



# DEVELOPMENT COOPERATION FORUM

## Informal summary of roundtable 5

### *How can development aid support national development strategies?*

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- Chair:* Antonio Pedro Monteiro Lima, Vice-President of ECOSOC
- Moderator:* Charles Michel, Minister for Development Cooperation, Belgium
- Panelists:* Park Kang-ho, Director General for Development Cooperation, Ministry of Foreign Affairs and Trade, Republic of Korea  
Bernard Petit, Deputy-Director-General for Development, European Commission  
Ali Mahaman Lamine Zeine, Minister of Economy and Finance, Niger

#### **Introduction**

National development strategies are the principal vehicle for advancing the implementation of national and global development goals at the country level and development assistance will only be effective when it is allocated in accordance with such strategies. Some programme countries, however, feel obliged to direct their priorities towards issues that are likely to ensure continued assistance. This may produce a confluence of aid and national strategies developed to meet the expectations of donors.

Amidst calls for more realistic approaches to formulating and evaluating national development strategies, the credibility of such strategies are sometimes undermined by overextending the scope of otherwise feasible plans. Despite a clear need to prioritize when formulating strategies, this objective is often compromised when it comes to making difficult decisions on trade-offs, notably between different development goals.

The Moderator offered a number of questions to guide the discussion:

- What are the experiences in *formulating, supporting and implementing* national development strategies which fully reflect a nationally-led process?
- What are the *defining characteristics* of country-driven national development strategies which receive the full support of donors?
- How do programme countries most successfully *interact with donors* to achieve support for national priorities when formulating national development strategies?
- How do programme countries most effectively *manage the different demands* of comprehensive and inclusive consultations with national stakeholders, liaising with donors and formulating timely and focused national development strategies?

### **Harnessing programme country ownership and donor participation**

*Park Kang-Ho* noted that national development strategies function as a starting point of indigenous development as well as an anchor in domestic and international resource mobilization for development. Creating national development strategies is often subject to contentious debate of how to fully harness both the ownership of programme countries and the active participation of donors. The experience of the Republic of Korea as programme country and donor suggests that the configuration depends in large part on whether the programme country possesses the overall development capacity to effectively exercise national ownership.

Key to ownership is the extent to which national priorities are reflected in the formulation of national development strategies. If assistance goes beyond the capacity of programme countries development aid may actually end up having adverse effects. At the same time, a “go-it-alone” approach in the donor-programme country relationship may undermine the need for constructive partnership and consequently contribute to dwindling donor interest. With peril apparent in both extremes, Mr. Park suggested that constructive dialogue should take place on issues such as creating effective project evaluation systems, maintaining policy coherence with projects and overall development strategy and establishing rational and transparent resource allocation system. Conditions should be established by mutual agreement and monitoring progress in implementation should be a joint responsibility by programme countries and donors.

Even though formulating national development strategies do not follow a set script, there are basic principles which should guide the process. Policy priorities set by programme countries must be honoured. Changes should only be made on the basis of consultations between programme countries and donors, supporting the policy coherence of the overall strategy. Mr. Park emphasized that maintaining an efficient and competent bureaucracy is key to successful implementation of national development strategies. Finally, rather than putting the onus on programme countries, mutual accountability implies that donors should offer support at the various stages of the development cycle, i.e. from formulation to evaluation.

### **Minimum standards and policy space not mutually exclusive**

*Bernard Petit* saw the triumvirate of the 2008 DCF, Accra High-level Forum on Aid Effectiveness and the Doha Follow-up Conference on Financing for Development as an opportunity to fundamentally revisit the way in which assistance is delivered. While noting the strain that high-level events put on especially programme countries, he also regretted the insular inclinations of the aid community, in particular in terms of the concepts used.

Donor missions continue to demand the attention of ministers and senior officials which contributes to disconnecting them from national agendas and review cycles. Donors also introduce measures of conditionality and various indicators beyond what is established in national development strategies which leaves little space for programme country governments to implement policies to achieve agreed results. He suggested a negative correlation between managing aid for development results and imposing conditionalities

with no policy space. Financial transactions will always require conditions which must be respected by the involved parties, yet it was noted this does not warrant donors to dictate how a programme country should pursue its development objectives, e.g. in terms of liberalization and privatization. Since donors will need minimum standards for the proper management of public resources, a viable alternative could be a *development contract* which would leave government with room to achieve results.

As development goals are long-term, aid should be more predictable term. Independent choices are not possible by programme countries if the development process continuously has to be adapted to vague pledges of assistance. Programme countries are rarely granted the opportunity – or have the capacity - to fully forecast the needs for proper implementation of national development strategies. Rather than programme countries absorbing risk, donors should strive to eliminate uncertainty. Finally, Mr. Petit emphasized that it is the responsibility of programme countries to define needs and priorities, financial and budget implications, assessment mechanisms and results-based indicators; to show leadership; and to commit themselves to participatory approaches and dialogues with stakeholders.

### **Adverse effects of good intentions**

The donor community imposes the strongest conditionalities on countries with the weakest national capacities to manage and coordinate aid. The less able a country is in terms of for example public financial management, the more is expected in terms of accountability – and the greater the demand for national capacities. However, as conditions are needed to ensure accountability in the use of resources, it was suggested to focus on the cases where conditionality has worked well in the relationship between donors and programme countries.

National development strategies are not helped by financing isolated small projects with every donor “planting their flag”. Instead, budgetary assistance is a prime driver of national ownership and aligning support with national development strategies, yet this approach is often neglected because of limited capacities in programme countries. In addition, channeling aid through non-governmental organizations offers the advantage of proximity to local poor populations despite drawbacks in some instances of high overhead costs.

It was noted that policy advice should be better at accommodating changing conditions for programme countries. This includes practices of skewing policies towards social sectors to the detriment of investment in production and infrastructure. Similarly, the developments in world prices with regard to primary and produced commodities have shown that veering programme countries away from commodity extraction and towards production may not have produced the desired results. Also, policy advice to support growth and employment has come with stringent fiscal constraints restricting growth to particular areas, e.g. export of commodities.