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FOR INTERNATIONAL DEVELOPMENT

COUNTRY OWNERSHIP

THE ONLY WAY FORWARD FOR DEVELOPMENT COOPERATION

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"PARTNERSHIPS FOR DEVELOPMENT CAN ONLY SUCCEED IF THEY ARE LED BY DEVELOPING COUNTRIES."

Busan Partnership document, 1 December 2011.

CONTENTS

EXECUTIVE SUMMARY

Aid effectiveness is being driven globally by the Global Partnership for Effective Development Cooperation, born in Busan in 2011. Country ownership is front and centre of this partnership: its first principle is that "Partnerships for development can only succeed if they are led by developing countries". This is the right guiding principle. Developing countries need to drive their own development – it is what they want and country ownership provides value for money, delivers results and improves accountability.

Few would challenge the primacy of partner country ownership of development and of provider support for this but there are worrying signs that in practice it is not progressing and may even be moving backwards. Information on progress since Busan is sparse but the data that is available shows that[1]:

- Budget support has reduced enormously – from US$4 billion in 2010 to $1.3 billion in 2012[2].
- The excellent mutual accountability data from one partner country – Rwanda – shows mixed evidence: overall use of Rwandan country systems has increased (although some individual donors have cut it), but aid reported on-budget has remained stagnant.
- The majority of European member states have not produced a Busan implementation strategy.

At this time, country ownership as the key guiding principle of aid effectiveness remains strong in rhetoric but is dwindling in reality. If the international community allows this crucial concept to remain mere rhetoric, it is more likely to slip away as its attention is divided and other fashions come forward. This would be a huge mistake.

To turn this tide, the July 2013 meeting of the Global Partnership steering committee should:

- ensure that country ownership as the guiding overarching principle of the Global Partnership for Effective Development Cooperation is promoted through the first ministerial meeting in early 2014
- acknowledge and articulate the blockages and risks that have prevented implementation of country ownership up to now, in order to work out how to overcome them
- finalise the set of indicators monitoring implementation of the Busan Partnership Document, with priority given to the indicators relating to country ownership.
- set timelines and targets to ensure demonstrable progress on the Busan indicators relating to country ownership. In particular this means:

  - increasing on-budget aid – this is an absolute basic minimum
  - using country systems as the default option
  - implementing results-based approaches with care, so that partner country governments are in the driving seat of programme design and implementation, in consultation with civil society and parliaments.

All development cooperation providers, and particularly the European Commission and European providers, as the largest bloc, should:

- produce and implement a Busan implementation strategy with a particular focus on supporting country ownership.
- track their implementation of commitments relating to country ownership, and increase the transparency of their data and reporting so that they can be held to account
- act on impediments to ownership based on evidence from partner countries and elsewhere

INTRODUCTION

The idea that developing countries can and should lead their own development is obvious and morally and pragmatically correct. Yet in practice, it is contested and problematic. Development cooperation providers support 'country ownership' in rhetoric. "Partnerships for development can only succeed if they are led by developing countries" is the first principle of the Busan Partnership Document.[3] But the aid effectiveness agenda is moving on, with a danger of losing the country ownership focus. This would be a huge mistake. The international community was onto something, and shouldn't abandon it.

The provider role in country ownership is progressed internationally by the Global Partnership for Effective Development Cooperation. Born in Busan in December 2011, this is the successor to the Paris Process on Aid Effectiveness. This briefing is addressed to the Global Partnership Steering Group that is meeting in Addis Ababa in July 2013. It looks at the importance of country ownership and the evidence that it delivers results and then at progress since Busan. Finally, it makes recommendations to hasten this progress.

WHY COUNTRY OWNERSHIP IS ESSENTIAL

What is country ownership?

'Country ownership' is when developing countries lead their own development – the vision, the priorities, the strategy, the implementation, and where necessary the capacity building to enable this. The Busan Partnership document states that "Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to countries' specific situations and needs."

This is often expressed (for example in the Paris Declaration), with national development strategies as the centrepiece of ownership. These strategies, if properly respected by all stakeholders, are indeed a useful way to guide country-led development. Governments will necessarily coordinate. However, there must also be meaningful participation from beyond government, for example from parliaments and civil society, to ensure democratic accountability. Sometimes country ownership is referred to as 'democratic ownership' to reflect this.

Country ownership is essential for aid effectiveness, for at least four reasons.

Developing countries prioritise it

Developing countries want to have autonomy over their own future rather than have it determined by providers. This was confirmed, for example, in a major recent study by the Overseas Development Institute[4] which included in-depth case studies in Ethiopia, Cambodia and Zambia. All three countries placed a high priority on country ownership. Ethiopia may even reject grants that do not finance priorities in its national plan or those that carry unacceptable conditions or are likely to be long delayed. Cambodia also highly values in country political leadership and is reported to have been assertive with providers. Interestingly, non-Development Assistance Committee (DAC) providers are popular with these three governments due to their policy of non-interference and limited conditionality, and because in all three countries non-DAC providers were found to be better aligned with government priorities owing to their emphasis on infrastructure.

It is value for money

It is reasonable to assume that micromanaging might make results more costly than allowing the implementers to get on with the job, that using existing systems might cost less than setting up new and parallel ones, that a strategic programme will entail fewer transaction costs than many separate projects, and that local partner country contractors will be often be cheaper than ones from rich donor countries.

Evidence confirms these assumptions. For example, a major EU study on the economic benefits of the aid effectiveness agenda found significant savings from programme compared with project approaches, as well as savings from untying aid and from reducing volatility. Whilst not the dimensions that are being focused on most, improving aid predictability increases aid's value by around 15 per cent[6], while untying (allowing the possibility of using local contractors) increases it by 15 to 30 per cent.[7]

It delivers results

A cohesive national development strategy, led by those most closely concerned with the country's development, will deliver development results more effectively in the long term than uncoordinated projects delivered by those who know the country less well. This is especially true in the medium term and with respect to institutional development.

Evidence confirms that country ownership can deliver results. For example, many studies in the health sector – which has been particularly fragmented – have shown the pitfalls of a piecemeal approach and the positive attributes of country ownership of programmes.[8] Another series of studies, *Catalysing Development*, published in 2011 by Brookings, took a historical approach and assessed the experience of Korea, Vietnam, Indonesia and Cambodia. It found strong country leadership to be key in the development of those countries.[9] There are, however, plenty of studies showing development results from aid which does not support country ownership. There are so many complex interacting factors in development that it is impossible to be unequivocal about the reasons.

It can, however, be said with more certainty that providers can only influence development to a certain extent. In the main it has to come from within the partner country, and in this sense, it is clear that country ownership of development is absolutely key. As development economist Owen Barder notes, "lasting political change happens from within, and there is little we can do with our aid programmes to affect it."[10]

It improves accountability

Countries need to be accountable first and foremost to their own people, not to other governments. Country ownership of development supports this, and donors driving development undermines it.

The EU Millennium Development Goal contracts – results with country ownership

The EU Millennium Development Goal (MDG) contracts provide budget support in eight African countries. Fifteen per cent of which is only disbursed following improvement in MDG indicators. The programmes are a long (six-year) commitment, to allow time for results to come through. The countries themselves design the programmes. The MDG contracts use only country procurement systems. This means the aid supports country ownership, but at the same time there is built-in accountability and an incentive to deliver results.

There are still some issues with the MDG contracts, however. Countries have to meet eligibility criteria to receive this kind of aid, including the existence of a Performance Assessment Framework which may include arguably inappropriate indicators such as an improved investment climate. There is a reasonable degree of transparency, but no mutual accountability mechanism, and inadequate multi-stakeholder dialogue.

PROVIDER POLICY AND COUNTRY OWNERSHIP

How can provider policy contribute?

If developing countries should drive their own development, the role of aid providers is to contribute aid in ways that afford developing countries autonomy in prioritising and implementing development, and to support work to build their own capacity. Examples of how providers support country ownership include: reporting all aid to the government in a transparent way so they can plan and coordinate; providing it for purposes prioritised in the national development strategy; and using the country's financial and accountability processes. Examples of how providers undermine country ownership include: attaching policy conditions to aid; earmarking it for provider priority areas; and sending an unrequested foreign team to run a project.

Country ownership does not mean abandoning concern for results or accountability. Partner country governments need to be accountable first and foremost to their own people through transparent budgeting and spending, through parliamentary scrutiny processes and by demonstrating progress against the national development plan. These same processes can demonstrate to providers that they are getting results from their aid.

The Global Partnership includes several proposed indicators of provider progress in this area. These include two key areas that were also reported in a similar fashion during the Paris process:

1 the proportion of development cooperation reported in partner country annual budgets (and approved by parliaments). This is a basic indicator and a key aspect of aid transparency.[11] It does not necessarily mean providers operating through the government, it simply means letting governments and their parliaments know what is happening. Without this information, recipient countries have no chance of owning their own country's development, and it is an important focus because progress has been extremely modest.

2 the extent to which country financial and procurement systems are used by providers. This is important because it reduces transaction costs and helps to build capacity in these systems. Furthermore, over half of aid flows are spent on procuring goods and services[12]; if country systems are used the chance of local firms being contracted is dramatically enhanced. This has additional development benefits, in the form of jobs for local people.

There is also a proposed Global Partnership indicator, introduced for the first time - the extent of use of *country* results frameworks by cooperation providers. However, the Paris indicator on programme-based approaches (those which provide finance for government budgets rather than for individual projects) has been dropped.

This briefing looks at aid on budget, use of *country* systems, and budget support, as apposite proxies for which data is also available.

Where were we before Busan?

After donor imposition of extensive economic policy prescriptions during the 1980s and 90s, there emerged a strong consensus that country ownership was key to development. This led to it being a key theme in the Paris process. Some providers (for example, the UK) and partner countries (for example, Tanzania, Rwanda) led the way on implementation. Overall, however, little progress was made, as Table 1 shows.

Table 1: Paris Monitoring Survey figures for some key indicators for selected providers

	Aid reported on budget % 2005[14]	Aid reported on budget % 2010	Aid using country systems %[15] 2005	Aid using country systems % 2010
Overall	44	45	40	48[16]
Denmark	49	68	36	71
EC institutions	58	61	41	55
France	45	41	43	63
Germany	53	53	34	52
Norway	61	46	65	85
Sweden	35	55	46	73
UK	50	48	76	74

Where are we now?

The idea of country ownership is still prominent. It leads the Busan Partnership Document and is also in evidence throughout it; it remains one of the overarching themes of the Global Partnership for Effective Development Cooperation. The Busan Partnership Document[17] includes 'ownership of development priorities by developing countries' as the first principle providing the foundation for effective development cooperation, and deepening 'democratic ownership' as the first action. It also refers to country ownership throughout the sections relating to specific implementation. For example, results frameworks are to be 'country-led', using country systems is to be the default approach for development cooperation, coordination efforts are to be country-led, and developing countries are to lead efforts to strengthen institutions. The proposed indicators incorporate country ownership throughout.

However, there are also many pressures in the opposite direction, which tend to dilute the previous provider enthusiasm for country ownership. Pressure on aid budgets resulting from northern economic problems has sharpened the desire for visible short-term results, attributable to individual providers. It has also led donor governments to actively try to bring other providers – notably from the private sector – into the aid effectiveness tent. Geopolitical shifts mean that relationships between donors and fast-rising large developing countries are changing rapidly, resulting in a more complex aid landscape. There is also an intellectual and political tendency to focus more on developing countries' own (poor) institutions and governance than on the ways the whole global community interacts, to help or hinder development. This swings towards a view that provider intervention in developing country governance is required to generate progress.[18] This is unfortunate given most providers' dire performance against the Paris indicators that they agreed, and also their lack of policy coherence for development.

What progress since Busan?

County ownership is the bedrock of development, because it delivers results, it provides value for money, and it is something developing countries want. The importance of country ownership has been international consensus for more than a decade, and the Busan meeting reconfirmed this importance. So what progress has been made since Busan?

The answer appears to be, not much. In fact, in some ways the international community may even have gone backwards.

Rhetoric on aid has changed dramatically in the last few years, with a new primacy for demonstrable results. A 2011 survey of provider and NGO workers highlighted pressure to demonstrate results as the biggest change of recent years.[19] Development results are clearly desirable, and as shown above, concern for results can support country ownership as long as the partner country owns its results framework and designs its own development programmes. But if the results framework is imposed from outside the partner country, it can instead dramatically undermine ownership, skewing priorities, imposing transaction costs and reducing domestic accountability.[20] Similarly, several providers have cut budget support publicly stalling capacity development.

So far, there is little comprehensive data to show whether the international community is moving forward on its commitment to country ownership of development, or whether it is letting this essential concept slip. The Busan meeting was nearly two years ago, and monitoring has been slow – even the indicators are not yet finally agreed. The data that does exist, from other sources, is not encouraging.

Information from providers

Budget support is one of the few figures that is published annually with a breakdown by provider, that can be used as a proxy for commitment to country ownership. Global budget support has been reduced very dramatically from $4.4 billion in 2010, to $3 billion in 2011 and only $1.3 billion in 2012.[21] Several providers who were previously champions of budget support have cut it significantly (as shown in the chart below) in 2011, 2012 or both. This includes Denmark, who states in their aid strategy that they intend to enhance use of budget support.[22] Similarly, UK aid is tracked by several aid effectiveness indicators, similar to the Busan indicators. They include national leadership in managing or coordinating projects, use of country systems, and using a programme based approach (using the Development Assistance Committee definition, which is wider than budget support). According to these indicators, since 2008 and up to 2012, use of country systems has fallen by 17 per cent.[23]

Table 2: Change in budget support levels overall and by provider

Provider	2010 $US billion	2011 $US billion	2012 $US billion
All bilateral	4.4	3.0	1.3
Denmark	0.10	0.10	0.07
EU institutions	2.98	2.31	2.39
Norway	0.14	0.09	0.09
Sweden	0.15	0.15	0.14
UK	1.04	0.89	0.68

PROVIDER POLICY AND COUNTRY OWNERSHIP

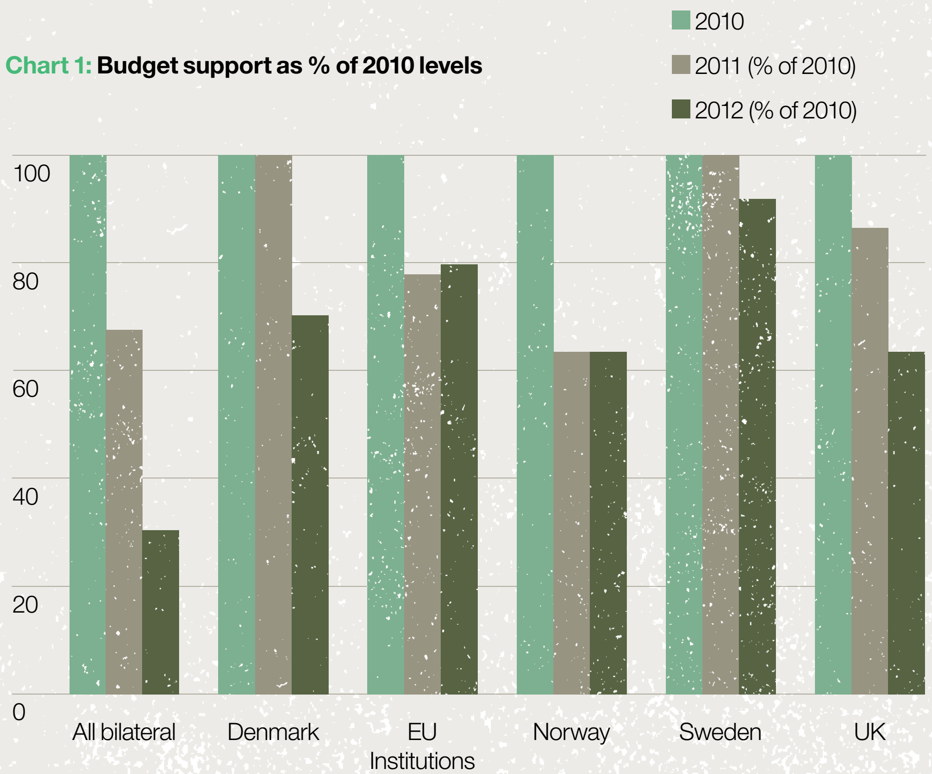
Budget support – not a simple matter
Budget support is aid that goes directly to partner country governments to finance their programmes. It may go to the Finance Ministry ('general' budget support) or be earmarked for particular sectors. It is usually accompanied by policy dialogue with providers, often as a group and a matrix of performance indicators. Budget support has always been a small proportion of overall aid, but its use was increasing rapidly until 2011/12.

There is a considerable body of evidence showing that budget support delivers development results, in countries where there is a commitment to attaining these results. Evaluations from the OECD, the EU, think tanks and NGOs show budget support increasing the volume of service delivery, especially in basic education and health; improving planning and financial management, and strengthening government accountability.[24]

For developing countries which are strongly leading their national development strategy, budget support can be the ideal aid modality to support their ownership and reduce the transaction costs of aid. Recent evidence suggests that countries might be deciding that their interests are not always best served by negotiating with providers as a block. At the same time, non-traditional providers increasingly represent choice of finance provider. Providers are becoming more wary of using an aid modality where they cannot demonstrate clearcut results from their own aid alone, and where they need to work to allay their own and their electorate's concerns about corruption and wastage.

Despite these complexities, and the fact that budget support is not always the aid modality of choice, it still provides a proxy for provider support for country ownership which is measured globally; this is how it has been used in this paper.

Chart 1: Budget support as % of 2010 levels



Information on mutual accountability – the Rwanda Donor Performance Assessment Framework

Rwanda is a global leader on mutual accountability. As part of this, it assesses providers annually against aid effectiveness targets, and publishes the findings online.[26] It appears to be the only country, so far, to do this; detailed Rwandan data is used in this report because similar data from other partner countries is not yet available.[27]

In 2012, this assessment showed several things, giving a mixed picture on the country ownership afforded by providers.

- Use of Rwandan country systems, including budget procedures, auditing procedures, financial reporting systems and procurement systems, has improved significantly. This is mainly due to an increase in World Bank support to the country, and also to the Global Fund to fight AIDS, TB and malaria which in 2012 started to use Rwanda's country systems for the first time. Use of country systems has also increased for providers such as the UK and Sweden, but conversely has decreased for the European Commission and Germany.

- Budget support has increased slightly, but there is a note in the report that it is expected to decline significantly in 2013. This will mean a concurrent decrease in use of country systems. In line with the Busan framework, programme aid is no longer used as a headline indicator in Rwanda's framework.
- Aid reported on the government budget has actually decreased very slightly. This may be due to an anomalous occurrence rather than a trend; however, at 63 per cent it is far below either the Paris target of 100 per cent or the Rwandan government target of 85 per cent.
- Political will to implement the Busan Partnership has been sluggish, in the EU (former world leaders on aid effectiveness) as much as anywhere else. In June 2013 European NGO network CONCORD AidWatch surveyed European member states and found that the majority have no implementation strategy for Busan, and do not have plans to develop one.[29] Even the EU institutions have no Busan implementation plan. Little further information is available to monitor the detail of EU states' aid effectiveness work.

Table 3: Change in overall and specific providers' aid against key country ownership indicators in Rwanda

	Disbursed using country systems FY 10/11 and FY 11/12	Aid on budget
Overall	Up 50% to 65%	Down 64% to 63%
EU	Down 87% to 70%	Up 71% to 95%
UK	Up 77% to 94%	Constant at 85%
Sweden	Up 69% to 73%	Down 92% to 13%[28]
Germany	Down 69% to 62%	Up 67% to 74%

Chart 2: Change in percentage of Rwandan aid using country systems

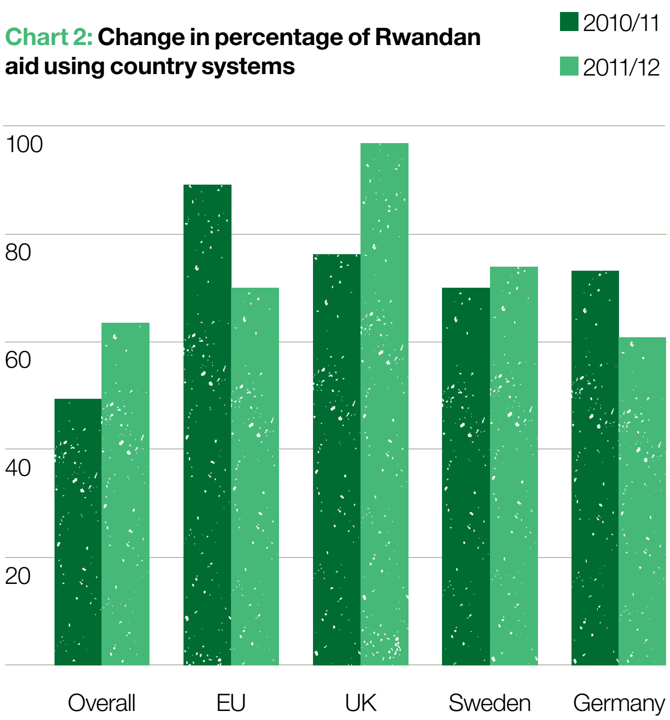
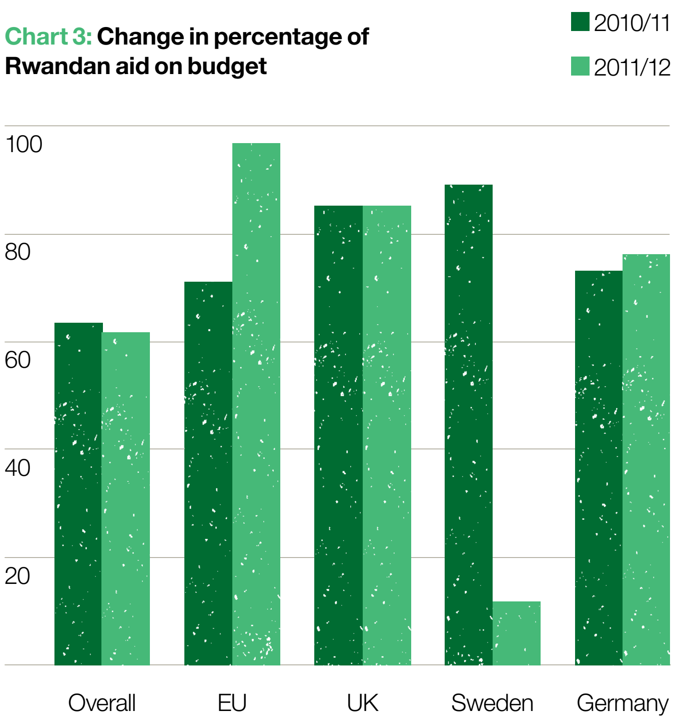


Chart 3: Change in percentage of Rwandan aid on budget



CONCLUSIONS AND RECOMMENDATIONS

There is widespread national support for country ownership of development, based on solid reasoning and evidence and the realpolitik that it is something developing countries prioritise and prize. However, the global economic and political climates are changing, leading to different imperatives and fashions. It would be a major setback for development if the implementation of country ownership were to be lost amongst all these changes.

While early evidence is very limited, it does appear that this roll back may be beginning. Evidence since the Busan meeting, from global aid data, from a partner country assessment of providers under the mutual accountability framework, and from a detailed analysis of one provider's aid, all show some concerning trends.

However, implementation of the Global Partnership born in Busan is at an early stage and it is still possible to ensure that the country ownership so strongly committed to can become reality, with providers genuinely supporting developing countries to drive their own development. 2013 provides a significant window of opportunity. This applies to the broader context for development cooperation, for example the ongoing discussions on the post-2015 Framework. It is also an opportunity to make progress in the specific context of the Global Partnership to progress the effectiveness agenda. The early 2014 Global Partnership Ministerial meeting will be a key moment to assess progress and to renew political ambition. With this deadline in mind, the July 2013 meeting of the Global Partnership steering group should:

- ensure that country ownership as the guiding overarching principle of the Global Partnership for Effective Development Cooperation is promoted through the first ministerial meeting
- Acknowledge and articulate the blockages and risks that have prevented implementation of country ownership up to now, in order to work out how to overcome them
- finalise the set of Busan indicators, with priority given to the indicators relating to country ownership
- set timelines and targets to ensure demonstrable progress on the Busan indicators relating to country ownership. In particular this means:
  - increase on-budget aid – this is an absolute basic minimum
  - use country systems as the default option
  - implement results based approaches with care so that partner country governments are in the driving seat of programme design and implementation, in consultation with civil society and parliaments

All development cooperation providers, and particularly the European Commission and EU endorsers as the largest bloc, should:

- produce and implement a Busan strategy with a particular focus on supporting country ownership
- track their implementation of commitments relating to country ownership, and increase the transparency of their data and reporting so that they can be held to account on their implementation
- act on impediments to ownership based on evidence from partner countries and elsewhere

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[1] Detailed information on all these points is in the main body of the report

[2] These figures include general and sectoral budget support

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[9] Killen B opcit

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[11] See www.publishwhatyoufund.org

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[13] OECD (2011) *Paris Monitoring Survey*. The figures used are from the 32 countries that took part in the 2005 survey, to enhance comparability.

[14] This is reported in the Paris Monitoring Survey 2011 as 'aid flows are aligned on country priorities'; aid reporting on budget is the target used and therefore the measured information

[15] An average of the figure for country financial systems and procurement is used.

[16] This figure is progress on using country public financial management systems, not procurement systems

[17] *Busan Partnership for Effective Development Cooperation* (2011), 4th high level forum on aid effectiveness, Busan, Republic of Korea, 29 November to 1 December 2011

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[25] Greenhill (2013) op cit

[26] Republic of Rwanda (2013), *Donor Performance Assessment Framework FY2011/12*

[27] This study focuses in particular on the information in Rwanda's mutual accountability framework. It makes no attempt at any kind of overall assessment of Rwandan's development, or donor policy in relation to this.

[28] May be anomalous

[29] Concord *Aidwatch* (2013) AidWatch Report 2013 (forthcoming)

“DEVELOPING COUNTRIES NEED TO DRIVE THEIR OWN DEVELOPMENT.”

(taken from this report)

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