

REPORT

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Ownership in Practice

Informal Experts' Workshop

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This **Report** is designed to give readers an overview of discussions at the Workshop. It does not represent a consensus view of the participants, but highlights some of the main messages that could be carried forward to a number of major international conferences in 2008.

The Report will also serve as a basis for a Chapter in the OECD Development Centre's next volume of "Financing Development", which will be launched on 20 May 2008.

We welcome comments.

A Workshop on Ownership: Why, and Why Now?

This Workshop, organized as part of the OECD Global Forum on Development, set out to examine the popular but elusive principle of developing-country ownership. Ownership means many things to many people. However, no matter what meaning it is given, the principle is widely recognized as a precondition for effective aid – and for development in general. Unfortunately, if our discussions in previous Global Forum events are anything to go by, ownership remains far from a reality in developing countries, and policy makers are looking for guidance on how to put this principle into practice. The aim of this Workshop was thus not to find consensus about the meaning of ownership, but to share perspectives and experiences on how the principle is being put into practice in developing countries.

The ownership principle lies at the heart of the Paris Declaration on Aid Effectiveness, the implementation of which will be scrutinized at the 3rd High Level Forum on Aid Effectiveness, to be held in Accra, Ghana, on 2-4 September 2008. A workshop on the principle was thus timely, especially in view of other international meetings on development finance next year, including the International Forum on Civil Society Organisations and Aid Effectiveness (Ottawa, 3-6 February), the 2nd Annual Plenary of the OECD Global Forum on Development (Paris, 21 May), the UN ECOSOC Development Cooperation Forum (New York, July) and the UN Follow-up Conference on Financing for Development (Doha, late 2008).

Discussions were led by more than 30 experts from developing countries, including representatives of governments, parliaments and a wide variety of civil society organizations. The sessions were guided by a set of 12 country case studies, commissioned through the Development Finance Network (DEFINE), an informal, global network of think tanks working on development finance. Two DEFINE members played active roles in commissioning papers: the IBON Foundation from the Philippines and the North-South Institute, Canada. We also worked closely with Advisory Group on Civil Society and Aid Effectiveness, and enjoyed the support of the French Ministry of Foreign Affairs in organising the meeting.

As outlined in the Annotated Agenda (available at www.oecd.org/development/globalforum), participants were asked to reflect on two dimensions of ownership. As part of a debate about “country leadership”, they discussed why poor-country governments have had such a hard time taking charge of their relationships with donors. As part of a discussion on “democratic ownership”, they took a close look at how civil society and parliaments can help broaden a country’s ownership of its development strategies.

This Report will consider the issues of country leadership and democratic ownership in turn, and conclude with a look ahead at the Accra High-Level Forum on Aid Effectiveness.

The donor-recipient relationship: are policies country-owned but donor-driven?

The Annotated Agenda of the Workshop called for a focus on practical questions related to donor-recipient relationships. Participants were asked who really designed and implemented development strategies, and who monitored their implementation. If developing countries did not lead this process, was it because of capacity gaps within their administrations, or did the blame lie with donors’ continued use of conditions to impose their own priorities? While these questions certainly incited a rich exchange of ideas, it became clear from the outset that one could not discuss the practice of ownership without first examining its meaning.

A critique of ownership in the international discourse

The Paris Declaration has been praised widely as an unprecedented international recognition of the need for national leadership. The Declaration defines ownership as developing countries exercising “effective leadership over their development policies and strategies”. Developing-country signatories commit to translate these strategies into prioritised, results-oriented operational programmes, expressed in medium-term expenditure frameworks and annual budgets. Donors, for their part, commit to respect partner-country leadership and help strengthen their capacity to exercise it.

While many Workshop participants shared a positive view of the Declaration, some were highly critical of the international discourse on ownership. They claimed that the term had become a euphemism for the adoption by developing countries of externally-conceived policies: development policies might be country-owned, but remained donor-driven.

This criticism was evident in a discussion about the Paris Declaration’s indicator on ownership. While participants agreed that it was difficult to find a satisfactory indicator for a process that was essentially organic and time-consuming, some participants regretted that the indicators used were not sufficiently country-owned. They doubted whether ownership could be measured by the existence of a strategy document that had gone through a lengthy negotiation process with donors. The critics argued that, had Southern perspectives played a more important role in defining the aid effectiveness agenda, greater emphasis would have been placed on the principles of sovereignty and self-determination, neither of which were guaranteed by the existence of a Poverty Reduction Strategy Paper (PRSP). Furthermore, they challenged the legitimacy of a donor-driven monitoring process: a country’s ownership was being measured primarily by the World Bank through its Progress Report on the Comprehensive Development Framework.

In response to these criticisms, some advocates of the Declaration argued in favour of a more pragmatic approach. They agreed that ownership may be hard to measure, but claimed that, if donors were to align their assistance more strongly with national priorities, there needed to be an operational strategy with which to align. In the absence of an alternative to the PRSP process, the current monitoring exercise provided the best possible measurement of whether developing countries were taking the lead in defining their priorities.

How different forms of conditionality affect ownership

For its critics, conditionality has come to symbolise the imbalance of power between donors and recipients. In principle, all conditions attached to aid agreements restrict the freedom of developing countries to choose their own development policies. This would imply that conditionality and ownership are never compatible. The Workshop discussions, however, took a more differentiated approach, distinguishing between different types of conditionality and arguing that, in certain circumstances, conditions were justifiable. In particular, participants compared policy-based, process-based and performance-based conditionality.

Policy-based conditionality undoubtedly remains the most heavily criticised form of conditionality. The ownership paradigm arguably emerged following the recognition that structural policy conditions included in aid agreements in the 1980s and 1990s had not led to the desired results. Some participants argued that policy conditions obliged governments to be accountable to donors and discouraged the engagement of citizens in policy debate. Indeed, such conditions provided a common scapegoat to governments wanting to implement unpopular policy measures. Controversially, a second group of participants claimed that policy conditionality could reinforce ownership in certain circumstances, for example when it helped lock in and accelerate urgent reforms that did not yet have broad local support.

While the number of explicit economic policy conditions in aid agreements appears to be in decline, support for other kinds of conditions remains strong. For example, many of the staunchest opponents of economic policy conditions support conditions that demand recipient-country governments to

protect human rights and to engage more with their citizens. The advocates of such conditions argue that, as long as there is good governance in public policy (and in the use of aid), governments should be free to choose policies that might differ from those preferred by donors.

Such **process-based conditions** appear to be compatible with ownership and recipient-country policy space. At the Workshop, however, not all participants agreed. Several participants warned that imposing conditions on the engagement of CSOs in the policy process simply added to the procedural burdens faced by developing countries in getting access to funding. Sceptics of such conditions also doubted whether human rights and democratic processes could be encouraged by conditions in an aid contract. They argued that governance conditions had simply led to a “box-ticking” approach to civil society participation. Process-based conditions ought thus to be kept to a minimum, allowing aid agencies to meet their administrative and financial reporting requirements.

Performance-based conditions tie the disbursement of aid to the achievement of results or outcomes. Participants agreed that such conditions were better at promoting ownership than other types of conditions, giving developing countries a high degree of freedom in choosing policies and process. Proponents of performance-based conditions argued that, with results being agreed from the outset, it was also a more transparent form of conditionality, allowing countries to gauge the volumes of future aid flows and plan with them.

Support for such conditions, however, was not unanimous. Critics argued that, since performance was often subject to external shocks lying beyond the control of developing-country officials, linking aid solely to results could prove to be harsh and inflexible. Moreover, results-based conditionality could stifle innovation by discouraging policy makers from experimenting with unproven, more risky approaches.

In view of these criticisms, participants agreed it was important to maintain flexibility in the use of performance-based conditions. Risks could be mitigated by introducing safeguard clauses into aid agreements, ensuring financial liquidity in the event of external shocks. Confirming the outcomes of the Informal Workshop on “Performance and Coherence in Multilateral Development Finance” (held in Berlin on 29-30 January 2007), participants also pointed out that further work was needed in defining and measuring results. Better statistics and data management were needed in order to improve the evaluation of programmes financed through aid.

In general, participants agreed that past experience with conditions had shown that they needed to be applied with greater thought and sensitivity for developing-country circumstances. As in previous Global Forum meetings, participants referred back to the Marshall Plan that governed US aid for the reconstruction of Europe following the Second World War. Administered by the Organisation for European Economic Cooperation, later to become the OECD, the successful Plan was based on peer pressure and policy space. Some participants, while agreeing that comparisons of 21st Century Africa with 1950s Europe were fraught with difficulties, argued that the aid community could learn important lessons by looking back further than one “aid paradigm” at a time.

Strengthening ownership through local knowledge

In line with the new international discourse on aid, embodied by the Poverty Reduction Strategy Papers and the Paris Declaration, many developing countries claim to have taken greater ownership of their policies. Indeed, the Workshop case studies on Vietnam and Indonesia constituted examples of countries that had taken a strong lead in determining policies and coordinating donors. In both cases, this increase in leadership had been promoted by the emergence of new sources of development finance. New official donors, such as China and Venezuela, and new commercial lenders have increased the options available to developing countries, reducing their dependence on traditional donors with unfavourable demands.

However, participants also cited several counter-examples of countries that, despite low levels of aid dependence, remained willing to follow donor policy prescriptions. The Nigerian case study revealed

that even countries with significant financing alternatives were heavily influenced by the guidance of donors – in Nigeria’s case the International Monetary Fund.

Several participants agreed on one of the reasons for this donor influence: knowledge imbalances. Historically, donors had produced, legitimized and, ultimately, “owned” the knowledge that fed into development policy. This dominance of donor knowledge over local knowledge had reduced space for the generation of alternative policy frameworks. According to this point of view, the Bretton Woods Institutions maintained a strong hold on knowledge production, and continued to play too dominant a role in the drafting and approval of Poverty Reduction Strategies. Participants also pointed the proliferation of donor initiatives and aid instruments as a phenomenon that further strained the capacity of developing-country administrations to design local policies and coordinate their development finance system.

Participants discussed best practices in developing alternative policy frameworks, welcoming the case study of Bolivia, which, following two decades of stringent policy advice from Washington in the 1990s, had created a National Development Plan (NDP) without significant consultations with donors. Some participants proposed more systemic changes to foster the generation of indigenous knowledge. In particular, they suggested an improvement in knowledge sharing between developing countries themselves. This could be achieved by strengthening the role of regional organizations, or even by creating a “Southern DAC” where aid recipient countries could share knowledge about best practices and benchmark progress against them.

There were also several recommendations for donors seeking to foster home-grown solutions. For a start, participants agreed that a change in staff culture would be required in donor field offices, where awareness of the principles of aid effectiveness remained insufficient. Aid agencies were called on to communicate better about aid effectiveness to their field staff. Some participants also called for a change in the technical expertise required of donor field staff. They argued that, rather than qualified economists who tended to develop and propose their own solutions, agencies ought to send professional facilitators to the field, with the task of brokering policy discussions among local stakeholders. In line with such a change, agencies’ policy experts could be based in donor capitals, providing services to developing-country officials only “on demand”.

Participants agreed that developing-country governments and donors alike could boost ownership by supporting local think tanks in the production and dissemination of knowledge, applied research and policy recommendations. The experience of think tanks in Latin America, including those created with international support in politically hostile circumstances, was cited as an example that could be followed in other developing regions. Participants shared several ideas on how to support think tanks while preserving their intellectual independence from donors and government. They agreed that a diversification of funding sources would help foster independence and posited the idea of permanent endowments, funded by official donors, and local and international foundations.

Proposals to foster local knowledge linked well to discussions about the role of civil society organisations in broadening domestic ownership.

Civil society and aid effectiveness: new recognition, and new responsibilities

In introducing the theme of “democratic ownership” for the Workshop, the Annotated Agenda attempted to focus on the practical roles of civil society in the development finance system. Participants were asked to what extent local non-state actors were engaged in the drafting, implementation and monitoring of policies related to development finance. They also discussed ways in which governments and external actors could support broad-based country ownership of the development finance system.

Civil society: is there enough recognition in the Paris Declaration?

Along with ownership, civil-society participation in the formulation of development strategies has emerged as a defining principle of aid effectiveness in recent years. At the heart of the call for greater participation is the view that aid will be most effective if its ultimate beneficiaries are consulted and engaged in defining its priorities. CSOs are often credited with a proximity to the beneficiaries of aid, giving them practical insights on how aid can be delivered most effectively. In proposing locally-specific solutions to development problems, CSOs can support governments in generating country-owned development strategies.

The roles of civil society organizations, however, extend well beyond their ability to represent the beneficiaries of aid in discussions on development strategies. CSOs' diverse roles are currently being explored by the Advisory Group on Civil Society and Aid Effectiveness, bringing together governments and CSOs from North and South in a series of national, regional and international consultations. The Advisory Group is drawing attention to the fact that CSOs have become major donors of private aid, as well as being one of the most important channels of official development assistance.

Participants at the Workshop also examined the important role of civil society actors and representative institutions such as parliaments in monitoring government policies. Participants agreed that developing country ownership would be much stronger if parliaments had a greater role in overseeing development plans, policy frameworks and national budgets. Drawing on examples from Bangladesh and Zambia, participants also discussed the local media's potential to act as a space for policy debate and organize public forums, or to contribute to the policy debate themselves through investigative journalism, pressuring governments into better decisions.

Participants pointed out that, in addition to capacity gaps and lack of financial resources, many CSOs were still faced with extremely hostile environments in which human rights were under threat. The right to assemble and freedom of information, for example, remained insufficiently protected in many countries. This was the case not just in the large number of fragile-state environments, but also in countries with comparatively strong institutional structures.

At the Workshop, several participants agreed with the Advisory Group's thesis that the diverse roles of CSOs require greater recognition and encouragement in international policy documents such as the Paris Declaration. Participants criticised the Declaration's state-centric approach to aid effectiveness. While they welcomed the fact that participatory approaches were referred to throughout the document and were subject to specific commitments, they regretted that signatories had not agreed to set any targets in order to encourage such approaches. These participants also observed that the monitoring of the Declaration's only ownership-related indicator, which requires countries to have "operational development strategies", was linked to the World Bank's assessment of countries' Poverty Reduction Strategy Papers (PRSPs). The PRSPs had been accused of taking a tokenistic approach to civil society engagement.

These criticisms of the Paris Declaration were not shared by all participants. Several defended the Declaration's focus on intergovernmental relationships, arguing that recipient-country governments and donor agencies were ultimately responsible for effective aid, and were accountable to taxpayers for it. These participants also questioned the legitimacy of CSOs as representatives of citizens. Others disagreed, argued that representing society in a consensual manner was not necessary to give CSOs legitimacy; rather than challenging CSO participation as such, their engagement ought to be determined according to whether it was appropriate in given circumstances.

This discussion proved difficult to separate from a fundamental debate about the developmental state. Whilst some participants viewed the state, or government, as the pivotal (and only legitimate) actor in development, others took the view that democratic processes and social empowerment were preconditions for development.

With recognition come responsibilities

While disagreeing about whether the Paris Declaration ought to recognise and promote the role of civil society organisations in policy processes, participants did agree that these organisations had become important players in the aid system. In light of this agreement, several experts drew attention to the “flipside” of greater recognition of CSOs: the need for greater transparency and accountability in their activities. Participants argued that many of the larger non-governmental organisations were not subject to sufficient scrutiny and had engaged in too little self-reflection.

Several participants even asked to what extent non-governmental organisations (NGOs) might apply the Paris Declaration to their own activities and relationships. In particular, participants discussed the relationship between international/donor NGOs and local NGOs, and pointed out that this relationship often mirrored official governmental relationships, with international NGOs imposing priorities on Southern counterparts and neglecting local specificities in their aid programmes and projects. A number of Northern NGOs were also accused of relocating to the South in order to maximize their funding opportunities, in effect undermining the funding opportunities of local NGOs.

These criticisms of Northern NGOs were coupled with a call for them to concentrate their activities on donor countries, where they could advocate for better donor policy, identify funding for Southern counterparts and act as interlocutors between national and international policy dialogue. Several experts argued that Northern NGOs ought to limit their activities in developing countries to supporting Southern knowledge and capacity, in order to build pressure for better government policy.

According to several participants, Southern civil society organisations also had new responsibilities in supporting developing-country ownership. For a start, better collaboration between CSOs was needed as they developed their capacity to act as watchdogs and forces for change. Participants put forward a number of good-practice examples of such collaboration, drawing on the organization of public forums in Bangladesh and on collaboration in the agrarian sector in the Philippines.

Donor help remains crucial for democratic ownership

Participants agreed that donor help remained crucial if local organizations were to play a stronger role in promoting developing-country ownership. The media, think tanks and parliaments required greater capacity to understand and engage in policy dialogue on a sustainable basis. Strengthening the substantive and fiduciary oversight of parliament and the quality of media reporting would require high levels of financial investment. Taking the example of aid effectiveness, participants pointed out that many organisations remained unaware of the principles of the Paris Declaration, preventing them from engaging in national debates about the monitoring and implementation of the commitments.

There was further agreement that, in order to act as effective watchdogs of government policy, the media, think tanks and parliaments required independence from both governments and donors, and that this included both financial and professional autonomy. Participants drew attention to the challenges faced by NGOs that had service-delivery contracts with governments. Where these contracts were not at arms’ length, NGOs risked being perceived as coopted and thus losing their legitimacy as watchdogs.

Participants were not unanimous about the best way in which donors could support local CSOs. Some called for donors to investigate the possibility of providing core funding or endowments to CSOs. Others claimed that this form of support would undermine efforts at harmonising aid and would simply lead to the creation of parallel implementation units for aid delivery. Regardless of the approach taken, it appeared clear that donors needed to develop clearer policies and models for supporting CSOs.

Discussing the unique case of parliaments, some participants suggested that they be allocated earmarked proportions of national budgets. In addition to financial support, however, participants called for more government and donor respect for parliamentary functions. Accordingly, they

suggested that governments and donors send important documents (e.g. partnership agreements, project proposals, reports and evaluations) to parliament for scrutiny, discussion, and approval.

Looking ahead: to Accra and beyond

As was seen above, the value of the Paris Declaration remains hotly debated by development experts. Linked to this is the question of what can be achieved at the 3rd High-Level Forum in Accra (2-4 September 2008). While some critics regard the Declaration as a “technocratic fetish” in need of new substantive indicators on issues such as gender, human rights and democracy, signatories are highly unlikely to revise the text or negotiate new targets. Defenders of this approach welcome the Declaration’s emphasis on process and argue that there is no point in duplicating existing substantive international policy documents, including the Millennium Declaration and other UN conventions.

Even if the Declaration itself remains untouched, the Accra Action Agenda, due to be agreed at the Forum, provides an opportunity for policy makers to come to a deeper understanding of the concept of developing-country ownership. The Forum being held in a developing country, one might also hope that developing country perspectives will play a strong role in defining the Agenda: our Global Forum discussions have taught us that this is what is needed most for ownership to be put into practice.

The Agenda could include an engagement to explore results-based conditionality as a form of conditionality that, with safeguards, can encourage country-led development policies. It could recommend that donors and governments support local think tanks in generating home-grown ideas for development. In reiterating state leadership of the development process, it could also underline the importance of local democratic processes, and highlight some of the needs of parliaments, the media and non-governmental organisations in acting as effective watchdogs of government policy. Progress in these areas would not only help deepen ownership, but would also help governments meet the Declaration’s existing targets on harmonisation, alignment, results and mutual accountability.

Following the Accra Forum, the UN Follow-up Conference on Financing for Development, to be held in Doha, Qatar, in late 2008, will provide a further opportunity for the international community to discuss how to raise development finance and render it more effective. The Doha Conference will assess progress in implementing the 2002 Monterrey Consensus, which covers sources of development finance beyond aid, including domestic resources, investment and trade.

Discussions at our Workshop suggested that focusing on these flows, rather than aid, might well be a rewarding exercise for decision makers seeking to put ownership into practice. Aid may remain inherently donor-driven, but domestic resources, backed by a well-monitored fiscal and budgetary policy, are inherently country-owned.