capacity building may include:

- professional training;
- institutional development;
- technical assistance;
- mentoring;
- knowledge exchange;
- development of management procedures;
- establishment of professional networks.

Knowledge transfer is particularly important in international cooperation. Project documentation, training materials, methodological guidelines and institutional learning should remain accessible after project completion.

Exit strategy

A sustainable project should have an exit strategy. An exit strategy defines how external project support will gradually be reduced and how responsibilities will be transferred to local or national actors.

An exit strategy may address:

- transfer of responsibilities;

- continuation of financing;
- institutional integration;
- maintenance of infrastructure;
- staff responsibilities;
- ownership of equipment or intellectual outputs;
- continuation of partnerships;
- monitoring after project closure.

The exit strategy should be considered early enough to avoid a situation in which sustainability is addressed only shortly before the project ends.

Sustainability and the project life cycle

Sustainability should be integrated into all stages of the project life cycle:

Identification → Design → Implementation → Monitoring → Evaluation → Follow-up

During project design, sustainability requirements should be incorporated into objectives, activities and resource planning.

During implementation, project teams should develop institutional capacity, local ownership and mechanisms for maintaining results.

During monitoring, sustainability indicators and risks should be assessed.

During evaluation, attention should be given to whether project benefits are likely to continue.

After project closure, follow-up mechanisms may be used to assess the durability of results.

Risk management and sustainability: an integrated approach

Risk management and sustainability should not be treated as completely separate components of project management.

Some risks directly threaten sustainability. For example:

- dependence on one donor may create financial sustainability risks;
- dependence on external experts may create institutional sustainability risks;
- lack of local participation may create social sustainability risks;
- insufficient maintenance resources may create technical sustainability risks.

Therefore, project managers should consider not only:

“What could prevent us from completing the project?”

but also:

“What could prevent the project's results from continuing after the project ends?”

This broader perspective is particularly important in international development because the ultimate purpose of many initiatives is not simply to deliver project outputs but to contribute to long-term economic, social, institutional and environmental development.

Practical example

Consider an international project designed to establish a cross-border business support centre for SMEs.

During implementation, the project may face risks such as delays in equipment procurement, insufficient participation of SMEs, changes in local government priorities or limited financing.

Risk management could involve alternative suppliers, stronger communication with beneficiaries, regular coordination with public authorities and contingency planning.

However, completing the project successfully does not automatically guarantee long-term results.

To ensure sustainability, the project could:

- integrate the centre into an existing regional development institution;
- train local staff;
- establish a long-term financing mechanism;
- develop partnerships with chambers of commerce and universities;
- create a maintenance plan for digital infrastructure;
- develop services that remain relevant to SMEs after donor financing ends.

In this way, the project moves from a temporary externally financed intervention towards a locally embedded development mechanism.

Key principles of effective risk management and sustainability

Effective international development initiatives should therefore be based on several principles:

1. Early identification of risks – potential threats should be considered during project design.
2. Evidence-based assessment – risks should be assessed using available information rather than assumptions.
3. Continuous monitoring – the risk environment should be regularly reviewed.
4. Proportional response – risk-management measures should correspond to the potential significance of the risk.

5.Flexibility – projects should be able to adapt to changing conditions.

6.Local ownership – local actors should participate in decision-making and implementation.

7.Capacity building – project activities should strengthen local institutional and human capacities.

8.Resource continuity – mechanisms for maintaining results should be identified in advance.

9.Integration into existing institutions – where possible, project results should become part of regular institutional practices.

10.Long-term perspective – project success should be considered in terms of durable development effects, not only completion of planned activities.

Key terms

Project risk; risk identification; risk assessment; risk register; risk probability; risk impact; risk mitigation; risk avoidance; risk transfer; risk acceptance; contingency planning; risk monitoring; sustainability; financial sustainability; institutional sustainability; social sustainability; environmental sustainability; technical sustainability; local ownership; capacity building; knowledge transfer; exit strategy.

Self-Assessment Questions

1.What is meant by geoeconomics, and how does it differ from geopolitics?

2.How are geopolitics, geoeconomics and international development interconnected?

3.What role do economic interests play in the foreign policy of states?

4.What are the main instruments of geoeconomic strategy?

5.How can international development cooperation serve the foreign policy and economic interests of donor countries?

6.What is the difference between economic diplomacy and development diplomacy?

7.What role do international development initiatives play in promoting trade, investment and infrastructure connectivity?

8.Why are natural resources, energy, critical minerals and technologies important in contemporary geoeconomic competition?

9.How can competition for markets and infrastructure influence international development initiatives?

10.What strategic interests may donor countries pursue through development cooperation?

11. What strategic interests may recipient countries have when participating in international development programmes?

12. Why is it important to distinguish between the development objectives of a project and the broader strategic interests of its participants?

13. How can development finance contribute to the implementation of geoeconomic strategies?

14. What are the potential benefits and risks of linking development cooperation with strategic economic interests?

15. How can infrastructure projects influence regional economic integration and international relations?

16. What is the role of international organizations and development finance institutions in balancing the interests of donors and recipients?

17. Why can international development cooperation be considered a form of strategic partnership?

18. How can development initiatives contribute simultaneously to economic development and international cooperation?

19. What factors should be considered when assessing the geoeconomic dimension of an international development initiative?

20. Give an example of an international development initiative and explain its possible economic, geopolitical and development dimensions.

Recommended reading: [2, 9 basic; 6, 8, 9, 10 additional]

MODULE 2. GEOECONOMIC AND PRACTICAL DIMENSIONS OF INTERNATIONAL DEVELOPMENT

Topic 5. European initiatives and regional development

5.1. EU policy in the field of international development and neighbourhood cooperation.

5.2. Main EU instruments and programmes supporting development.

5.3. Global Gateway and strategic investment initiatives of the European Union.

5.4. Interreg and cross-border cooperation.

5.5. International development initiatives for peripheral and border regions.

5.6. The role of regions and local communities in implementing European development initiatives.

5.1. EU Policy in the Field of International Development and Neighbourhood Cooperation

The European Union (EU) is an important actor in international development and neighbourhood cooperation. Through its policies, financial instruments, partnerships and programmes, the EU supports economic and social development, institutional capacity, regional integration, sustainable development and resilience in partner countries.

EU development policy has both an external dimension and a neighbourhood dimension. The external dimension covers cooperation with developing countries in different regions of the world, while the neighbourhood dimension focuses particularly on countries located close to the EU's external borders.

For students of International Economic Relations, understanding EU development and neighbourhood policy is important because these policies influence trade, investment, infrastructure, institutional development, regional integration and economic cooperation between the EU and partner countries.

1. The EU as an International Development Actor

The EU acts in international development through both the European Union institutions and the Member States. The European Commission, the European External Action Service (EEAS), the European Investment Bank (EIB) and other European institutions contribute to the formulation and implementation of external cooperation.

The EU's approach combines several areas:

- economic development;
- poverty reduction and social inclusion;
- sustainable development;
- institutional and governance reform;
- infrastructure development;
- education and human capital;
- environmental protection and climate action;
- digital transformation;
- trade and investment;
- regional integration;
- peace, stability and resilience.

An important characteristic of the EU approach is that development cooperation is usually implemented through partnerships rather than only through traditional donor–recipient relations. The EU works with national governments, regional and local authorities,

international organizations, civil society, businesses and other stakeholders.

2. The Main Principles of EU Development Policy

EU development cooperation is based on several interconnected principles.

Sustainable development means that economic development should be combined with social inclusion and environmental sustainability. Development policies therefore increasingly consider economic, social and environmental dimensions together.

Partnership means that development initiatives should be based on cooperation between the EU and partner countries. The effectiveness of an initiative depends partly on the participation and ownership of local and national stakeholders.

Policy coherence means that different EU policies should not work against development objectives. Trade, investment, climate, migration, security and development policies can influence development outcomes and therefore need to be considered together.

Inclusiveness focuses on ensuring that development opportunities reach different social groups and do not exclude vulnerable populations.

Local ownership refers to the participation of partner countries and local institutions in defining priorities and implementing development initiatives. This is particularly important because local institutions understand the specific economic, social and territorial conditions of their regions.

3. EU Neighbourhood Policy

The European Neighbourhood Policy (ENP) provides a framework for relations between the EU and many countries located in its immediate neighbourhood.

The policy is based on the idea that stability, prosperity and sustainable development in neighbouring countries are also important for the EU. Cooperation therefore extends beyond traditional development assistance and includes economic, political, institutional and social dimensions.

The EU neighbourhood includes countries in:

- the Eastern Neighbourhood;
- the Southern Neighbourhood.

The Eastern Neighbourhood has particular importance for European regional development because it connects the EU with countries such as Ukraine, Moldova and Georgia. Cooperation in this area has included support for institutional reforms, economic development, trade

facilitation, infrastructure, energy, digitalisation and cross-border cooperation.

4. The Eastern Partnership

The Eastern Partnership (EaP) is an important framework for EU cooperation with six Eastern European partners: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

Its development has focused on strengthening cooperation in areas such as:

- economic development and market opportunities;
- governance and institutional capacity;
- connectivity and infrastructure;
- mobility and people-to-people contacts;
- environmental protection;
- digital transformation;
- civil society cooperation.

The framework demonstrates how European development policy can be connected with regional economic integration. Cooperation can facilitate stronger economic links between partner countries and the EU through trade, investment, regulatory approximation, infrastructure and institutional cooperation.

The participation and intensity of cooperation differ between partner countries because their political, economic and institutional circumstances are different.

5. EU Development Policy and Economic Relations

EU development policy is closely connected with international economic relations.

Development initiatives can influence:

Trade.

Cooperation may improve customs procedures, regulatory systems, infrastructure and market access, making international trade easier.

Investment.

Development finance can help reduce investment barriers and support infrastructure or business projects that might otherwise be difficult to finance.

Infrastructure

connectivity.

Transport, energy and digital infrastructure can strengthen connections between countries and regions.

Human

capital.

Education, professional training and institutional capacity-building can improve the long-term productivity of economies.

Regional integration.
Cross-border and regional projects can create stronger economic links between neighbouring territories.

Thus, development cooperation is not limited to financial transfers. It can contribute to the creation of economic relationships, institutional networks and long-term partnerships.

6. EU Development Cooperation with Partner Countries

EU cooperation normally involves a combination of financial, technical and institutional instruments.

For example, an EU-supported regional development initiative may include:

1. financial support for infrastructure;
2. technical assistance for public institutions;
3. training for local authorities;
4. support for small and medium-sized enterprises;
5. cooperation between universities;
6. environmental measures;
7. monitoring and evaluation.

This demonstrates the integrated character of modern development cooperation.

A project supporting a border region, for example, may simultaneously improve transport infrastructure, strengthen local institutions, support SMEs and increase cross-border economic cooperation.

7. The EU Approach to Sustainable Development

The EU increasingly links its external action with the Sustainable Development Goals (SDGs) and the broader principles of sustainable development.

This means that development initiatives are assessed not only in terms of economic growth but also in terms of:

- social inclusion;
- employment;
- poverty reduction;
- environmental sustainability;
- climate resilience;
- gender equality;
- institutional capacity;
- access to education and healthcare;
- long-term economic resilience.

This multidimensional approach is especially important for regional development because economic growth alone does not necessarily guarantee balanced territorial development.

8. Ukraine and EU Neighbourhood Cooperation

Ukraine represents an important example of EU neighbourhood cooperation.

EU–Ukraine cooperation has developed through several interconnected dimensions, including economic relations, institutional cooperation, trade, infrastructure, energy, digital transformation, regional development and cross-border cooperation.

The EU–Ukraine Association Agreement created an important framework for closer political and economic relations. Its economic component has contributed to deeper trade and regulatory links between Ukraine and the EU.

For regional development, EU programmes and instruments are particularly relevant for Ukrainian regions and local communities because they can support:

- infrastructure reconstruction and development;
- local economic development;
- SME support;
- environmental projects;
- institutional capacity-building;
- cross-border cooperation;
- cooperation between universities and other institutions;
- resilience and recovery.

The regional dimension is particularly significant because the economic and social effects of European cooperation are not distributed uniformly across the country. Border regions can have specific opportunities related to trade, logistics, investment and cross-border cooperation.

9. EU Development Policy and the Multi-Level Governance Approach

European development initiatives are usually implemented through several levels of governance.

A simplified model can be presented as:

EU institutions → National governments → Regional authorities
→ Local communities → Businesses and civil society

These levels are interconnected rather than strictly hierarchical.

For example, the EU may provide funding and establish programme requirements, a national authority may coordinate

implementation, a regional authority may develop a project, and a municipality may implement activities directly with local businesses or community organizations.

This approach is known as multi-level governance.

It is particularly important for regional development because many development problems—such as transport connectivity, environmental management, employment or local economic development—cannot be solved effectively at only one level of government.

10. Key Challenges of EU Development and Neighbourhood Policy

Despite its broad scope, EU development and neighbourhood cooperation faces several challenges.

First, partner countries have different institutional capacities and development needs.

Second, political and economic instability can affect the implementation of long-term programmes.

Third, development initiatives often involve many actors with different interests and administrative procedures.

Fourth, there can be differences between EU-level priorities and the priorities of national, regional and local stakeholders.

Finally, effective development cooperation requires not only financial resources but also institutional capacity, coordination, transparency and long-term commitment.

11. Practical Example

Consider a hypothetical EU-supported project in a Ukrainian border region.

The project aims to improve the economic development of the region through cross-border cooperation.

The initiative could include:

- modernization of transport infrastructure;
- support for local SMEs;
- development of digital services;
- cooperation between universities;
- environmental protection measures;
- training for local authorities;
- cooperation with neighbouring EU regions.

Such a project illustrates how EU neighbourhood policy, regional development, economic cooperation and cross-border cooperation can interact.

The project is not simply a financial assistance mechanism. It creates institutional and economic connections between territories and can strengthen their capacity for long-term cooperation.

Key Terms

- EU development policy – the EU's policies and actions aimed at supporting sustainable development and cooperation with partner countries.
- Neighbourhood cooperation – cooperation between the EU and countries located in its geographical neighbourhood.
- European Neighbourhood Policy (ENP) – the EU framework for relations with neighbouring partner countries.
- Eastern Partnership – an EU framework for cooperation with six Eastern European partners.
- Development cooperation – cooperation aimed at supporting economic, social, institutional and sustainable development.
- Local ownership – the involvement and responsibility of local and national stakeholders in development processes.
- Policy coherence – consistency between different policies and their development objectives.
- Multi-level governance – interaction between EU, national, regional and local levels of governance.
- Regional development – the economic, social, institutional and environmental development of a particular territory.
- Economic connectivity – the development of transport, energy, digital and other links connecting economies and territories.

5.2. Main EU Instruments and Programmes Supporting Development

The European Union uses a wide range of financial instruments, programmes and institutional mechanisms to support international development, neighbourhood cooperation, regional development and economic integration.

EU support is not limited to direct financial assistance. It can include grants, loans, guarantees, technical assistance, investment support, institutional capacity-building, research cooperation, education programmes and infrastructure development.

The choice of a particular instrument depends on the objectives of cooperation, the geographical area, the type of beneficiaries and the nature of the development problem.

For students of International Economic Relations, understanding EU development instruments is important because these mechanisms determine how European development priorities are transformed into concrete projects, investments and economic partnerships.

1. Main Categories of EU Development Instruments

EU development support can be divided into several broad categories:

1. financial instruments;
2. grant programmes;
3. investment and guarantee instruments;
4. technical assistance and capacity-building;
5. regional and cross-border cooperation programmes;
6. research, education and innovation programmes;
7. humanitarian and crisis-response instruments.

These categories often complement each other.

For example, an infrastructure project may receive a grant for part of its costs, a loan from a European financial institution, technical assistance for project preparation and training for the institutions responsible for implementation.

2. The Neighbourhood, Development and International Cooperation Instrument – Global Europe

One of the central EU instruments for external action is the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI–Global Europe).

It provides a financial framework for cooperation with partner countries outside the EU during the 2021–2027 period.

The instrument supports several broad areas, including:

- sustainable development;
- poverty reduction;
- democracy and human rights;
- peace and stability;
- economic development;
- climate and environmental action;
- migration and mobility;
- resilience;
- regional cooperation.

NDICI–Global Europe is particularly important because it brings together support for different geographical areas under a common external financing framework.

Its geographical component includes support for the EU neighbourhood, Sub-Saharan Africa, Asia and the Pacific, and the Americas and the Caribbean.

The instrument therefore demonstrates the global geographical scope of EU external development policy.

3. Thematic and Geographical Approaches

EU external financing combines geographical and thematic approaches.

A geographical approach means that cooperation is organised around particular countries or regions.

A thematic approach focuses on issues that may be relevant across different geographical areas, such as:

- human rights;
- civil society;
- climate change;
- gender equality;
- migration;
- peace and security;
- sustainable development.

This combination allows the EU to respond to both territorial needs and global development priorities.

For example, a programme for a particular neighbouring country may address local economic development while also contributing to broader EU priorities such as climate action or digital transformation.

4. The European Fund for Sustainable Development Plus

The European Fund for Sustainable Development Plus (EFSD+) is an important component of the EU's external investment architecture.

Its purpose is to support investment in partner countries by using financial instruments such as:

- guarantees;
- loans;
- equity-type investment;
- blended finance mechanisms.

The basic idea is that public resources can be used to mobilise additional investment from public and private financial institutions.

This is particularly relevant for projects requiring substantial capital, such as:

- energy infrastructure;
- transport;
- digital connectivity;

- water and sanitation;
- healthcare;
- sustainable agriculture;
- renewable energy.

The approach reflects a shift from development cooperation based exclusively on grants towards mechanisms capable of mobilising additional investment.

5. The European Investment Bank

The European Investment Bank (EIB) is the EU's long-term lending institution.

It finances projects that contribute to EU policy objectives, including infrastructure, climate action, innovation, regional development and sustainable investment.

The EIB can provide:

- loans;
- project finance;
- guarantees;
- advisory services;
- financing through financial intermediaries.

Its activities are particularly important for large-scale development and infrastructure projects.

For example, a transport infrastructure project may require investment that is too large to be financed entirely through a grant. A combination of EU grant support and EIB lending can make such a project financially feasible.

6. The European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) is another important financial institution supporting economic development.

The EBRD works with governments, municipalities, businesses and financial institutions.

Its activities include support for:

- private-sector development;
- infrastructure;
- energy efficiency;
- sustainable transport;
- municipal services;
- financial-sector development;
- innovation and entrepreneurship.

The EBRD is particularly relevant for countries in Europe's neighbourhood and for economies undergoing structural and institutional transformation.

7. EU Regional and Cross-Border Cooperation Programmes

The EU also supports development through programmes focused on specific territories and regions.

One of the most important examples is Interreg, which promotes territorial cooperation between regions in different countries.

Interreg programmes can support projects involving:

- transport connectivity;
- environmental protection;
- tourism;
- innovation;
- local economic development;
- cultural cooperation;
- institutional cooperation;
- emergency preparedness and resilience.

Cross-border programmes are especially important for border regions because they address problems that cannot be solved effectively within the administrative boundaries of one country.

A river basin, transport corridor or labour market, for example, may extend across several countries.

8. Horizon Europe

Horizon Europe is the EU's major framework programme for research and innovation.

Although it is not a traditional development assistance instrument, it can contribute to international and regional development by supporting:

- scientific research;
- technological innovation;
- international research partnerships;
- green technologies;
- digital solutions;
- climate research;
- health and social innovation.

Participation in research programmes can strengthen the innovation capacity of universities, businesses and public institutions.

For partner countries, participation can also facilitate integration into European research networks.

9. Erasmus+

Erasmus+ is the EU programme supporting education, training, youth and sport.

Its development relevance comes from its contribution to human capital and institutional capacity.

The programme can support:

- student mobility;
- staff mobility;
- university partnerships;
- capacity-building projects;
- joint educational initiatives;
- professional development.

For International Economic Relations students, Erasmus+ is particularly relevant because international mobility and academic cooperation contribute to the development of skills, professional networks and intercultural competencies.

10. Creative Europe and Other Thematic Programmes

The EU also supports development through programmes focused on specific sectors.

Creative Europe, for example, supports culture and the creative sectors.

Other EU programmes and initiatives can address:

- environmental protection;
- digital transformation;
- civil society;
- social inclusion;
- youth;
- entrepreneurship;
- innovation.

Such programmes demonstrate that development is a multidimensional process.

Economic development can be supported not only through infrastructure or investment but also through education, innovation, culture, social inclusion and institutional cooperation.

11. Global Gateway

Global Gateway is the EU's strategic framework for supporting sustainable and high-quality connectivity and investment internationally.

It focuses particularly on:

- digital infrastructure;
- climate and energy;
- transport;

- health;
- education and research.

Global Gateway uses a combination of EU resources and cooperation with European and international financial institutions.

Its approach illustrates the increasing importance of investment-oriented development cooperation.

Instead of focusing exclusively on individual projects, the EU seeks to support broader connectivity and investment partnerships.

Global Gateway is discussed in greater detail in the next section of this theme.

12. Humanitarian and Crisis-Response Instruments

International development often takes place in environments affected by conflict, natural disasters, economic crises or other emergencies.

The EU therefore also has instruments for:

- humanitarian assistance;
- emergency response;
- crisis management;
- disaster preparedness;
- resilience-building.

Humanitarian assistance and long-term development cooperation are related but should not be confused.

Humanitarian assistance primarily responds to immediate needs, while development cooperation focuses on longer-term structural improvements.

In practice, however, the two approaches can be connected through a humanitarian-development-peace nexus, especially in fragile or conflict-affected contexts.

13. Grants, Loans and Blended Finance

One of the most important distinctions between EU financial instruments concerns the form of financing.

Grants are financial resources provided for specific purposes without requiring repayment. They are commonly used for projects where social or development benefits are high but direct financial returns may be limited.

Loans must be repaid and are appropriate for investments that can generate sufficient financial returns or public-sector repayment capacity.

Guarantees reduce the financial risk faced by investors or lenders.

Blended finance combines public resources with loans or private investment.

A simplified structure can be presented as:

EU public support → reduced risk → additional public/private investment → larger development project

Blended finance is increasingly relevant for infrastructure, energy, climate and connectivity projects.

14. Technical Assistance and Capacity-Building

Financial resources alone are often insufficient to achieve sustainable development outcomes.

EU programmes therefore frequently include technical assistance and capacity-building.

Technical assistance can involve:

- expert advice;
- feasibility studies;
- project preparation;
- institutional reform support;
- training;
- development of management systems;
- policy advice.

Capacity-building aims to strengthen the ability of institutions and organizations to plan, implement and manage development initiatives independently.

This is important for sustainability because a project may produce infrastructure or equipment, but long-term results depend on whether local institutions have the capacity to operate and maintain them.

15. How EU Instruments Can Be Combined

Different EU instruments are often used together.

For example, consider a hypotheticalal regional energy-efficiency project.

The project could receive:

- an EU grant for project preparation;
- technical assistance for local authorities;
- an EIB or EBRD loan for infrastructure investment;
- a guarantee to reduce investment risk;
- training for local energy managers;
- research cooperation with a university.

This creates an integrated financing structure rather than relying on one instrument.

The simplified project logic is:

Development need → EU programme → grant/technical assistance → investment financing → implementation → monitoring → development results

16. Selecting the Appropriate EU Instrument

The choice of an EU instrument depends on several factors.

Factor	Key question
Development objective	What problem should be addressed?
Geography	Which country or region is involved?
Beneficiaries	Who will benefit from the initiative?
Project scale	Is it a local, regional or large infrastructure project?
Financing need	Is a grant, loan, guarantee or combination required?
Institutional capacity	Can the beneficiaries manage the project?
Time horizon	Is the initiative short-term or long-term?
Risk level	What political, financial or operational risks exist?
Expected results	What outputs and development outcomes are expected?

This approach is important for project design because choosing an inappropriate financing mechanism can reduce the effectiveness and sustainability of an initiative.

17. Importance for International Economic Relations

EU development instruments have a direct connection with International Economic Relations.

They can influence:

- international trade;
- foreign direct investment;
- infrastructure connectivity;
- financial flows;
- technology transfer;
- regional economic integration;
- business development;
- labour mobility;
- innovation;
- institutional convergence.

Therefore, specialists in International Economic Relations should understand not only what EU programmes exist, but also how they work, who can participate, what type of financing they provide and what economic effects they can generate.

Key Terms

- EU development instrument – a financial or institutional mechanism used to support development and external cooperation.
- NDICI–Global Europe – the EU's main external financing instrument for 2021–2027.
- EFSD+ – an EU mechanism designed to support sustainable investment in partner countries.
- Grant – financial support that normally does not require repayment.
- Loan – repayable financing provided for an eligible investment or project.
- Guarantee – a mechanism that reduces financial risk for investors or lenders.
- Blended finance – the combination of public resources with loans or private investment.
- Technical assistance – expert support for project preparation, implementation or institutional development.
- Capacity-building – activities aimed at strengthening the skills and institutional capabilities of organizations.
- Interreg – EU programmes supporting territorial cooperation between regions.
- Horizon Europe – the EU framework programme for research and innovation.
- Erasmus+ – the EU programme for education, training, youth and sport.
- Global Gateway – the EU framework for sustainable connectivity and international investment.

5.3. Global Gateway and Strategic Investment Initiatives of the European Union

In recent years, the European Union has increasingly linked international development cooperation with investment, infrastructure connectivity, technological cooperation and strategic economic partnerships.

One of the main frameworks reflecting this approach is Global Gateway. It represents the EU's approach to supporting sustainable and secure connectivity and investment with partner countries.

Global Gateway is relevant to International Economic Relations because it demonstrates how development cooperation can combine:

- public finance;
- private investment;
- infrastructure development;
- trade and economic connectivity;
- technological cooperation;
- sustainability;
- institutional partnerships.

It also illustrates the changing nature of international development cooperation, in which development assistance increasingly interacts with investment and broader economic relations.

1. What is Global Gateway?

Global Gateway is the European Union's strategy for developing sustainable and high-quality connections with partner countries and regions.

It focuses on investments in areas that are important for long-term economic and social development.

The main areas of Global Gateway include:

1.Digital – digital infrastructure, connectivity and digital technologies.

2.Climate and energy – renewable energy, energy efficiency and sustainable energy systems.

3.Transport – sustainable transport infrastructure and connectivity.

4.Health – health systems, medical infrastructure and related capacities.

5.Education and research – education systems, skills, research and innovation.

The approach is based on the idea that connectivity is an important component of sustainable development.

For example, better transport connections can reduce trade costs, while digital connectivity can improve access to education, financial services and markets.

2. Why Was Global Gateway Developed?

Global Gateway emerged in the context of major changes in the global economy.

International development increasingly involves not only poverty reduction but also:

- infrastructure connectivity;
- supply chains;
- digital transformation;
- energy security;
- technological development;
- climate transition;
- investment mobilisation.

Many developing and emerging economies require large-scale investment in infrastructure and productive capacity.

Traditional development grants alone cannot finance all such needs.

Global Gateway therefore emphasises investment partnerships and seeks to mobilise public and private financial resources.

A simplified logic is:

Development needs → EU support → reduced investment barriers and risks → additional investment → infrastructure and economic development

3. The Main Principles of Global Gateway

Global Gateway is associated with several principles that distinguish its approach to international investment and cooperation.

Sustainable development

Projects are expected to contribute to long-term economic, social and environmental sustainability.

High-quality infrastructure

Infrastructure should be economically viable, environmentally sustainable and designed to provide long-term benefits.

Transparency

Investment projects should be based on transparent procedures and clear standards.

Good governance

Cooperation can include support for institutional capacity, regulatory frameworks and responsible public administration.

Equal partnerships

The EU presents Global Gateway as a partnership-based approach in which partner countries participate in defining and implementing investment priorities.

Mobilisation of private capital

An important objective is to use public resources to facilitate additional investment from European and international financial institutions and private investors.

4. Global Gateway and Development Finance

Global Gateway does not represent a single source of financing.

Its implementation can involve several European and international financial actors, including:

- the European Commission;
- the European Investment Bank;
- the European Bank for Reconstruction and Development;
- European development finance institutions;
- national development banks;
- private investors;
- international financial institutions.

Different financial mechanisms may be combined depending on the project.

These can include:

- grants;
- loans;
- guarantees;
- equity investment;
- technical assistance;
- blended finance.

This makes Global Gateway an example of a multi-source development financing model.

5. The Concept of Blended Finance

Blended finance is particularly relevant to strategic investment initiatives.

The basic idea is to combine public financial support with private or commercial financing.

For example:

EU grant + guarantee → lower project risk → bank financing → private investment → infrastructure project

The public component does not necessarily finance the entire project.

Instead, it can help make a project more attractive to investors by reducing certain financial or political risks.

This approach is particularly relevant to projects involving:

- renewable energy;
- transport;

- digital infrastructure;
- water systems;
- sustainable urban development;
- health infrastructure.

6. Global Gateway and Digital Connectivity

Digital connectivity is one of the important areas of Global Gateway.

Development of digital infrastructure can include:

- broadband networks;
- secure digital connectivity;
- data infrastructure;
- digital public services;
- digital skills;
- research and innovation networks.

Digital infrastructure has an increasingly important role in economic development.

For businesses, better connectivity can reduce transaction costs and facilitate participation in international markets.

For governments, digital technologies can improve public administration.

For universities and research institutions, connectivity can facilitate international cooperation.

Thus, digital development can generate both direct infrastructure benefits and broader economic effects.

7. Global Gateway and Energy

Energy is another major area of strategic investment.

Projects may focus on:

- renewable energy;
- energy efficiency;
- electricity networks;
- sustainable energy systems;
- clean technologies;
- energy connectivity.

Energy projects can have several development effects.

They can improve access to reliable energy, support industrial activity, create investment opportunities and contribute to the transition towards lower-carbon economies.

For International Economic Relations, the energy dimension is particularly important because energy infrastructure is connected with trade, investment, industrial competitiveness and regional connectivity.

8. Global Gateway and Transport Connectivity

Transport infrastructure is essential for international trade and regional economic integration.

Strategic transport projects may include:

- railways;
- roads;
- ports;
- logistics centres;
- border-crossing infrastructure;
- multimodal transport connections.

Improved transport connectivity can reduce the time and cost of moving goods and people.

This can strengthen:

local markets → regional markets → international markets

For border regions, transport connectivity can also facilitate cross-border trade and cooperation.

9. Global Gateway and Education, Research and Human Capital

Strategic investment is not limited to physical infrastructure.

Education, research and skills are also important components of development.

Investment in human capital can support:

- professional skills;
- higher education;
- research capacity;
- innovation;
- entrepreneurship;
- labour-market adaptability.

This creates a connection between infrastructure investment and knowledge-based development.

For example, a new digital infrastructure project will have a greater development effect if local workers, businesses and public institutions have the skills required to use it effectively.

10. Global Gateway and Health

Health is another important area of international cooperation.

Investment may support:

- healthcare infrastructure;
- medical technologies;
- health systems;
- training;
- research;

- preparedness for health emergencies.

The development perspective is broader than emergency assistance.

Strong health systems contribute to human capital, labour productivity and social resilience.

11. Global Gateway and Strategic Economic Partnerships

Global Gateway can contribute to the development of long-term economic relationships between the EU and partner countries.

Such relationships can involve:

- investment;
- trade;
- infrastructure;
- technology;
- education;
- research;
- regulatory cooperation.

This creates a transition from a traditional model of:

donor → recipient

towards a more complex model:

EU institutions + Member States + financial institutions + private sector + partner-country institutions

Such partnerships can involve multiple actors and several interconnected projects.

12. Global Gateway and Ukraine

Ukraine is an important example of the relevance of European connectivity and investment initiatives.

Cooperation with Ukraine can involve areas such as:

- transport connectivity;
- energy infrastructure;
- digital connectivity;
- border infrastructure;
- reconstruction;
- investment;
- education and research;
- regional development.

For Ukraine, European connectivity has a strong regional dimension because its western regions are directly connected with EU Member States.

Border regions can therefore play an important role in developing transport corridors, logistics, trade, business cooperation and institutional partnerships.

The reconstruction and modernization of infrastructure can also create opportunities for closer integration of the Ukrainian economy with European markets.

13. Strategic Investment and Economic Development

Strategic investment initiatives can influence development through several mechanisms.

Investment area	Possible development effect
Transport	Lower trade and logistics costs
Energy	Greater energy efficiency and reliability
Digital	Better connectivity and access to markets
Education	Higher human capital
Research	Increased innovation capacity
Health	Stronger human capital and resilience
Water infrastructure	Improved public services and environmental conditions

These effects are interconnected.

For example, better transport infrastructure can improve trade, while digital infrastructure can improve the management of transport and logistics systems.

14. Opportunities and Challenges

Global Gateway and similar strategic investment initiatives can create opportunities for partner countries, including:

- access to investment;
- infrastructure development;
- technology transfer;
- improved connectivity;
- new business opportunities;
- institutional cooperation;
- development of human capital.

At the same time, strategic investment projects can face challenges.

These include:

- high financial costs;
- complex project preparation;
- regulatory differences;

- political and economic risks;
- limited institutional capacity;
- environmental and social impacts;
- coordination between multiple stakeholders.

Therefore, the availability of financing does not automatically guarantee successful development outcomes.

Project quality, institutional capacity, transparency, local ownership and long-term sustainability remain important.

15. Global Gateway as a Geoeconomic Instrument

Global Gateway also has a geoeconomic dimension.

Infrastructure and connectivity influence the movement of:

- goods;
- capital;
- energy;
- information;
- technologies;
- people.

Consequently, investment in infrastructure can influence the economic relationships between countries and regions.

However, the geoeconomic dimension should not be confused with the development dimension.

A project can simultaneously have:

- a development objective;
- an economic objective;
- a connectivity objective;
- a strategic dimension.

These dimensions can overlap, but they should be analysed separately.

For students of International Economic Relations, this distinction is particularly important when evaluating international investment initiatives.

16. Strategic Investment Initiatives and Sustainable Development

Strategic investment should be assessed not only according to the amount of capital mobilised but also according to the development results produced.

Important questions include:

- 1.Does the investment respond to a clearly identified development need?
- 2.Who benefits from the project?
- 3.What economic effects are expected?

4. What are the environmental and social consequences?

5. Is the infrastructure financially and institutionally sustainable?

6. Does the project strengthen local capacities?

7. Does it contribute to regional connectivity?

8. Can the project generate long-term development effects?

This results-oriented approach helps distinguish between investment volume and development impact.

17. Practical Example

Consider a hypothetical cross-border railway modernisation project connecting a Ukrainian border region with an EU neighbouring region.

The project could involve:

- EU grant financing;
- loans from European financial institutions;
- technical assistance;
- railway infrastructure modernisation;
- digitalisation of customs procedures;
- training of transport-sector specialists.

The immediate output would be improved railway infrastructure.

Possible outcomes could include:

- shorter transport times;
- improved logistics;
- increased trade capacity;
- better regional connectivity.

Longer-term impacts could include:

- stronger regional economic integration;
- increased investment;
- improved competitiveness;
- new employment opportunities.

This example illustrates how infrastructure investment can connect development policy, economic relations and regional integration.

Conclusion

Key Terms

• Global Gateway – the EU framework for supporting sustainable connectivity and investment with partner countries.

• Strategic investment – investment directed towards sectors or infrastructure considered important for long-term economic and development objectives.

• Connectivity – the physical, digital, energy or institutional links connecting countries and economies.

- Blended finance – the combination of public financial resources with private or commercial financing.
- Investment guarantee – a mechanism that reduces specific risks for investors or lenders.
- Infrastructure connectivity – connections created through transport, energy, digital and other infrastructure.
- Digital connectivity – access to digital networks, technologies and communication infrastructure.
- Human capital – the knowledge, skills, health and capabilities that contribute to economic and social development.
- Geoeconomic dimension – the relationship between economic activities, strategic interests and international power relations.
- Investment partnership – cooperation between public institutions, financial organizations, businesses and partner countries to implement investment projects.

5.4. Interreg and Cross-Border Cooperation

Cross-border cooperation (CBC) is an important component of European regional development policy. It involves cooperation between neighbouring territories located on different sides of an international border.

The European Union supports such cooperation because borders can create economic, administrative and institutional barriers. Joint projects can help neighbouring regions address common problems, improve connectivity and develop closer economic and social relations.

One of the main EU frameworks supporting territorial cooperation is Interreg.

For students of International Economic Relations, Interreg is particularly important because it demonstrates how regional development, international cooperation and economic integration can operate at the subnational level.

1. What Is Cross-Border Cooperation?

Cross-border cooperation is cooperation between organizations, institutions, businesses or communities located in neighbouring countries.

It can involve:

- regional and local authorities;
- universities;
- research institutions;
- businesses;
- civil society organizations;

- cultural institutions;
- environmental organizations;
- public service providers.

The main characteristic of cross-border cooperation is that the partners are located in territories separated by an international border.

A cross-border project may address a problem that affects both sides of the border.

For example:

- pollution of a shared river;
- insufficient transport connections;
- cross-border tourism;
- emergency response;
- labour-market integration;
- economic cooperation;
- healthcare access;
- environmental protection.

2. Why Is Cross-Border Cooperation Important?

International borders perform important political and administrative functions, but they can also create barriers to economic and social interaction.

A border may separate:

- markets;
- transport systems;
- administrative systems;
- labour markets;
- healthcare systems;
- educational institutions;
- environmental management systems.

Cross-border cooperation can reduce some of these barriers through joint projects and institutional coordination.

The basic development logic can be expressed as:

Common cross-border problem → Joint action → Shared results
→ Stronger territorial cooperation

3. Interreg as a European Territorial Cooperation Framework

Interreg is the EU's framework for territorial cooperation.

It supports cooperation between regions and countries in order to address common territorial challenges and strengthen economic, social and territorial cohesion.

Interreg includes different forms of territorial cooperation, including:

- cross-border cooperation;
- transnational cooperation;
- interregional cooperation.

Cross-border programmes are particularly relevant to neighbouring regions located along national borders.

4. Main Types of Interreg Cooperation

4.1. Cross-Border Cooperation

This involves cooperation between neighbouring regions across a national border.

Examples include:

- Ukraine–Poland;
- France–Germany;
- Austria–Hungary.

Projects may address local infrastructure, environmental protection, tourism, business development or institutional cooperation.

4.2. Transnational Cooperation

This involves larger geographical areas containing several countries.

The objective is to address challenges that require cooperation at a wider territorial scale.

Examples include:

- transport corridors;
- environmental management;
- climate adaptation;
- innovation;
- spatial planning.

4.3. Interregional Cooperation

This focuses on cooperation and exchange of experience between regions that do not necessarily share a border.

The emphasis is often on:

- policy learning;
- exchange of good practices;
- institutional capacity;
- innovation;
- regional policy development.

5. Objectives of Cross-Border Interreg Programmes

Cross-border cooperation programmes can pursue several objectives.

These may include:

- improving economic development;

- strengthening transport connectivity;
- protecting the environment;
- developing tourism;
- improving public services;
- supporting innovation;
- strengthening institutional cooperation;
- increasing employment opportunities;
- improving emergency preparedness;
- promoting social and cultural interaction.

The exact priorities depend on the particular programme and programming period.

6. The Principle of Territorial Cooperation

Interreg is based on the idea that development problems are not always limited by administrative borders.

For example, a river does not stop at a national border.

Similarly:

- air pollution can cross borders;
- wildlife moves between countries;
- transport routes connect different territories;
- tourists travel across borders;
- companies operate across national markets;
- workers may live in one country and work in another.

Therefore, some development problems require joint territorial governance.

7. Cross-Border Projects and Partnerships

A typical Interreg project involves organizations from several territories.

A simplified partnership structure may include:

Lead partner → Project partners → Regional/local authorities → Other stakeholders

The lead partner normally has a coordinating role, while other partners implement specific activities.

Successful partnerships require:

- clearly defined responsibilities;
- common objectives;
- communication mechanisms;
- financial management;
- monitoring;
- reporting;
- conflict-resolution mechanisms.

International partnership building is therefore a central component of cross-border projects.

8. Common Areas of Cross-Border Cooperation

Transport

Projects may improve roads, railway connections, border-crossing infrastructure or sustainable mobility.

Environment

Cooperation can address:

- water management;
- biodiversity;
- waste management;
- pollution;
- climate adaptation.

Tourism

Neighbouring regions can jointly develop:

- tourism routes;
- cultural heritage networks;
- marketing initiatives;
- cross-border destinations.

Business Development

Cross-border programmes can support:

- SMEs;
- entrepreneurship;
- business networks;
- innovation;
- local supply chains.

Healthcare

Neighbouring regions can cooperate in:

- emergency services;
- healthcare access;
- medical training;
- coordinated response systems.

Education and Research

Universities and research institutions can develop:

- joint research;
- academic cooperation;
- professional training;
- student exchanges.

9. Cross-Border Cooperation and Regional Economic Development

Cross-border cooperation can influence regional economies through several mechanisms.

First, it can improve market access.

Second, it can reduce certain transaction and coordination costs.

Third, it can support business networks.

Fourth, it can strengthen infrastructure connections.

Fifth, it can facilitate knowledge and technology exchange.

A simplified economic mechanism is:

Cross-border cooperation → better connectivity and coordination
→ increased interaction → economic opportunities → regional development

However, the actual results depend on the quality of institutions, infrastructure, economic conditions and the design of individual projects.

10. The Role of Border Regions

Border regions are often characterized by specific economic and institutional conditions.

They may experience:

- peripheral location;
- weaker transport connectivity;
- smaller local markets;
- dependence on neighbouring territories;
- cross-border labour mobility;
- opportunities for trade and logistics;
- cultural and historical connections.

Cross-border cooperation can therefore help transform the border from a barrier into a space of interaction.

This does not mean that borders disappear. Rather, cooperation can reduce some of the negative effects of territorial separation while preserving the administrative and political functions of borders.

11. Cross-Border Cooperation and European Integration

Cross-border cooperation can contribute to European integration at the regional level.

National governments and EU institutions may establish broad integration frameworks, but regions and local communities implement many practical forms of cooperation.

For example:

EU framework → national policies → regional cooperation → local projects → practical integration

This demonstrates the multi-level nature of European integration.

Cross-border cooperation can therefore be viewed as one of the mechanisms through which European integration becomes visible in everyday economic and social relations.

12. Cross-Border Cooperation with Ukraine

Ukraine participates in European territorial cooperation with neighbouring EU Member States.

For Ukrainian border regions, cooperation can be particularly relevant in areas such as:

- transport;
- logistics;
- border management;
- environmental protection;
- tourism;
- local economic development;
- education;
- healthcare;
- institutional cooperation.

The western Ukrainian regions have direct territorial connections with Poland, Slovakia, Hungary and Romania.

This creates opportunities for cooperation with neighbouring European regions.

At the same time, the effectiveness of such cooperation depends on infrastructure capacity, administrative arrangements, financing, security conditions and the ability of partner institutions to coordinate their activities.

13. Cross-Border Cooperation and Local Economic Development

Cross-border programmes can support local economies through several mechanisms.

For example, a project supporting SMEs could include:

1. joint business training;
2. business networking;
3. innovation support;
4. market information;
5. joint tourism initiatives;
6. cooperation between business-support institutions.

The expected results could include:

- stronger business networks;
- improved entrepreneurial skills;
- access to new markets;
- new cooperation opportunities.

However, cross-border projects should not automatically be expected to create large-scale economic transformation. Their effects depend on project scale, local economic structure and the ability to maintain cooperation after external financing ends.

14. Financing Cross-Border Projects

Cross-border projects normally involve several financial and administrative requirements.

A project may receive EU financial support while requiring some form of co-financing from participating institutions or other sources.

The budget can include:

- personnel;
- infrastructure;
- equipment;
- travel;
- training;
- communication;
- project management;
- external expertise.

Financial management is particularly important because partners from different countries may operate under different administrative and accounting systems.

15. Project Cycle in Cross-Border Cooperation

A typical cross-border project follows a project cycle:

1. Problem identification

Partners identify a common territorial problem.

2. Partnership formation

Organizations from the participating territories establish cooperation.

3. Project design

Partners formulate objectives, activities, outputs, outcomes and indicators.

4. Funding application

The project is submitted to the relevant programme.

5. Selection and contracting

The project is assessed according to programme requirements.

6. Implementation

Partners implement planned activities.

7. Monitoring

Progress, expenditure and results are monitored.

8. Evaluation and sustainability

The project results are assessed and mechanisms for continuing cooperation are considered.

16. Monitoring and Evaluation of Cross-Border Projects

Monitoring and evaluation are essential for determining whether a project produces the expected results.

Important indicators can include:

- number of organizations participating;
- number of joint activities;
- kilometres of infrastructure improved;
- number of businesses supported;
- number of people trained;
- number of joint environmental actions;
- changes in service accessibility;
- continuation of cooperation after project completion.

It is important to distinguish between outputs and outcomes.

For example:

Output: 100 representatives of local businesses receive training.

Outcome: participating businesses improve their ability to cooperate across the border.

The second statement describes a change resulting from the project rather than the immediate activity itself.

17. Challenges of Cross-Border Cooperation

Cross-border projects can face several challenges.

Institutional differences

Partners may operate under different administrative and legal systems.

Language and cultural differences

Communication problems can increase coordination costs.

Different development priorities

A problem may have different levels of importance on different sides of the border.

Financial and administrative complexity

Different rules concerning procurement, reporting and financial management can complicate implementation.

Political and economic instability

Changes in the external environment can affect project implementation.

Unequal institutional capacity

One partner may have significantly greater experience or resources than another.

Therefore, successful cooperation requires not only funding but also trust, coordination, institutional capacity and clear responsibilities.

18. Sustainability of Cross-Border Cooperation

A major challenge is ensuring that cooperation continues after a project ends.

Sustainability can be strengthened through:

- long-term institutional agreements;
- permanent cooperation networks;
- joint organizations or working groups;
- continued funding mechanisms;
- knowledge transfer;
- local ownership;
- integration of project results into regular institutional activities.

A successful project should therefore create not only temporary outputs but also lasting cooperation capacity.

19. Practical Example

Consider a hypothetical Interreg project between a Ukrainian border region and a neighbouring EU region.

The common problem is insufficient logistics and business connectivity.

The project could include:

- joint analysis of transport barriers;
- training for SMEs;
- development of a cross-border business platform;
- cooperation between logistics institutions;
- preparation of joint investment proposals;
- improvement of selected local infrastructure.

The immediate outputs could include training sessions, analytical studies, a digital platform and infrastructure improvements.

Possible outcomes could include:

- better business cooperation;
- improved access to information;
- stronger logistics networks;
- increased interaction between companies.

Longer-term development effects could include stronger regional economic integration and improved competitiveness.

Key Terms

- Cross-border cooperation (CBC) – cooperation between neighbouring territories located in different countries.
- Interreg – the EU framework supporting territorial cooperation.

- Territorial cooperation – cooperation between regions and territories to address common development challenges.
- Cross-border region – a region whose development is influenced by its proximity to an international border.
- Lead partner – the organization responsible for coordinating a joint project.
- Project partner – an organization participating in project implementation.
- Territorial cohesion – balanced and connected development of different territories.
- Cross-border governance – coordination of policies and actions across national borders.
- Cross-border connectivity – transport, economic, institutional and social links between neighbouring territories.
- Local economic development – development of economic activity, employment and business opportunities within a particular territory.

5.5. International Development Initiatives for Peripheral and Border Regions

Peripheral and border regions occupy a specific position in the international development system. Their geographical location can create both development constraints and development opportunities.

Peripheral regions are often located far from major economic centres, while border regions are located close to an international boundary. These characteristics can overlap: a region may be both economically peripheral and geographically located along an international border.

Such regions may face limited market access, weaker infrastructure, population outflows, lower investment activity and reduced institutional capacity. At the same time, proximity to another country can provide opportunities for trade, investment, logistics, tourism, labour mobility and institutional cooperation.

International development initiatives can therefore play an important role in transforming geographical location into an economic and institutional advantage.

1. What Are Peripheral and Border Regions?

A peripheral region is a territory located relatively far from major economic, political or administrative centres.

Peripherality can have several dimensions:

- geographical – distance from major cities and markets;
- economic – lower economic activity or investment;
- infrastructural – weaker transport or digital connectivity;
- institutional – limited administrative capacity;
- social – demographic decline or limited access to services.

A border region is a territory located along an international border.

Border regions may have distinctive characteristics because they interact with neighbouring countries.

These two concepts should not be treated as identical.

A border region is not necessarily economically peripheral, and a peripheral region is not necessarily located near an international border.

2. Main Development Challenges of Peripheral Regions

Peripheral regions may experience several interconnected problems.

Limited market access

Distance from major markets can increase transportation and transaction costs.

Infrastructure gaps

Peripheral areas may have weaker transport, logistics, energy or digital infrastructure.

Lower investment attractiveness

Investors may prefer locations with larger markets, better infrastructure and stronger business ecosystems.

Demographic decline

Young and skilled people may move towards major cities or other countries in search of employment and education.

Limited institutional capacity

Smaller local administrations may have fewer financial and human resources for preparing and implementing complex development projects.

Limited access to knowledge and innovation

Universities, research centres and innovation ecosystems are often concentrated in major urban areas.

These factors can reinforce each other and create a peripherality cycle.

A simplified mechanism is:

Distance → higher costs → lower investment → fewer jobs → population outflow → weaker local market → continued peripherality

International development initiatives can attempt to interrupt this cycle.

3. Specific Characteristics of Border Regions

Border regions face some challenges that are different from those of other peripheral areas.

International borders can create:

- customs procedures;
- differences in legislation;
- different currencies;
- different administrative systems;
- language barriers;
- differences in infrastructure;
- restrictions on movement.

These factors can increase transaction costs.

At the same time, borders can create opportunities for:

- cross-border trade;
- logistics;
- tourism;
- labour mobility;
- investment;
- knowledge exchange;
- institutional cooperation.

Therefore, the economic role of a border is not fixed.

A border can function as a barrier, a filter or a connector, depending on infrastructure, institutions, regulations and political relations.

4. International Development Initiatives for Peripheral Regions

International development initiatives can address peripheral development through several mechanisms.

These include:

- infrastructure investment;
- business support;
- regional innovation;
- education and skills development;
- digitalisation;
- environmental projects;
- tourism development;
- institutional capacity-building;
- cross-border cooperation.

The objective is usually not simply to compensate for geographical disadvantages but to develop the specific assets and connections of peripheral territories.

5. Infrastructure and Connectivity

Infrastructure is particularly important for peripheral and border regions.

Development initiatives may support:

- roads;
- railways;
- border-crossing infrastructure;
- logistics centres;
- public transport;
- broadband networks;
- energy infrastructure;
- water and sanitation systems.

Improved infrastructure can reduce the effective distance between peripheral regions and major markets.

For example:

Better road → lower transport costs → easier access to markets → increased business opportunities

However, infrastructure alone does not automatically produce development. It needs to be combined with appropriate institutions, human capital, business activity and investment.

6. Cross-Border Economic Development

Border regions can use their geographical location to develop economic relationships with neighbouring territories.

International initiatives may support:

- cross-border business networks;
- SME cooperation;
- joint tourism products;
- regional supply chains;
- logistics cooperation;
- joint investment projects;
- labour-market cooperation.

Such initiatives can increase the effective size of local markets.

A small peripheral region can potentially gain access to a much larger neighbouring market through cross-border cooperation.

7. Support for Small and Medium-Sized Enterprises

SMEs are particularly important for peripheral economies because they often provide a significant share of local employment and economic activity.

Development initiatives may provide:

- business training;

- access to finance;
- innovation support;
- export assistance;
- mentoring;
- networking opportunities;
- information about foreign markets.

Cross-border programmes can additionally help SMEs establish relationships with companies in neighbouring countries.

For example, a local food producer may use an international development programme to:

- 1.improve production standards;
- 2.receive business training;
- 3.establish contacts with foreign buyers;
- 4.adapt products to a neighbouring market;
- 5.participate in a cross-border business network.

The project does not guarantee export growth, but it can reduce some barriers to internationalisation.

8. Human Capital and Skills Development

Peripheral regions can face difficulties in retaining qualified workers.

International development initiatives can therefore support:

- vocational education;
- professional training;
- university cooperation;
- entrepreneurship education;
- digital skills;
- language training;
- research cooperation.

Human capital development can increase local employability and strengthen the ability of regional institutions and businesses to participate in international cooperation.

For border regions, language and intercultural competencies can be particularly valuable.

9. Digital Connectivity

Digitalisation can partially reduce the disadvantages associated with geographical distance.

Digital infrastructure allows peripheral communities and businesses to access:

- international markets;
- online education;

- remote work;
- digital public services;
- financial services;
- research networks;
- international business networks.

This creates the possibility of reducing the importance of physical distance for certain economic activities.

However, digital connectivity also requires:

- reliable infrastructure;
- affordable access;
- digital skills;
- cybersecurity;
- institutional capacity.

10. Innovation and Regional Development

Peripheral regions can benefit from international cooperation in research and innovation.

Initiatives may support:

- university partnerships;
- technology transfer;
- research networks;
- innovation centres;
- start-up development;
- cooperation between universities and businesses.

The objective is to strengthen the regional innovation ecosystem.

For example:

University → research → business cooperation → innovation → new products/services → regional economic development

This can help peripheral regions move from dependence on traditional economic activities towards more diversified development.

11. Tourism and Cultural Cooperation

Tourism can be an important development sector for border and peripheral regions, particularly when they possess natural or cultural assets.

International initiatives may support:

- joint tourism routes;
- cultural heritage projects;
- destination marketing;
- cross-border festivals;
- ecological tourism;
- cycling and hiking routes;

- digital tourism platforms.

A cross-border tourism initiative can combine the attractions of several territories into a single tourism product.

This can increase the attractiveness of the wider region rather than promoting each locality separately.

12. Environmental and Climate Initiatives

Peripheral and border regions may also face common environmental challenges.

These can include:

- shared river basins;
- biodiversity protection;
- forest management;
- waste management;
- air pollution;
- climate-related risks.

International cooperation can facilitate joint solutions.

For example, neighbouring regions may cooperate on monitoring water quality in a transboundary river.

Such projects demonstrate that environmental challenges often require cross-border governance because natural systems do not follow political borders.

13. Institutional Capacity-Building

One of the less visible but important forms of international development support is institutional capacity-building.

Peripheral and local authorities may need support in:

- strategic planning;
- project preparation;
- financial management;
- procurement;
- monitoring and evaluation;
- stakeholder engagement;
- international cooperation.

International partnerships can provide opportunities for:

- knowledge exchange;
- staff training;
- peer learning;
- technical assistance;
- institutional networking.

Stronger institutions increase the ability of regions to attract and effectively use external resources.

14. Peripheral Border Regions as Spaces of Interaction

The concept of a border region should not be understood only in terms of disadvantage.

A peripheral border region can also become a space of interaction. Its development potential may be based on:

- access to neighbouring markets;
- transport corridors;
- cross-border labour markets;
- cultural connections;
- complementary regional economies;
- international tourism;
- institutional cooperation.

This creates a development logic in which proximity to another country becomes an economic resource.

The transformation can be represented as:

Peripheral location + border position → connectivity → cooperation → economic interaction → development opportunities

The actual result depends on the institutional and economic conditions of the region.

15. International Development Initiatives and Regional Specialisation

Not every peripheral region should pursue the same development strategy.

A region should identify its specific territorial assets.

These may include:

- geographical position;
- natural resources;
- agricultural specialization;
- industrial capacity;
- tourism potential;
- universities;
- cultural heritage;
- transport location;
- proximity to major markets.

International development initiatives are more likely to be effective when they build on these existing assets rather than attempting to reproduce the development model of a major metropolitan region.

16. The Role of the EU in Supporting Peripheral and Border Regions

The European Union supports regional and territorial development through a combination of policies and programmes.

These may involve:

- cohesion policy;
- territorial cooperation;
- neighbourhood cooperation;
- infrastructure investment;
- regional development programmes;
- research and innovation;
- education;
- investment and financial instruments.

The specific instrument depends on whether the region is located inside the EU or in a partner country outside the EU.

For border regions, territorial cooperation can provide a mechanism for addressing challenges jointly with neighbouring territories.

17. Ukraine and Peripheral Border Regions

Ukraine provides an important context for studying international development in peripheral and border regions.

The country's western regions have borders with EU Member States and therefore have opportunities for:

- cross-border trade;
- logistics;
- transport connectivity;
- business cooperation;
- tourism;
- environmental cooperation;
- institutional partnerships.

At the same time, these regions can face challenges associated with infrastructure, investment, demographic change and the unequal distribution of economic activity.

International development initiatives can therefore contribute to regional resilience, economic connectivity and institutional capacity.

For Ukrainian regions, cooperation with neighbouring EU regions can also support closer integration into European economic and institutional networks.

18. Measuring the Effects of Development Initiatives

The success of development initiatives should be evaluated using measurable indicators.

Possible indicators include:

Development dimension	Possible indicators
Economy	employment, business creation, investment
Trade	export/import activity, number of international firms
Infrastructure	transport time, connectivity, infrastructure capacity
Social development	access to services, education, employment
Human capital	training participants, skills development
Innovation	research projects, patents, start-ups
Cross-border cooperation	number of joint projects and partnerships
Environment	emissions, water quality, protected areas
Institutional capacity	trained staff, improved administrative systems

It is important to distinguish between project outputs and broader regional effects.

For example, the number of SMEs receiving training is an output. Changes in their productivity, market access or international cooperation represent potential outcomes.

19. Risks and Limitations

International development initiatives do not automatically eliminate regional disparities.

Several limitations should be considered.

First, external funding may be temporary.

Second, local institutions may lack the capacity to maintain projects after financing ends.

Third, infrastructure investment may not generate sufficient economic activity if there is limited demand.

Fourth, demographic decline may continue despite development programmes.

Fifth, excessive dependence on external funding can weaken incentives for developing local sources of investment.

Therefore, sustainable regional development requires a combination of:

external support + local capacity + private investment + institutional cooperation + local ownership

20. Practical Example

Consider a hypothetical peripheral border region with:

- a relatively small local market;
- limited transport infrastructure;
- declining population;
- agricultural potential;
- proximity to an EU market.

An international development initiative could combine:

1. transport infrastructure improvement;
2. SME support;
3. agricultural value-chain development;
4. digitalisation;
5. vocational training;
6. cross-border business cooperation.

The expected logic could be:

Infrastructure → improved connectivity

SME support → stronger businesses

Skills development → improved human capital

Cross-border cooperation → access to neighbouring networks

Together, these interventions could contribute to stronger regional economic capacity.

The example demonstrates why peripheral development is usually more effective when several complementary measures are combined rather than relying on a single project.

Conclusion

Key Terms

- Peripheral region – a territory relatively distant from major economic or administrative centres.
- Border region – a territory located along an international border.
- Peripherality – the geographical, economic, infrastructural or institutional distance from major centres.
- Cross-border cooperation – cooperation between neighbouring territories in different countries.
- Territorial assets – economic, social, institutional, natural or cultural resources specific to a region.
- Regional resilience – the capacity of a region to withstand, adapt to and recover from shocks.
- Regional innovation ecosystem – the network of businesses, universities, institutions and other actors supporting innovation in a region.
- Economic connectivity – connections that facilitate the movement of goods, services, people, capital and information.

- Local ownership – the active involvement and responsibility of local stakeholders in development processes.
- Territorial development – the economic, social, institutional and environmental development of a particular territory.

5.6. The Role of Regions and Local Communities in Implementing European Development Initiatives

European development initiatives are implemented not only by the institutions of the European Union and national governments. Regions, municipalities and local communities play an increasingly important role in identifying development needs, preparing projects, implementing programmes and assessing results.

This approach reflects the principle of multi-level governance, according to which development policy is implemented through interaction between different levels of government and different groups of stakeholders.

For International Economic Relations students, this topic is important because regions and local communities can become direct participants in international cooperation. They can develop partnerships with foreign regions, participate in European programmes, attract external financing and support international economic activity.

1. Regions and Local Communities as Development Actors

A region is a territorial unit with specific economic, social, institutional and geographical characteristics.

A local community represents people and local institutions responsible for managing and developing a particular territory.

Both can act as participants in European development initiatives.

Their responsibilities may include:

- identifying local development needs;
- developing regional strategies;
- preparing projects;
- participating in international partnerships;
- managing financial resources;
- coordinating stakeholders;
- implementing development activities;
- monitoring and evaluating results.

This means that regional and local authorities are not simply recipients of external support. They can also be active development actors.

2. The Principle of Multi-Level Governance

European development policy is often based on cooperation between several levels:

European level → National level → Regional level → Local level

In practice, this relationship is not always strictly hierarchical.

For example:

- the EU establishes general policy frameworks and financing mechanisms;
- national authorities coordinate national priorities;
- regional authorities identify territorial needs;
- municipalities implement local projects;
- businesses and civil society participate as partners or beneficiaries.

This system is commonly described as multi-level governance.

Its main advantage is that decisions can take into account both broad strategic priorities and local conditions.

3. Why Local Involvement Matters

Local and regional authorities have direct knowledge of territorial conditions.

They are often better positioned to identify:

- infrastructure gaps;
- local employment problems;
- business needs;
- environmental challenges;
- demographic trends;
- social inequalities;
- barriers to public services.

For example, a national development strategy may identify transport connectivity as a priority, while a municipality can identify a specific road, bridge or border-crossing connection that creates a local bottleneck.

Local knowledge therefore helps translate broad policy priorities into concrete projects.

4. The Principle of Local Ownership

Local ownership means that local and regional stakeholders actively participate in defining, implementing and sustaining development initiatives.

It is different from simply receiving external financing.

A project with strong local ownership may involve local stakeholders in:

1. identifying the problem;

2. defining priorities;
3. preparing the project;
4. implementing activities;
5. monitoring results;
6. maintaining results after external funding ends.

Local ownership is important for sustainability because projects are more likely to continue when local institutions and communities consider them relevant to their own development priorities.

5. Regions as Project Developers

Regional authorities can act as project developers.

They may:

- identify funding opportunities;
- establish international partnerships;
- prepare project proposals;
- conduct needs assessments;
- develop budgets;
- define indicators;
- coordinate implementation.

For example, a regional authority may identify a need to improve environmental management in a cross-border river basin.

It could then:

- identify neighbouring regions;
- establish a partnership;
- prepare a joint project;
- apply for European funding;
- coordinate implementation.

Thus, the region becomes an active participant in international development cooperation.

6. Local Communities and Project Implementation

Municipalities and local communities often play a direct role in implementing development projects.

They may be responsible for:

- local infrastructure;
- public services;
- community facilities;
- environmental measures;
- local economic development;
- social programmes;
- public consultations.

A European-funded project may therefore have a direct effect on everyday life at the local level.

For example, an infrastructure project may improve:

- roads;
- water supply;
- waste management;
- public transport;
- energy efficiency;
- digital services.

The effectiveness of such projects depends partly on the capacity of local institutions to manage implementation.

7. Regions and Cross-Border Cooperation

Regions and municipalities are particularly important in cross-border cooperation.

They can establish partnerships with neighbouring territories and jointly address common challenges.

Possible areas include:

- transport;
- environment;
- tourism;
- healthcare;
- education;
- emergency response;
- business development;
- cultural cooperation.

A cross-border project may therefore involve:

Region A + Municipality A + Region B + Municipality B + other stakeholders

This structure creates institutional connections across national borders.

8. Local Authorities and International Partnerships

Successful European development initiatives often depend on partnerships.

Local authorities can cooperate with:

- foreign municipalities;
- regional governments;
- universities;
- businesses;
- chambers of commerce;
- NGOs;

- international organizations;
- development agencies.

Partnerships can provide access to:

- knowledge;
- financial resources;
- technology;
- professional expertise;
- international networks;
- new markets.

This makes local government an important participant in international development diplomacy at the subnational level.

9. Regions and Local Economic Development

Regional and local authorities can influence the local business environment.

Their activities may include:

- developing business infrastructure;
- supporting entrepreneurship;
- improving transport connections;
- providing information services;
- supporting innovation;
- promoting investment;
- developing industrial or technology parks;
- facilitating international partnerships.

For example, a municipality may cooperate with a foreign partner to develop a business-support centre.

Such an initiative can provide local enterprises with training, networking and access to information about international markets.

10. The Role of Local Communities in Identifying Needs

Development initiatives should be based on real development needs.

Local communities can contribute through:

- public consultations;
- surveys;
- community meetings;
- participatory planning;
- stakeholder workshops;
- local development forums.

This is often referred to as participatory development.

The purpose is to ensure that development priorities reflect the needs of people and organizations affected by the project.

For example, before implementing a public transport project, a municipality may consult residents, businesses, schools and transport providers.

11. Participatory Approach

A participatory approach can be represented as:

Community needs → consultation → priority setting → project design → implementation → feedback → evaluation

This creates a feedback mechanism between citizens and institutions.

Participation can improve:

- relevance;
- transparency;
- legitimacy;
- accountability;
- local ownership.

However, participation requires appropriate mechanisms and cannot replace professional analysis or technical assessment.

Local preferences should therefore be combined with economic, social, environmental and financial analysis.

12. Local Capacity and Institutional Development

The ability of local institutions to implement European development initiatives depends on their capacity.

Important capacities include:

- project management;
- financial management;
- procurement;
- strategic planning;
- monitoring and evaluation;
- international communication;
- legal and administrative knowledge;
- digital skills.

International programmes can contribute to capacity-building through:

- training;
- technical assistance;
- mentoring;
- exchange programmes;
- peer-to-peer cooperation;
- institutional partnerships.

This can create benefits that continue after a specific project has ended.

13. Regions and European Funding

Regions and municipalities can participate in different types of European funding mechanisms.

Depending on the programme and country, these may include:

- regional development programmes;
- territorial cooperation programmes;
- cross-border cooperation;
- research and innovation programmes;
- education programmes;
- investment programmes;
- neighbourhood cooperation instruments.

The eligibility requirements differ between programmes.

Therefore, local authorities need the capacity to:

1. identify appropriate funding opportunities;
2. understand programme requirements;
3. build eligible partnerships;
4. prepare high-quality proposals;
5. manage implementation and reporting.

14. Local Communities and Sustainable Development

European development initiatives increasingly incorporate the principles of sustainable development.

Local authorities can contribute to:

- energy efficiency;
- renewable energy;
- sustainable transport;
- waste reduction;
- biodiversity protection;
- climate adaptation;
- social inclusion;
- sustainable urban planning.

The local level is important because many sustainability problems are experienced directly within communities.

For example, climate policy may be developed at the European level, but energy efficiency measures may be implemented in individual buildings, municipalities and transport systems.

15. Regions as Intermediaries Between Different Levels

Regional authorities can perform an important intermediary function.

They can connect:

EU priorities ↔ national policies ↔ local needs

This function can help translate broad development strategies into territorial programmes and projects.

For example:

EU priority: sustainable transport

↓

National policy: transport infrastructure modernization

↓

Regional priority: improved regional connectivity

↓

Local project: reconstruction of a specific road or transport hub

This illustrates how different levels can be connected within one development process.

16. Regions, Local Communities and International Economic Relations

The international role of regions has expanded beyond traditional administrative functions.

Regions can participate in:

- international investment promotion;
- export support;
- trade fairs;
- business missions;
- foreign partnerships;
- tourism promotion;
- university cooperation;
- innovation networks.

This is sometimes referred to as subnational international cooperation.

For International Economic Relations specialists, this demonstrates that international economic interaction does not occur exclusively between national governments.

Regions and cities can also develop international economic networks.

17. The Role of Local Businesses and Civil Society

European development initiatives usually involve more than public authorities.

Local businesses can contribute through:

- co-financing;
- investment;

- innovation;
- employment;
- service provision;
- international market connections.

Civil society organizations can contribute through:

- community engagement;
- social services;
- monitoring;
- advocacy;
- environmental activities;
- support for vulnerable groups.

Universities can contribute through:

- research;
- expert analysis;
- training;
- innovation;
- international academic partnerships.

This creates a multi-stakeholder model of regional development.

18. Stakeholder Interaction at the Local Level

A simplified stakeholder structure can be presented as:

Stakeholder	Possible role
EU institutions	Policy framework and financing
National government	National coordination and regulation
Regional authority	Regional planning and coordination
Municipality	Local implementation
Business	Investment, employment and innovation
University	Research and expertise
NGO	Community engagement and social support
Citizens	Participation and feedback
International partner	Knowledge, financing and cooperation

The effectiveness of development initiatives depends on the quality of interaction among these stakeholders.

19. Ukraine: The Role of Regions and Communities

The role of Ukrainian regions and territorial communities in European development cooperation is particularly important.

Local authorities can participate in:

- cross-border cooperation;

- reconstruction initiatives;
- infrastructure projects;
- economic development programmes;
- environmental projects;
- education and research partnerships;
- international municipal cooperation.

For border regions, cooperation with neighbouring EU regions can support:

- trade and logistics;
- infrastructure connectivity;
- tourism;
- environmental management;
- institutional learning;
- local business development.

The ability of Ukrainian regions and communities to prepare and implement high-quality projects is therefore an important element of their participation in European development processes.

20. Challenges for Regions and Local Communities

Despite their importance, local institutions can face several challenges.

Limited financial resources

Local authorities may not have sufficient funds for co-financing or project preparation.

Limited administrative capacity

Some municipalities may lack specialists experienced in international project management.

Complex procedures

European programmes can involve detailed application, procurement, reporting and auditing requirements.

Coordination problems

Different institutions may have different priorities and responsibilities.

Human resource limitations

Small municipalities may have only a limited number of employees responsible for development activities.

Sustainability risks

Projects may become dependent on external funding if mechanisms for long-term financing and institutional ownership are not established.

These challenges demonstrate the importance of capacity-building and institutional development.

21. Practical Example

Consider a hypothetical Ukrainian municipality located near an EU border.

The municipality identifies three major development problems:

- poor transport connectivity;
- limited local business activity;
- insufficient tourism infrastructure.

The local authority could develop an international project with a neighbouring EU municipality.

The project might include:

1. development of a joint tourism route;
2. improvement of local tourist infrastructure;
3. SME training;
4. business networking;
5. digital promotion;
6. preparation of a joint investment proposal.

The municipality would not simply receive external funding. It would participate in:

- needs identification;
- partnership building;
- project preparation;
- implementation;
- monitoring;
- sustainability planning.

This illustrates the transformation of a local authority from a beneficiary into an active development partner.

22. Measuring the Contribution of Regions and Communities

The contribution of local and regional actors can be assessed using several groups of indicators.

Dimension	Possible indicators
Project activity	Number of projects prepared and implemented
Financing	Amount of external financing attracted
Partnerships	Number of international partnerships
Business	SMEs supported, investment attracted
Employment	Jobs created or supported

Dimension	Possible indicators
Infrastructure	Infrastructure projects completed
Capacity	Staff trained, institutional procedures improved
Participation	Number of citizens/stakeholders involved
Sustainability	Activities maintained after project completion
Cooperation	Long-term partnerships established

Quantitative indicators should be complemented by qualitative assessment of institutional and social changes.

Key Terms

- Local community – a territorial community and its institutions responsible for local development and public services.
- Regional authority – a public institution responsible for development and governance at the regional level.
- Multi-level governance – interaction between European, national, regional and local levels of governance.
- Local ownership – active involvement and responsibility of local stakeholders in development processes.
- Participatory development – an approach involving communities and stakeholders in development decision-making.
- Subnational international cooperation – international cooperation involving regions, cities or municipalities.
- Capacity-building – strengthening the skills, knowledge and institutional capabilities of organizations.
- Stakeholder engagement – systematic interaction with actors affected by or able to influence a development initiative.
- Territorial development – economic, social, institutional and environmental development within a specific territory.
- Local economic development – measures aimed at strengthening economic activity, employment and business opportunities at the local level.

Self-Assessment Questions

1. What is the role of the EU in international development and neighbourhood cooperation?
2. What are the main principles of EU development and neighbourhood policy?
3. What is the difference between the EU's global development policy and its neighbourhood policy?

4. What are the main EU instruments and programmes supporting international and regional development?
5. What is the role of grants, loans, guarantees and blended finance in EU development cooperation?
6. What is the purpose of the Global Gateway strategy?
7. In which sectors does Global Gateway focus its strategic investments?
8. How can strategic infrastructure investments contribute to international economic development?
9. What is Interreg, and what are its main forms of territorial cooperation?
10. Why is cross-border cooperation particularly important for border regions?
11. How can cross-border cooperation contribute to regional economic development?
12. What are the main challenges faced by peripheral and border regions?
13. How can international development initiatives help reduce the disadvantages of peripheral location?
14. Why can a border represent both a development barrier and an opportunity?
15. How can infrastructure and digital connectivity influence the development of peripheral regions?
16. What role can SMEs play in the development of peripheral and border regions?
17. Why are human capital and institutional capacity important for regional development?
18. What is meant by multi-level governance in the context of European development policy?
19. What roles do regions and local communities play in implementing European development initiatives?
20. Why is local ownership important for the sustainability of development projects?
21. How can municipalities and regions participate in international economic cooperation?

Recommended reading: [2, 3, 5, 7 basic; 1, 2 additional; 1, 2, 3, 7, 9 online resources]

Topic 6. Geoeconomics and diplomacy of international development.

6.1. The relationship between geopolitics, geoeconomics and international development.

6.2. Geoeconomic strategies of states and national economic interests.

6.3. International development as an instrument of foreign and economic policy.

6.4. Economic diplomacy and development diplomacy.

6.5. Competition for resources, markets, infrastructure and technologies.

6.6. Geoeconomic interests of donors and recipients of international assistance.

6.1. The Relationship between Geopolitics, Geoeconomics and International Development

Geopolitics examines how geography, territory, resources and strategic location influence international relations and the interests of states.

Geoeconomics focuses on the use of economic instruments to achieve strategic objectives. These instruments include trade, investment, infrastructure, financial resources, technologies, energy and economic sanctions.

International development concerns cooperation aimed at improving economic and social conditions, reducing poverty and inequality, strengthening institutions and supporting sustainable development.

These three concepts are closely connected:

Geopolitics → Geoeconomics → International Development

Geopolitical interests can influence economic strategies, while economic cooperation can become an important part of international relations and development policy.

Geopolitics and Development

Geopolitical conditions can affect:

- access to markets and resources;
- transport and trade routes;
- investment flows;
- energy security;
- regional stability;
- international development cooperation.

For example, the construction of transport corridors can simultaneously support regional development, trade integration and strategic connectivity.

Goeconomics and Development

Development initiatives often have both developmental and economic dimensions. Infrastructure projects, investment programmes, energy cooperation and digital connectivity can improve local economic conditions while also strengthening economic links between countries.

Therefore, international development is not only about financial assistance. It can also contribute to:

- market integration;
- investment and trade;
- infrastructure connectivity;
- technology transfer;
- regional economic cooperation.

Key Concept

The important idea is that development cooperation takes place within a broader geopolitical and goeconomic environment. Understanding this relationship helps students of International Economic Relations analyse why particular development initiatives are created, who participates in them, and what economic and strategic effects they may produce.

Key terms: geopolitics, goeconomics, international development, economic interests, strategic connectivity, development cooperation.

6.2. Goeconomic Strategies and National Economic Interests

A goeconomic strategy is a coordinated use of economic instruments by a state to achieve strategic objectives and strengthen its position in the international system. Unlike traditional geopolitical approaches, which often focus on territory, security and political influence, goeconomics emphasizes the role of trade, investment, finance, infrastructure, energy and technology.

States use goeconomic strategies to protect and promote their national economic interests. These interests may include:

- access to foreign markets and natural resources;
- attracting foreign investment;
- ensuring energy and economic security;
- developing strategic infrastructure;
- strengthening technological capabilities;
- supporting national companies and exports;

- maintaining competitiveness in the global economy.

Geoeconomic strategies can be implemented through different instruments. Governments may provide financial support for international projects, negotiate trade agreements, invest in transport and energy infrastructure, provide development assistance, or support technological cooperation.

Geoeconomic Strategies and International Development

Geoeconomic strategies are closely connected with international development. Development projects can create economic opportunities for both donor and recipient countries. For example, investment in transport infrastructure may improve connectivity and employment in the recipient country while also creating new markets and trade routes for companies from the investing country.

Development cooperation can therefore have several dimensions:

Development needs → Economic cooperation → Investment and trade → Strategic partnership

However, the interests of donors and recipients do not always fully coincide. A recipient country may primarily need infrastructure, employment or technology, while a donor may also be interested in market access, supply chains or long-term economic partnerships.

Examples of Geoeconomic Instruments

Instrument	Possible economic objective
Trade agreements	Market access and export expansion
Foreign investment	Access to markets and production opportunities
Infrastructure projects	Connectivity and trade facilitation
Development finance	Support for economic and social development
Energy cooperation	Energy security and diversification
Technology cooperation	Innovation and technological development

For students of International Economic Relations, understanding geoeconomic strategies is important because international development projects should be analysed not only in terms of their social or economic benefits, but also in the context of the strategic interests of the countries and institutions involved.

Key terms: geoeconomic strategy, national economic interests, economic security, competitiveness, trade, investment, infrastructure, strategic partnership.

6.3. International Development as an Instrument of Foreign and Economic Policy

International development cooperation is not limited to providing financial or humanitarian assistance. It can also be used by states and international organizations as an instrument of foreign and economic policy. Through development programmes, countries can strengthen international partnerships, support economic cooperation and promote stability in partner countries.

Development initiatives may contribute to foreign policy objectives by:

- strengthening diplomatic relations;
- supporting regional stability and cooperation;
- developing long-term partnerships;
- promoting common international standards and values;
- increasing the country's international presence and influence.

At the same time, development cooperation can support economic policy objectives. Projects in infrastructure, energy, trade, digitalisation, education and investment can create new economic connections between countries.

Development Cooperation and Economic Interests

A development project may benefit the recipient country while also creating economic opportunities for the donor. For example, financing a transport or energy project can improve infrastructure and employment in the recipient country while facilitating trade, investment and access to markets.

This creates a connection:

Development assistance → Economic cooperation → Trade and investment → Long-term partnership

However, development cooperation should not be viewed only as a tool for promoting donor interests. Effective development initiatives should also respond to the actual needs and priorities of recipient countries.

Main Policy Dimensions

Foreign policy dimension	Economic dimension
Diplomatic relations	Trade and investment
Regional stability	Market access
International partnerships	Infrastructure connectivity
Institutional cooperation	Technology transfer
International influence	Economic competitiveness

An important feature of contemporary development policy is therefore the combination of development, diplomatic and economic objectives. The relative importance of these objectives differs depending on the country, programme and specific development initiative.

For International Economic Relations specialists, this approach helps explain why development cooperation is increasingly connected with foreign policy, international trade, investment and strategic economic partnerships.

Key terms: development cooperation, foreign policy, economic policy, development assistance, diplomatic relations, trade, investment, strategic partnership.

6.4. Economic Diplomacy and Development Diplomacy

Economic diplomacy and development diplomacy are closely related areas of international relations. Both involve cooperation between countries and other international actors, but they have different primary objectives.

Economic diplomacy focuses on promoting and protecting a country's economic interests abroad. It includes activities related to:

- international trade and investment;
- access to foreign markets;
- support for national companies;
- economic agreements and negotiations;
- attracting foreign investment;
- cooperation in energy, infrastructure and technology.

Development diplomacy focuses primarily on promoting international development through cooperation, financial assistance, technical support and joint development programmes. Its objectives may include poverty reduction, sustainable development, institutional strengthening and improving living conditions.

Main Differences

Economic diplomacy	Development diplomacy
Focuses on national economic interests	Focuses on development objectives
Promotes trade and investment	Supports development programmes
Supports national businesses	Supports institutions and communities
Seeks access to markets	Seeks improvements in development conditions

Economic diplomacy

Uses economic negotiations and partnerships

Development diplomacy

Uses grants, technical assistance and development cooperation

Despite these differences, the two forms of diplomacy increasingly overlap. A development project can simultaneously improve local infrastructure, support economic growth and create new opportunities for trade and investment.

For example, cooperation on a cross-border transport project may improve mobility and regional development while also facilitating trade between the participating countries.

Role of International Actors

Economic and development diplomacy involves not only governments but also:

- ministries and diplomatic missions;
- international organizations;
- development agencies;
- international financial institutions;
- regional organizations;
- businesses and investors;
- local and regional authorities.

Effective cooperation requires coordination between these actors and a balance between development needs and economic interests.

For International Economic Relations specialists, understanding the relationship between economic and development diplomacy is important for analysing how international projects are negotiated, financed and implemented.

Key terms: economic diplomacy, development diplomacy, trade diplomacy, development cooperation, investment, international partnership, development assistance.

6.5. Competition for Resources, Markets, Infrastructure and Technologies

Competition for resources, markets, infrastructure and technologies is an important element of contemporary geoeconomics. States and economic actors seek to secure access to the resources and economic opportunities that are important for long-term development and competitiveness.

Competition for Resources

Natural resources such as energy, minerals, water and agricultural resources can have significant economic and strategic importance.

Countries may seek to diversify sources of supply, develop alternative suppliers and establish long-term partnerships.

Access to critical raw materials is particularly important for industries connected with energy technologies, electronics, transport and digitalisation.

Competition for Markets

International markets provide opportunities for exports, investment and business expansion. States therefore use trade agreements, economic diplomacy and investment policies to improve the international position of their companies.

Market competition can also influence developing countries by creating opportunities for:

- export growth;
- foreign investment;
- integration into global value chains;
- development of local industries;
- technology and knowledge transfer.

Competition for Infrastructure

Infrastructure has a major socioeconomic role because transport, energy, digital and logistics networks connect countries and markets.

Investment in ports, railways, roads, energy systems and digital networks can increase connectivity and reduce trade costs. At the same time, countries may compete to develop and control strategically important transport corridors and infrastructure networks.

Competition for Technologies

Technological capabilities increasingly influence economic competitiveness. Countries seek to develop or obtain advanced technologies in areas such as:

- artificial intelligence and digital technologies;
- telecommunications;
- renewable energy;
- advanced manufacturing;
- biotechnology;
- cybersecurity.

International development cooperation can contribute to technology transfer, research partnerships and capacity building. However, access to advanced technologies may also be affected by export controls, intellectual property rules and national security considerations.

Development Dimension

Competition does not necessarily exclude cooperation. States can compete in some areas while cooperating in others through international partnerships, joint infrastructure projects, research programmes and development initiatives.

For International Economic Relations specialists, it is important to analyse how competition for economic assets influences trade, investment, development cooperation and the formation of international partnerships.

Key terms: resources, markets, infrastructure, technology, strategic competition, connectivity, technology transfer, global value chains.

6.6. Geoeconomic Interests of Donors and Recipients of International Assistance

International development cooperation involves at least two main groups of interests: those of donor countries or institutions and those of recipient countries or regions. These interests may coincide, but they do not always fully overlap.

Interests of Donors

Donors may provide financial resources, technical assistance, infrastructure investment or other forms of support for different reasons. Their interests can include:

- supporting economic and social development;
- strengthening international partnerships;
- promoting regional stability;
- expanding trade and investment relations;
- supporting strategic infrastructure and connectivity;
- creating opportunities for their businesses;
- promoting technological and institutional cooperation.

Development assistance can therefore combine development objectives with broader foreign and economic policy interests.

Interests of Recipients

Recipient countries primarily seek resources and opportunities that can contribute to their own development. Their interests may include:

- financing infrastructure and public services;
- economic growth and job creation;
- access to technologies and knowledge;
- improving trade and transport connectivity;
- attracting foreign investment;
- strengthening institutional capacity;

- increasing competitiveness and integration into international markets.

For developing or peripheral regions, external assistance can be particularly important for overcoming infrastructure, investment and institutional constraints.

Convergence and Differences of Interests

The interests of donors and recipients can be represented as follows:

Donor interests + Recipient needs → Common development project → Mutual economic benefits

For example, an infrastructure project may help a recipient country improve transport connectivity and regional development, while the donor may gain stronger economic links and new opportunities for trade and investment.

However, potential differences should also be considered. Donors may have their own strategic or economic priorities, while recipients may prefer projects that address their most urgent local needs. Effective cooperation therefore requires negotiation, transparency, mutual benefit and alignment with development priorities.

Importance for International Development

Understanding these interests helps explain why international assistance is often more than a simple transfer of financial resources. It can become a mechanism for building long-term economic and institutional partnerships.

For International Economic Relations specialists, analysing both sides is essential for assessing the motives, expected benefits and potential risks of international development initiatives.

Key terms: donor, recipient, development assistance, national interests, mutual benefit, economic partnership, development priorities, strategic interests.

Self-Assessment Questions

1. What is the relationship between geopolitics, geoeconomics and international development?

2. What is a geoeconomic strategy, and what are its main instruments?

3. What are the main national economic interests of states?

4. How can international development serve as an instrument of foreign and economic policy?

5. What is the difference between economic diplomacy and development diplomacy?

6. What are the main areas of economic diplomacy?
7. Why are resources, markets, infrastructure and technologies important in geoeconomic competition?
8. How can infrastructure projects influence both development and international economic relations?
9. What are the main geoeconomic interests of donors?
10. What are the main interests and priorities of recipient countries?
11. Why may the interests of donors and recipients differ?
12. How can international development cooperation create mutual economic benefits?
13. What role does development assistance play in building long-term international partnerships?
14. How can technology transfer contribute to the development of recipient countries?
15. Why is it important to consider both development needs and economic interests when analysing international development initiatives?

Recommended reading: [1, 2, 4, 9 basic; 2, 3, 5, 6 additional; 1, 4, 5, 8, 9 online resources]

Topic 7. Global markets and international development under conditions of instability.

- 7.1. International market conditions and factors determining their development.
- 7.2. Major global economic trends and international market dynamics.
- 7.3. The impact of geopolitical conflicts, crises and sanctions on international markets.
- 7.4. Transformation of global supply chains and international trade.
- 7.5. Methods of analysing and forecasting international market trends.
- 7.6. Scenarios of international market development: risks and opportunities for countries.

7.1. International Market Conditions and Factors Determining Their Development

International market conditions refer to the current state of global markets and the factors that influence demand, supply, prices, trade and

investment. Market conditions are constantly changing because the global economy consists of interconnected national economies, companies and financial systems.

The main factors determining international market conditions include:

- global economic growth and business activity;
- demand and supply for goods and services;
- commodity and energy prices;
- inflation and interest rates;
- exchange rates;
- international trade and investment flows;
- technological changes;
- government economic policies;
- geopolitical and environmental factors.

Different markets may react differently to the same external factor.

For example, an increase in energy prices can benefit energy-exporting countries while increasing production and transport costs for energy-importing economies.

Market conditions are particularly important for international development. Changes in global demand, prices, investment flows or access to markets can influence employment, exports, government revenues and investment opportunities in developing and emerging economies.

Therefore, analysing international development requires understanding not only domestic economic conditions but also the external market environment.

Key terms: international market conditions, demand, supply, prices, inflation, exchange rates, trade flows, investment flows.

7.2. Major Global Economic Trends and International Market Dynamics

The global economy is characterised by continuous changes in production, trade, investment and technology. These changes influence the development opportunities of individual countries and regions.

One important trend is the increasing interdependence of national economies. Countries participate in global value chains and depend on international markets for resources, technologies, capital and consumers.

Another important trend is digitalisation. Digital technologies are changing production, trade, financial services and business models. E-commerce and digital services allow companies to reach international markets without establishing a physical presence in every country.

Technological transformation is also changing the structure of international markets. Automation, artificial intelligence, renewable energy technologies and advanced manufacturing influence productivity and competitiveness.

Other important trends include:

- changes in global trade patterns;
- increasing importance of services;
- transformation of energy markets;
- growth of green and sustainable investment;
- development of regional economic cooperation;
- changing patterns of international investment;
- increasing importance of economic resilience.

These trends create both opportunities and challenges for international development. Countries with appropriate infrastructure, skills and institutions may benefit from new markets and technologies, while countries with limited capacities may face difficulties adapting to structural changes.

Key terms: global economic trends, market dynamics, digitalisation, technological transformation, global value chains, economic resilience.

7.3. The Impact of Geopolitical Conflicts, Crises and Sanctions on International Markets

International markets are highly sensitive to geopolitical instability. Conflicts, political crises and economic sanctions can affect trade, investment, production, financial flows and commodity prices.

Geopolitical conflicts may disrupt production and transportation, reduce investor confidence and increase uncertainty. They can also affect the availability and price of energy, food and raw materials.

Economic sanctions are measures that restrict particular economic or financial activities. Depending on their scope, sanctions may affect trade, investment, banking operations, technology transfers and access to international markets.

Crises can also create wider effects because economies are interconnected. A disruption in one country or region may affect suppliers, producers and consumers in other parts of the world.

However, the effects are not always negative for all actors. Changes in trade routes, demand or investment patterns may create new opportunities for some countries and companies.

For international development, instability can lead to:

- reduced investment;
- higher costs of trade and transport;
- disruption of supply chains;
- increased fiscal pressures;
- difficulties in financing development projects;
- changes in export opportunities.

This makes economic resilience and risk management increasingly important components of development policy.

Key terms: geopolitical conflict, crisis, sanctions, uncertainty, economic resilience, investment risk, commodity prices.

7.4. Transformation of Global Supply Chains and International Trade

A global supply chain is a network through which goods, services, components and resources move between different countries during production and distribution.

Globalisation has allowed companies to organise production internationally, locating different stages of production where appropriate resources, skills, technologies or costs are available.

However, disruptions caused by economic crises, geopolitical conflicts, natural disasters and transport problems have demonstrated the vulnerability of highly interconnected supply chains.

As a result, companies and governments increasingly focus on:

- diversification of suppliers;
- regionalisation of production;
- development of alternative transport routes;
- strategic reserves;
- digital monitoring of supply chains;
- strengthening domestic and regional production capacity.

This process does not necessarily mean the end of globalisation. Instead, it can lead to a combination of global, regional and local supply networks.

Changes in supply chains can create new development opportunities. Countries may attract investment by becoming alternative production or logistics locations. At the same time, countries that depend heavily on a limited number of suppliers or export markets may face greater risks.

For International Economic Relations specialists, supply-chain analysis is important for understanding changes in trade, investment, competitiveness and regional development.

Key terms: global supply chain, global value chain, trade diversification, regionalisation, logistics, supply-chain resilience.

7.5. Methods of Analysing and Forecasting International Market Trends

Analysis and forecasting help governments, businesses and international organizations understand changes in global markets and prepare for possible future developments.

Market analysis examines existing and historical information, while forecasting attempts to estimate how markets may develop in the future.

Important analytical methods include:

- statistical analysis of economic indicators;
- analysis of trade and investment data;
- price and demand analysis;
- time-series analysis;
- econometric modelling;
- comparative analysis;
- trend analysis;
- scenario analysis;
- expert assessment.

Important indicators may include GDP growth, inflation, unemployment, exchange rates, trade volumes, foreign direct investment, commodity prices and interest rates.

Forecasting can be conducted over different time horizons:

Horizon	Typical purpose
Short-term	Business and market decisions
Medium-term	Investment and economic planning
Long-term	Strategic development planning

Forecasts should not be treated as exact predictions. International markets are influenced by many uncertain factors, and unexpected events can significantly change existing trends.

For this reason, scenario analysis is particularly useful. Instead of relying on one forecast, analysts can consider several possible scenarios, such as stable growth, moderate disruption and severe instability.

Key terms: market analysis, forecasting, econometric modelling, time series, indicators, scenario analysis, uncertainty.

7.6. Scenarios of International Market Development: Risks and Opportunities for Countries

Scenario analysis involves considering several possible directions of future market development. It is particularly useful under conditions of uncertainty because it does not assume that only one future is possible.

A simplified approach may include three scenarios:

1. Stable Development

Global economic activity remains relatively stable, trade expands and investment conditions improve. Countries can benefit from growing demand, international investment and stronger economic cooperation.

2. Moderate Instability

Economic growth slows, some trade and investment flows are disrupted, and market uncertainty increases. Countries need to diversify their markets, strengthen supply chains and improve economic resilience.

3. Severe Global Disruption

Major geopolitical or economic shocks cause significant disruptions to trade, investment, energy markets and supply chains. Countries may need to introduce stronger risk-management measures and redirect economic resources towards critical sectors.

The actual effects of each scenario depend on the characteristics of individual countries. Export-oriented economies, resource-dependent economies and highly integrated economies may face different risks.

Risks and Opportunities

Risks	Opportunities
Trade disruptions	New export markets
Investment decline	New investment locations
Supply-chain interruptions	Supplier diversification
Price volatility	Development of new industries
Currency instability	Export opportunities from exchange-rate changes
Technological dependence	Development of domestic technological capacity

The purpose of scenario analysis is not to predict exactly what will happen. Its main function is to help decision-makers identify possible risks, prepare alternative responses and recognise emerging opportunities.

For international development, scenario planning can support more flexible policies, investment decisions and regional development strategies.

Key terms: scenario analysis, risk, opportunity, uncertainty, resilience, diversification, strategic planning.

Conclusion

Global markets and international development are closely interconnected. Changes in economic conditions, technology, geopolitics, trade and supply chains can significantly influence the development opportunities of countries and regions.

Under conditions of instability, effective international economic policy requires not only responding to current market changes but also monitoring trends, analysing risks, diversifying economic relations and preparing alternative development scenarios.

For International Economic Relations specialists, these skills are essential for understanding how global market transformations affect national and regional development.

Key terms of the topic: global markets, market conditions, international trade, supply chains, geopolitical risks, sanctions, economic resilience, forecasting, scenario analysis, international development.

Self-Assessment Questions

1. What are international market conditions, and what factors determine them?
2. How do demand, supply, prices and exchange rates influence international markets?
3. What are the major trends shaping the global economy?
4. How do digitalisation and technological development affect international markets?
5. How can geopolitical conflicts and economic crises influence international trade and investment?
6. What are economic sanctions, and how can they affect international markets?
7. What are the main causes of supply-chain disruptions?
8. How are global supply chains changing in response to increasing instability?
9. What is the difference between globalisation and regionalisation of supply chains?
10. What methods can be used to analyse international market trends?
11. What is the difference between market analysis and forecasting?
12. Why is scenario analysis useful under conditions of uncertainty?
13. What are the main risks that global market instability creates for countries?
14. What opportunities can changes in international markets create for national economies?
15. Why are economic diversification and resilience important for international development?
16. How can changes in global markets affect the development of developing and emerging economies?
17. Why should international market forecasts not be considered exact predictions?
18. How can governments and businesses prepare for different scenarios of global market development?
19. How can supply-chain transformation create new opportunities for countries and regions?

Recommended reading: [1, 4, 5, 6, 8 basic; 4, 6, 12, 13 additional; 3, 4, 5, 8, 9, 10 online resources]

Topic 8. Monitoring and Evaluation of International Development Initiatives

8.1. Monitoring and evaluation of international development programmes and projects.

8.2. Indicators of development performance: outputs, outcomes and impact.

8.3. Methods of evaluating the effectiveness of international development initiatives.

8.4. Assessment of risks and sustainability of development results.

8.5. International development initiatives and the recovery of Ukraine.

8.6. Practical evaluation of the effectiveness of an international development initiative.

8.1. Monitoring and Evaluation of International Development Programmes and Projects

Monitoring and evaluation (M&E) are important components of international development management. They help determine whether a programme or project is being implemented as planned, whether its objectives are being achieved and whether the resources used produce meaningful results.

Although monitoring and evaluation are closely related, they have different purposes.

Monitoring is a continuous process of collecting and analysing information during project implementation. It focuses on activities, resources, progress and immediate results.

Evaluation is a systematic assessment of a programme or project at a particular stage or after its completion. It examines its relevance, effectiveness, efficiency, impact and sustainability.

The main purposes of monitoring and evaluation are to:

- track project implementation;
- measure progress towards objectives;
- identify problems and risks;
- support evidence-based decision-making;
- improve the use of financial and human resources;
- assess achieved results;
- identify lessons for future projects;
- ensure accountability to donors, partners and beneficiaries.

Monitoring usually answers the question:

“Are we implementing the project as planned?”

Evaluation asks a broader question:

“Did the project produce the expected results, and why?”

Main Stages of M&E

M&E should ideally be planned at the beginning of a project rather than introduced only after implementation.

A basic M&E process can be represented as:

Objectives → Indicators → Data collection → Analysis → Evaluation → Recommendations → Improvement

The process normally includes establishing a baseline, defining indicators and targets, collecting data, analysing progress and communicating the results to relevant stakeholders.

For example, a project designed to improve employment opportunities for young people may monitor the number of training sessions, participants and completed courses. Evaluation would go further by examining whether participants actually improved their skills and obtained employment.

Effective M&E should be systematic, transparent, evidence-based and linked to project objectives.

Key terms: monitoring, evaluation, baseline, target, evidence, accountability, project performance, development results.

8.2. Indicators of Development Performance: Outputs, Outcomes and Impact

Development initiatives require measurable indicators to determine whether planned results have been achieved. A key principle is to distinguish between outputs, outcomes and impact.

Outputs are the immediate products or services delivered by a project. They are usually directly controlled by the project team.

Examples:

- number of training sessions conducted;
- kilometres of road constructed;
- number of businesses receiving support;
- number of people participating in a programme.

Outcomes are the changes that occur as a result of using the project outputs. They reflect changes in behaviour, capacity, performance or access to services.

Examples:

- improved professional skills;
- increased business productivity;
- improved access to transport;

- increased use of digital services.

Impact refers to broader, longer-term changes to which the project contributes. Impact is usually influenced by many factors and therefore cannot always be attributed entirely to one project.

Examples:

- increased employment;
- improved regional competitiveness;
- reduced poverty;
- improved environmental conditions;
- stronger social or economic resilience.

The relationship can be presented as:

Activities → Outputs → Outcomes → Impact

For example:

Business training → 100 SMEs trained → improved management skills → higher business survival and competitiveness

Types of Indicators

Indicators can be quantitative or qualitative.

Type	Example
Input indicator	Amount of funding used
Activity indicator	Number of training sessions
Output indicator	Number of participants trained
Outcome indicator	Percentage of participants applying new skills
Impact indicator	Change in employment or income

Good indicators should be relevant, measurable, understandable and linked to the objectives of the initiative.

It is also important to establish a baseline – the situation before the intervention – and a target, which describes the expected level of achievement.

Without appropriate indicators, it becomes difficult to determine whether a development initiative has actually produced meaningful results.

Key terms: indicator, output, outcome, impact, baseline, target, quantitative indicator, qualitative indicator.

8.3. Methods of Evaluating the Effectiveness of International Development Initiatives

Evaluation methods are used to determine whether a development initiative is relevant, effective and capable of producing sustainable

results. The choice of method depends on the objectives, available data, project scale and evaluation questions.

One of the most widely used approaches is the assessment of several key dimensions:

- Relevance – whether the initiative responds to actual needs and priorities;
- Effectiveness – whether its objectives and expected results have been achieved;
- Efficiency – whether resources have been used appropriately in relation to results;
- Impact – what broader changes the initiative has contributed to;
- Sustainability – whether the results are likely to continue after external support ends.

Main Evaluation Methods

Quantitative methods use numerical data and statistical indicators. They may include surveys, administrative statistics, economic indicators and statistical comparisons.

Qualitative methods focus on experiences, perceptions and institutional changes. Interviews, focus groups, observations and case studies are commonly used.

Mixed-method evaluation combines quantitative and qualitative approaches. This can provide a more comprehensive understanding of both measurable results and the reasons behind them.

Other approaches include:

- before-and-after comparisons;
- comparison between target and actual results;
- beneficiary surveys;
- cost-effectiveness analysis;
- cost-benefit analysis;
- case-study analysis;
- comparative analysis between regions or groups.

A particularly important question is causality: whether the observed changes were actually caused by the project or were influenced by other factors.

For example, if employment increases after a training programme, the evaluator should consider whether the change resulted from the programme itself or from broader economic growth.

Therefore, evaluation should not simply describe project activities. It should provide evidence about what changed, how much it changed, and why.

Key terms: relevance, effectiveness, efficiency, impact, sustainability, quantitative methods, qualitative methods, mixed methods, causality.

8.4. Assessment of Risks and Sustainability of Development Results

International development initiatives are implemented in environments characterised by uncertainty. Political, economic, financial, institutional, environmental and technological risks can affect project implementation and long-term results.

Risk assessment involves identifying potential risks, estimating their probability and possible consequences, and developing appropriate responses.

Common risks include:

- insufficient or delayed financing;
- changes in legislation or institutional conditions;
- political or economic instability;
- limited institutional capacity;
- delays in procurement or implementation;
- insufficient stakeholder participation;
- environmental risks;
- technological or infrastructure failures.

A simple risk-management process is:

Risk identification → Risk assessment → Risk response →

Monitoring

Project teams can respond to risks through avoidance, mitigation, transfer or acceptance, depending on their nature and importance.

Sustainability of Development Results

Sustainability refers to the ability of project results and benefits to continue after external financing or direct project support has ended.

Sustainability has several dimensions:

- Financial sustainability – sufficient resources for continued operation;
- Institutional sustainability – local institutions can maintain the results;
- Social sustainability – beneficiaries continue to support and use the results;
- Environmental sustainability – results do not create unacceptable environmental costs;
- Economic sustainability – benefits remain economically viable.

For example, constructing a new business-support centre does not automatically guarantee sustainable development. Long-term results may depend on whether local institutions can finance its operation, qualified staff remain available and businesses continue to use its services.

Therefore, sustainability should be considered from the project design stage, not only during final evaluation.

Key terms: risk, risk management, sustainability, institutional capacity, financial sustainability, local ownership, long-term results.

8.5. International Development Initiatives and the Recovery of Ukraine

International development cooperation can play an important role in supporting the recovery and long-term development of Ukraine. Recovery should not be understood only as restoring damaged infrastructure. It also involves strengthening economic capacity, institutions, human capital and regional development.

International development initiatives can support areas such as:

- reconstruction of transport and municipal infrastructure;
- energy resilience and modernisation;
- restoration and development of businesses;
- support for SMEs and entrepreneurship;
- digital transformation;
- education and professional skills;
- healthcare and social services;
- environmental protection;
- regional and local development;
- institutional capacity-building.

An important principle is the connection between reconstruction and long-term development. Rebuilding an existing facility can restore previous capacity, while a development-oriented approach can also introduce more efficient technologies, stronger infrastructure and improved management systems.

Role of Regions and Local Communities

Regional and local authorities are important participants because they understand local needs and can help identify development priorities. Their involvement can improve the relevance and sustainability of international projects.

International partners can provide financial resources, technical expertise, technologies and institutional support, while Ukrainian

institutions and communities contribute local knowledge, implementation capacity and ownership.

A simplified model is:

International support + Ukrainian institutions + Local communities + Private sector → Recovery and sustainable development

The effectiveness of recovery initiatives should therefore be assessed not only by the amount of funding provided or infrastructure restored, but also by economic, social, institutional and environmental results.

For students of International Economic Relations, Ukraine's recovery provides an important practical context for understanding development finance, international partnerships, investment, infrastructure, regional development and project management.

Key terms: recovery, reconstruction, resilience, regional development, institutional capacity, infrastructure, local ownership, international assistance.

8.6. Practical Evaluation of the Effectiveness of an International Development Initiative

Practical evaluation involves applying M&E principles to a specific development initiative. The evaluator should examine the objectives, resources, activities, results, effects and sustainability of the project.

A practical evaluation can follow several steps.

Step 1. Define the Initiative

Identify the project, its objectives, target groups, geographical area, implementation period and main stakeholders.

Step 2. Identify Expected Results

Determine what the project was expected to produce:

Activities → Outputs → Outcomes → Impact

For example, a project supporting SMEs in a border region may include business training, consulting and networking activities.

Step 3. Select Indicators

Indicators should correspond to the different levels of results.

Level	Possible indicator
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Activity	Number of training sessions
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Output	Number of SMEs participating
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Outcome	Percentage of SMEs applying new practices
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Impact	Change in business performance or employment
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Step 4. Compare Planned and Actual Results

The evaluator compares the original targets with the results achieved.

For example:

Target:	100	SMEs	trained
Actual result:	120	SMEs trained	

This shows achievement of the output target, but it does not automatically demonstrate long-term project effectiveness.

Step 5. Assess Effectiveness and Efficiency

The evaluator determines whether the objectives were achieved and whether the resources used were reasonable in relation to the results.

Step 6. Assess Sustainability

The evaluator considers whether project benefits are likely to continue after external funding ends.

Step 7. Identify Lessons and Recommendations

The final stage is to identify what worked well, what problems occurred and what should be improved in future initiatives.

A practical evaluation can therefore be summarised as:

Objectives → Indicators → Data → Results → Evaluation → Lessons → Recommendations

The most important principle is that evaluation should go beyond counting activities. A project may complete all planned activities and still produce limited outcomes. Therefore, effective evaluation examines the real changes produced for beneficiaries and the wider development environment.

Key terms: practical evaluation, project results, effectiveness, efficiency, indicators, beneficiaries, lessons learned, recommendations.

Conclusion

Monitoring and evaluation provide the evidence needed to understand whether international development initiatives are producing meaningful results. Monitoring focuses primarily on implementation and progress, while evaluation examines the relevance, effectiveness, efficiency, impact and sustainability of an intervention.

A strong M&E system connects objectives, indicators, data and results. It also considers risks, stakeholder perspectives and long-term sustainability.

For International Economic Relations specialists, M&E is an important practical competence because international development projects involve significant financial resources, multiple stakeholders and complex economic and social environments. Effective evaluation helps

ensure that development initiatives generate measurable and sustainable benefits for countries, regions and communities.

Self-Assessment Questions

1. What is the difference between monitoring and evaluation?
2. What are the main purposes of monitoring and evaluation?
3. What are outputs, outcomes and impact?
4. Why is it important to distinguish between outputs and outcomes?
5. What is a baseline, and why is it needed?
6. What makes a development indicator effective?
7. What are the main criteria used to evaluate development initiatives?
8. What is the difference between effectiveness and efficiency?
9. What are the main quantitative and qualitative evaluation methods?
10. Why is the question of causality important in project evaluation?
11. What are the main types of risks affecting international development projects?
12. How can development project risks be managed?
13. What is meant by sustainability of development results?
14. What are the main dimensions of sustainability?
15. Why is local ownership important for sustainable development?
16. How can international development initiatives contribute to the recovery and long-term development of Ukraine?
17. What role do regions and local communities play in international development projects?
18. Why should reconstruction be connected with long-term development?
19. How can the effectiveness of an international development initiative be evaluated in practice?
20. Why is it insufficient to evaluate a project only by the number of activities completed?
21. How can M&E findings be used to improve future development initiatives?

Recommended reading: [2, 3, 7 basic; 6, 8, 9, 11 additional; 1, 5, 6, 7, 9 online resources]

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