

Country Ownership: a Term Whose Time Has Gone^{* **}

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Words matter. They can enlighten or obscure. Jargon is an example of the destructive use of words. It creates artificial barriers to understanding and participation and through that obscurity rents that the insiders can appropriate. Scientific disciplines, professions and institutions all have their own jargon. So do the International Financial Institutions (IFIs) and Multilateral Development Banks (MDBs). The term 'Country Ownership' and the associated adjective 'country-owned' has become a particularly pernicious example of politically correct IFI-speak. It may have been a useful term at some point; it has been used and abused in so many ways to gloss over realities deemed uncomfortable and to create a pleasant buzz to distract the uninformed and unwary, that it now needs to be put out of its misery.

Country Ownership is a property of programs, plans or strategies involving both a 'domestic' party (generally a national state) and a foreign party, and particularly of the conditionality attached to these programs. The foreign parties I have in mind are the IFIs – the IMF, the World Bank, the Regional Development Banks and other multilateral institutions. However, most of what I have to say applies equally to bilateral relations between a developing country and a developed donor country and to the relationship between the EU and developing countries and emerging markets. The programs I in question include the Poverty Reduction Strategy Papers (PRSPs) and Interim Poverty Reduction Strategy Papers (I-PRSPs) and the consultative processes associated with it, co-managed by the World Bank and the IMF, the IMF's Poverty Reduction and Growth Facility (PRGF), the World Bank's and IMF's Highly Indebted Poor Country Initiative (HIPC), The World Bank's Country Assistance Strategies (CAS), the World Bank's Low Income Countries Under Stress Initiative (LICUS), IMF Standby Arrangements, World Bank Structural Adjustment Facilities (SAFs), Structural Adjustment Loans and Sector Adjustment Loans (SALs) and a range of similar stabilisation, structural adjustment and reform programmes.

"Country ownership" can refer to a number of dimensions of the multidimensional relationship of the domestic party to the program and its conditionality. Specifically, it can mean one or more of the following:

- 'The country has designed and drafted the program', or its weaker siblings ranging from 'the country has had a significant involvement in the drafting and design of the program' to 'the authorities of the country were informed of the program after it had been drawn up by other parties, typically the World Bank and the IMF'.
- 'The country agrees with the objectives of the program'.
- 'The country believes that the implementation of the program as envisaged will achieve the program's objectives'
- 'The country implements the program', or its weaker siblings ranging from 'the country plays a significant role in the implementation of the program' to 'the authorities of the country are kept informed of how and when the program has been implemented'.

Until this point I have gone along with the sloppy usage of the word 'country' as referring to a single purposefully acting agent. This anthropomorphic approach obscures reality and confuses the argument. Who or what is or are 'the country' that owns the program, in any of the four senses just referred to?

A country is made up of populations ranging from the tens of thousands to the billion plus. All countries, even the smallest and most homogeneous – racially, ethnically, culturally, religiously etc. – contains many individuals and groups with diverse, often divergent and conflicting views, interests, policy objectives and programs. Under what circumstances and how can the concept of country ownership be relevant to a country with a myriad of heterogeneous and often conflicting views and interests?

If the country has institutions for political and economic governance that are representative and legitimate, there may be a limited number of national representative voices that can claim with some validity to ‘speak for the country’ or to ‘represent the interests of the country’. The range of views and interests may be so wide, however, that not even the representatives of the legitimate government and of the worlds of work and business can claim to speak for ‘the country’ whose ownership is being sought for a program. In the case of the PRSPs, recognition of this reality has led to the development of ad-hoc consultative processes of ever-increasing complexity and duration. Not only representatives of the government (central, state and municipal) and of parliament are now involved, but also representatives of many other groups, associations, agencies, institutions and organisations. Increasingly, the PRSP process tries to involve a wide range of special interests and lobby groups, including political, environmental, cultural and religious ngo’s and other representatives of civil society.

Quite how the views and voices of such a range of sectional and special interests are aggregated into an operative concept of country ownership remains a mystery. Also, despite the large number of ngos and civil society groups, organisations and factions involved in some of the PRSP consultative processes, the representativeness of the consultations remains an open issue. For instance, the spectacular under-representation of the enterprise sector, and especially the private enterprise sector in most PRSP consultative processes represents a serious dent in its claim to be representative of all the parties whose efforts are essential to a successful attack on poverty or who are affected by it.

Moreover, it is only in a limited number of cases that there is a realistic prospect for putting together a consultative process (let alone a program drafting and conditionality designing process) that can make any claim at being representative of the interests, wishes and views of the majority of the country’s population. Unrepresentative and often repressive governments frequently preclude representative PRSP processes. This should come as no surprise.

Why do countries become candidates for stabilisation, structural adjustment or reform programmes? Why do countries take part in the HIPC initiative or the PRSP process? It is because then need and seek external assistance of three kinds.

- They need external financial resources and cannot access these through the markets because they are not creditworthy.
- They need external expertise and do not have the resources to pay for this on market terms.
- They need an external commitment device because of weak domestic political institutions.

Countries that need one or more of these external desiderata - finance, expertise, commitment - are countries that are in trouble, countries that cannot help themselves, countries that are in a mess.

It is possible for a country with good institutions, good political leadership and good policies to be in a mess nevertheless. The cause(s) could be 'exogenous bad luck': bad neighbours preventing trade and transit and restricting the country's ability to participate effectively in the regional and global economy; armed conflict inflicted on a peaceful nation; natural disasters and public health disasters such as the AIDS pandemic; bad initial conditions, such as those encountered by many of the new CIS countries following the collapse of the Soviet Union.

Most of the time, however, bad luck does not explain why a country is confronted with the programs and conditionality associated with external assistance. The most frequent reasons are bad institutions, bad political leadership and bad policies. Countries subject to IFI programs and the associated conditionality tend to have political systems that are unrepresentative and repressive, ranging from mildly authoritarian to brutally totalitarian. The political leadership and the elites supporting them are often corrupt and economically illiterate. Rent-seeking and cronyism offer higher returns to effort than socially productive labour and entrepreneurship. Public administration is weak, corrupt and has very limited implementation capacity. Moreover, the countries with the most unrepresentative and repressive governments do not permit a representative cross section of civil society to participate. Indeed, civil society tends to be weakest precisely in those countries where it is most needed.

What would country ownership mean in Zimbabwe, in the Democratic Republic of the Congo (a HIPC initiative country) and in Sudan? These are extreme examples, and neither Zimbabwe nor Sudan currently have a World Bank or IMF program, but there are many others. What does country ownership mean in Algeria, in Egypt or in the Peoples Republic of China? In Iraq after the fall of Saddam Hussain and in Afghanistan? Closer to my operational home, we have the CIS-7 poor countries: Moldova, Georgia, Armenia, Azerbaijan, Tajikistan, the Kyrgyz Republic and Uzbekistan. All but Uzbekistan have produced PRSPs. In Uzbekistan the World Bank Group has a modest program of lending, technical assistance, and analytical and policy advice. There is no IMF program, although an Article 4 Consultation was completed in June 2004. What would country ownership mean in Uzbekistan? That the agreement of President Karimov has been obtained?

The term 'country ownership' is used to describe both positive and normative features of IFI programs. These alternative uses are exemplified by the following two statements, both of which are commonly heard. First, "Unless an IMF program and the conditionality it embodies is country-owned, it will fail". Second, "Unless an IMF program and the conditionality it embodies is country-owned, it deserves to fail". I take the first statement to mean that for an IMF program to be successful certain actions are required by 'local' agents. Unless these agents are willing and able to implement these actions, the program will fail. This statement is true, but not very enlightening. A program and the plan of action it involves has to be incentive-compatible to be credible and to succeed.

The local agents whose actions are necessary for the program to succeed are, however, those who speak for the country in the meetings or consultative processes where these programs are drafted and the conditionality is designed. And those on whom the success of the programme depends, may not include all those affected by it. Some of those affected by it may have had no voice in the design of the conditionality, and the program may not serve their interests, regardless of whether their efforts are essential to its success and regardless of whether they can be cajoled or induced to implement it and make it 'successful'. If this is the reality in a country that is a candidate for a program, it tends to be beyond the ability of the IMF, World Bank and other IFIs to remedy it. The choice for the IFIs is then between not having a program or having a program that is not 'country owned' in the sense of not in the interest of and supported by the majority of the population. There can be little doubt that at times programmes have been designed and implemented that served the interests of an unrepresentative few at the expense of the unrepresented many. Such illegitimate programs do not deserve to be implemented. In many other cases, however, the case is less clear cut.

Even legitimate programs (that is programs that are widely viewed as fair and desirable) are constrained by the requirement that their implementation must be incentive-compatible. If they depend for their success on the adoption of rules or on actions that are not incentive-compatible, they are not credible. Conditionality (sticks or carrots conditional on outcomes, processes, performance or actions) is a means of enhancing the incentive compatibility and thus the credibility of programs. In practice, ensuring post-implementation irreversibility of reforms, policies and actions is the hardest part of program design. Most incentives (e.g. the disbursement of a tranche of a loan or grant) have a natural expiration date. Good conditionality creates effective and lasting or irreversible incentives to take certain actions.

Conditionality can apply to actions, outcomes or processes. Ideally, incentives should be designed to increase the likelihood of actions that contribute to desirable outcomes. In practice, key outcomes may lag far behind actions, and the contribution of the action to the eventual outcome may be hard to identify, measure and verify. The effect of privatisation on economic performance is an obvious example. Process conditionality does not directly target specific actions, policies or outcomes. Instead it focuses on promoting good governance, in the hope that more accountable, transparent, responsive, representative and democratic government institutions will produce better actions, policies and outcomes. Process conditionality focuses on capacity building broadly defined, and requires that a process (like the consultative PRSP process) be implemented, or that certain institutions be in place to enhance the transparency and representativeness of governance at different levels. Making aid available to countries whose governments and institutions for political and economic governance are most effective (or at least meet certain minimum thresholds, defined, say, by international standards and codes) is an example of process or institutional conditionality. The US Millennium Challenge Account embodies this process approach to conditionality.

If process conditionality and country ownership are to be taken seriously, we would need international standards and codes to benchmark acceptable practice. Failure to meet these benchmarks would mean that the country would have no access to the external funds, expertise and credibility brought by an IFI-mediated program.

Sources of benchmarks could be initiatives or agencies like the *Extractive Industries Transparency Initiative*, the *Publish What You Pay, Publish What You Receive* initiative, the *FATF* for anti-money laundering benchmarks, the *Corruption Perceptions Index* of Transparency International, and, in the EBRD's regions, the reports of the *OSCE* and of the Council of Europe on electoral and political performance. Standards for other key aspects of the accountability of the government to the domestic population could be set by defining benchmarks or minimum standards for freedom of the media, independence of the courts, freedom to organise and register independent political parties and labour unions, the right of peaceful assembly and protest and the right to strike.

Process conditionality *is* political or governance conditionality. The EBRD has long practiced this form of conditionality because of the political nature of its mandate, which in that regard is unlike that of the other IFIs.¹ The requirement that we operate only in "... countries committed to and applying the principles of multiparty democracy, pluralism and market economics." has meant that the Bank no longer engages in new public sector projects in Turkmenistan and in Belarus, and that similar constraints have been imposed on the Bank's ability to work with the sovereign in Uzbekistan.

While process conditionality and political benchmarks may give one a warm glow inside, an unavoidable implication of its adoption is that a number of potential countries of operation will fail to qualify. The EBRD still operates, albeit at a low level of activity, in Turkmenistan, Belarus and Uzbekistan, because the primary mandate of the Bank is in the private sector. The World Bank and IMF would be out of business altogether in a country if they could no longer operate in the public sector. More generally, if the IFIs were to get serious about country ownership, there would be many fewer programmes.

In conclusion, the concept of 'country ownership' has been used and abused in so many ways that it now is at best unhelpful and at worst misleading and obfuscating. When the statement 'this program is country-owned' means no more than 'this program is supported by the people who own the country', it is time to purge it from our vocabulary.

¹ The preamble to the Agreement Establishing the European Bank for Reconstruction and Development states that " *The contracting parties, Committed to the fundamental principles of multiparty democracy, the rule of law, respect for human rights and market economics; Recalling the Final Act of the Helsinki Conference on Security and Co-operation in Europe, and in particular its Declaration on Principles; Welcoming the intent of central and eastern European countries to further the practical implementation of multiparty democracy, strengthening democratic institutions, the rule of law and respect for human rights and their willingness to implement reforms in order to evolve towards market-oriented economies;...* "

Article 1 of the Agreement states: Purpose "*In contributing to economic progress and reconstruction, the purpose of the Bank shall be to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the central and eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics.*"