

East Asian Perspectives of Ownership

Managing Donors and Owning Policies



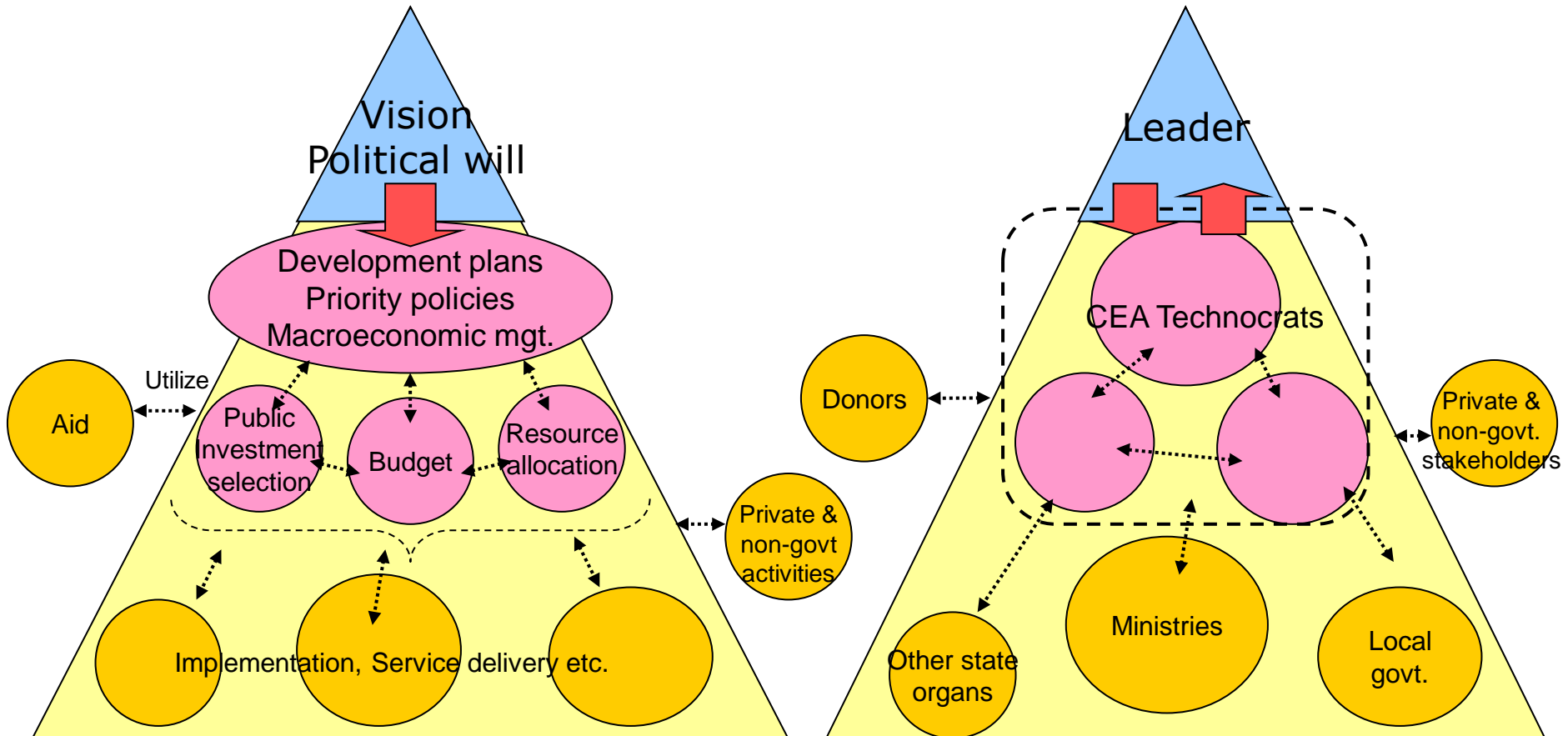
Policy Formulation in Developing Countries

GRIPS Development Forum

Policy & Resource Coordination Mechanisms

Policy & resource planning, alignment functions

Key actors



Highlights

1. Ownership concept
2. The East Asian perspective
(vs. conventional definition)
3. Type of ownership
 - Donor management
 - Development management (incl. policy ownership)
4. Examples: international comparison

1. Ownership Concept

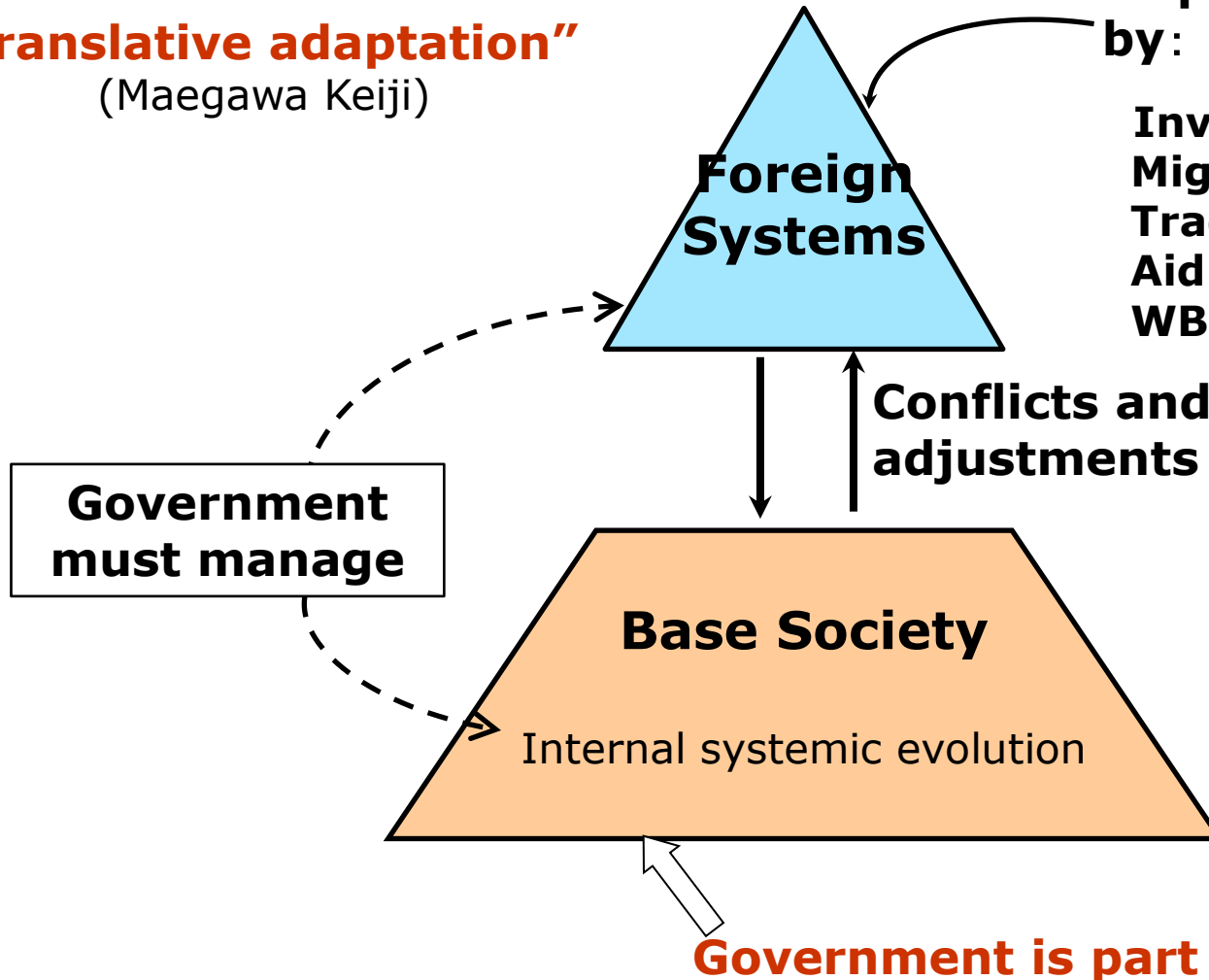
- Economic development as an interactive process of “foreign” and “indigenous” elements.
 - Importance for countries to “own” the entire development process.
 - Critical role of central govt. as the initiator of change and the implementing unit of major policy reforms & economic take-off.
 - Dilemma for many developing countries:
 - The state as problem and solution (Evans 1992)
 - Tensions between recipient governments and donors over aid?
- ➔ *What is the nature of “ownership” to be acquired in developing countries?*

Development Process: Systemic Interaction

“Translative adaptation”
(Maegawa Keiji)

**Imported from outside
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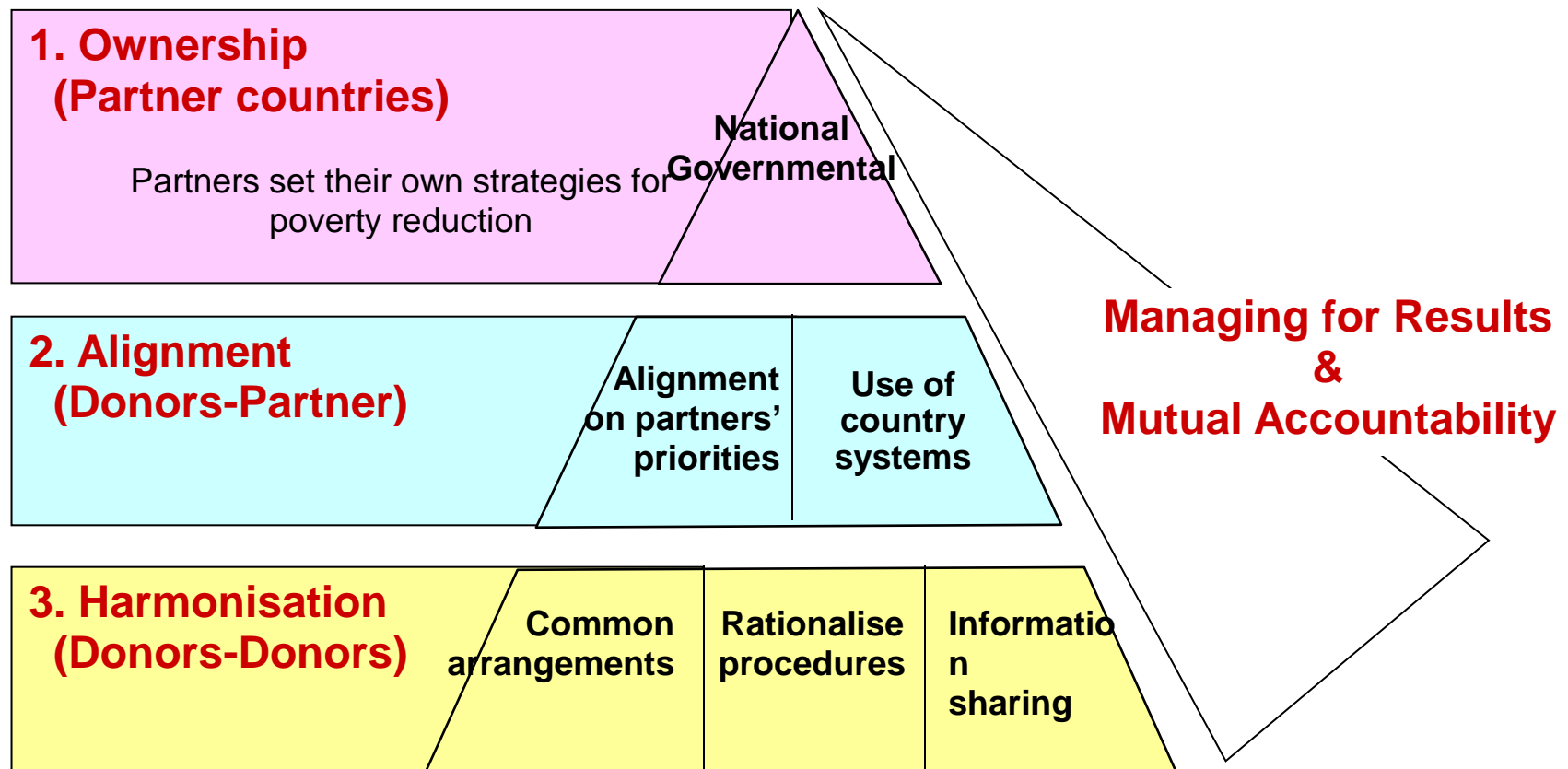
**Invasion, colonization
Migration
Trade & FDI
Aid
WB, IMF, WTO**



Conventional Definition

- Political *commitment* to and *capacity* for designing and implementing policies and development actions.
- WB/OED paper (1991), based on the lessons learned from structural adjustment programs and the past project aid (esp. in Sub-Saharan Africa).
- Now, a guiding principle of policy formulation and implementation in developing countries and recipient-donor relations (OECD/DAC).
 - Paris Declaration on Aid Effectiveness (2005), Accra Action Agenda (2008)
 - Busan Declaration for Effective Development Cooperation (2011), etc.

The Aid Effectiveness Pyramid (Paris Declaration on Aid Effectiveness)



Source: *Harmonisation, Alignment, Results: Report on Progress, Challenges and Opportunities*, Joint Progress Toward Enhanced Aid Effectiveness for the Paris H/L Forum, February 28-March 2, 2005 and other related documents

2. The East Asian Perspective

- Missing elements?
 - Conventional definition -- “*donor-driven*” concept?
 - Lack the dynamic and interactive nature of the catch-up process
 - Importance of recipient country perspectives
- Enhanced definition?
 - Oxford GEG group: the degree of *control* recipient governments are able to exercise over policy design and implementation (Fraser & Whitfield 2008)
 - Our views: need to broaden its scope, based on the experiences of selected East Asian countries

The East Asian Perspective

1. “Graduation” as the ultimate goal of aid receipt.
 - Existence of “exit plan” from aid, with concrete vision and realistic measures for achieving self-sustainability.
 - Absorption of foreign knowledge & technology → internalization → institutionalization → becoming donor agencies (e.g., South Korea, Malaysia, Thailand, China)

Cf. Japan’s ODA principle -- “self-help effort” (ODA Charters 1992 & 2003, current DC Charter 2015), based on its dual experiences as recipient and donors.

The East Asian Perspective

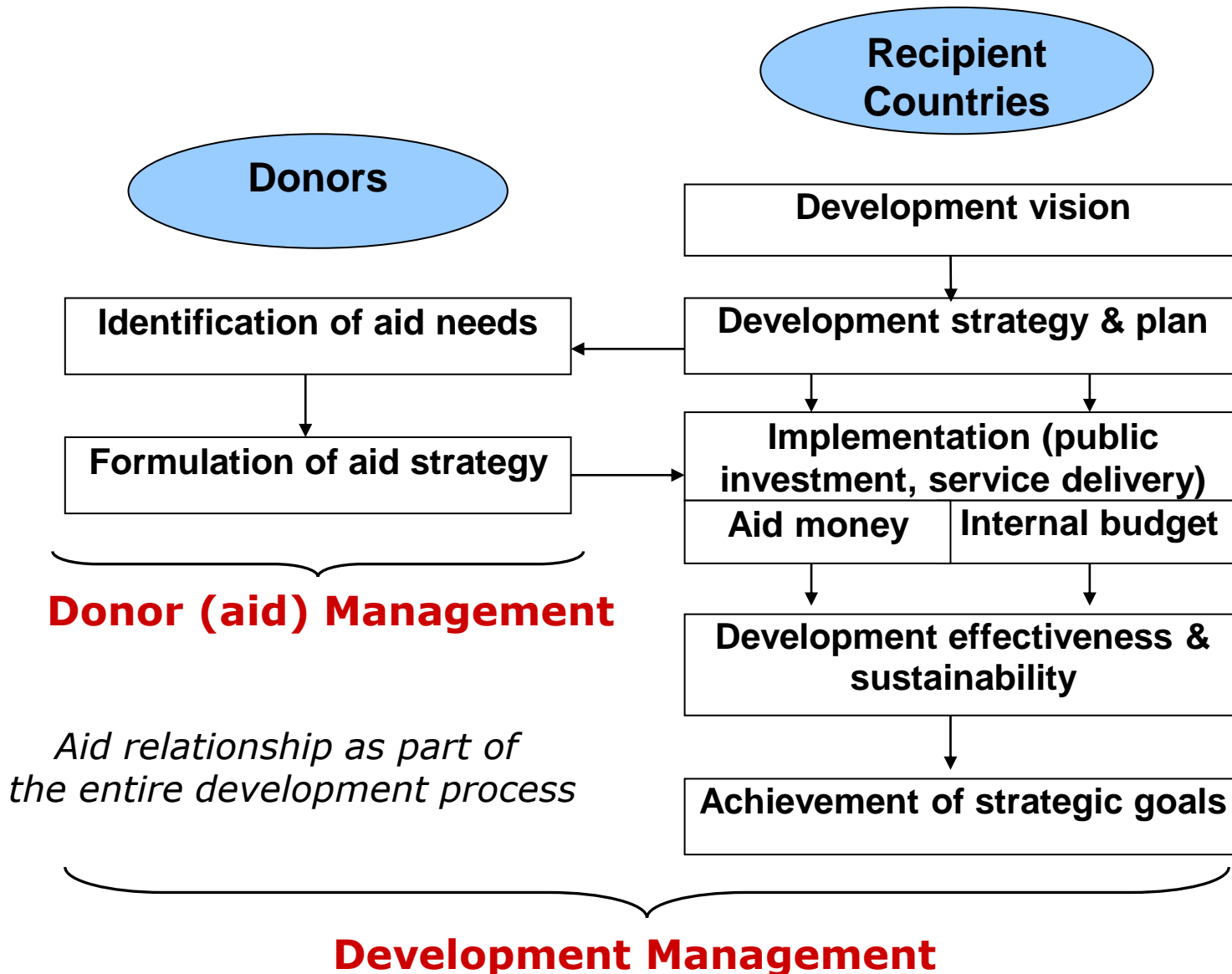
2. Managing aid as integral part of the development process
 - Aid relationship—just one component of development management, as a means to realize national development priorities
3. Development as a “translative adaptation” process -- not unilinear “modernization” (Maegawa 1994)
 - “Modernization” referring to an ideal aspect of change (the Western origin), whereas “adaptation” dealing with its practical aspect (efforts by the non-West)
 - Global integration while mainlining strong country ownership
 - Based on Japan’s and East Asia’s catch-up experiences, e.g., *wakon yosai* (Japanese spirit, Western technique)

3. Type of Ownership (1)

Distinguishing “donor (or aid) management” and “development management” (incl. policy ownership)

Donor management	Development management
<ul style="list-style-type: none">■ Capability of owning relationship with the donor community■ Can be exercised by a relatively small segment of the government	<ul style="list-style-type: none">■ Capacity for owning policies (e.g., design, implement, monitor & revise as required)■ Execution of development itself (of which aid mobilization is only a part)■ Must be supported by the concerted actions of all administrative bodies—horizontally and vertically.

Development Management and Aid



Type of Ownership (2)

- **Policy ownership:** managing policy ideas, as part of development management
- Key questions:
 - Who set the scope of policy choice and interpretation?
 - Is the government free to choose and own 'only the set of policies already decided by donors'?
- *Ownership of what?, by whom?*

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- Prof. Gerald K. Helleiner (on Tanzania, 2002)
"... some donors seem to believe that ownership exists when recipients do what we want them to do but they do so voluntarily."

 - Joachim Chissano (Mozambique's former President)
"...even today many Africans see the relationship with donors as still influenced by the colonial past, where donors "know" what, how much and when recipients need. Thus, in some cases, the priorities of donors and recipients do not match: an example of this is the construction of infrastructure in Africa, viewed by the Africans as a high priority for their sustainable development and systematically dismissed by donors."

[Quoted from] 'Why we should "rethink" aid. Conference on 'New Directions in Development Assistance,' University of Oxford, 10 June 2007.

Type of Ownership (2)

Contrasting views:

- Start with “copy west” -- due to high risks of owning “wrong” policies
 - Recipient countries should take policy prescriptions “off the shelf” from donors. (Morrissey 2001, Booth 2003, Sida 2003)
 - Assuming “joint responsibility” between recipient countries and donors.
- Be patient and allow “trial and errors” by recipients
 - The government is expected to study exogenous models and reinterpret their relevant elements, in light of country-specific circumstances. (Ishikawa 2003, Shimomura 2005)

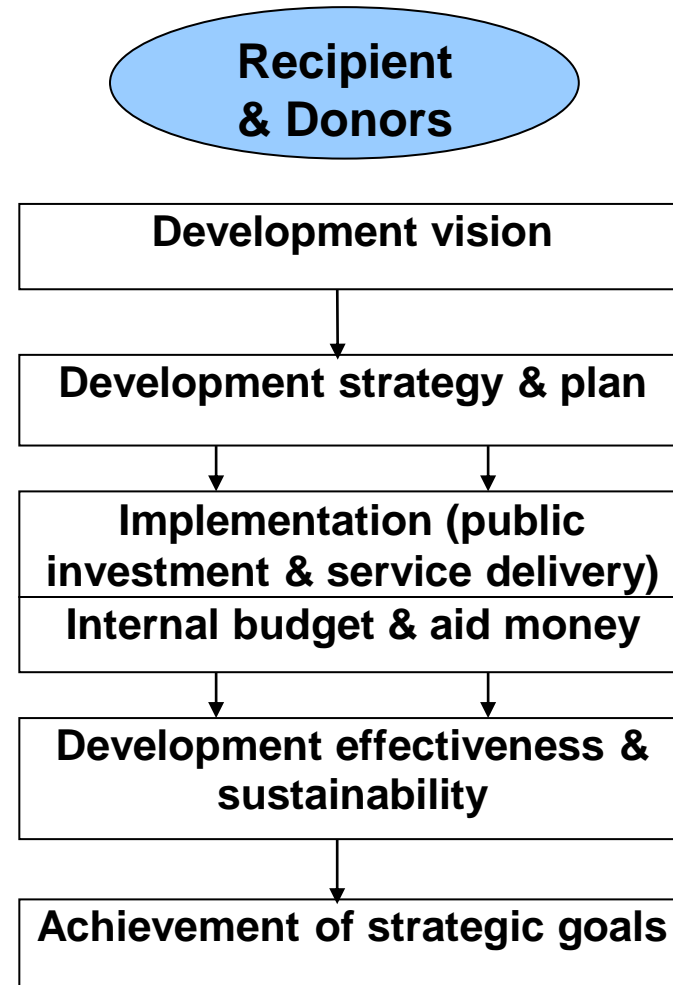
... depend on initial conditions of countries?

Recipient-Donor “Joint Responsibility” Model?

For countries with:
(i) weak political & administrative capacities; and
(ii) high aid dependency,

- Is it inevitable that reforms be introduced as blueprint and the scope of policy choice & interpretation be set by donors?

- Is the “Joint Responsibility” model more realistic and effective?



“Joint Decision” on Development Management

Dr. Ibrahim A. Mayaki, CEO of AUDA-NEPAD (GRIPS Forum, April 25, 2022)



- Imposition of solution was the history
 - Mimetism (imitative behavior) vs. ownership
- Accelerating integration for development (AU)
 - Making Africa's own developmental solution
 - Reshaping (fragmented) geography
- Development is knowledge accumulation
- Young people should be the main actor for co-production of policies
- TICAD dynamics/ Africa-Japan partnership
 - Process of working together (not imposition), adapting to changing African priorities
 - Rethinking development "beyond ODA"

4. International Comparison

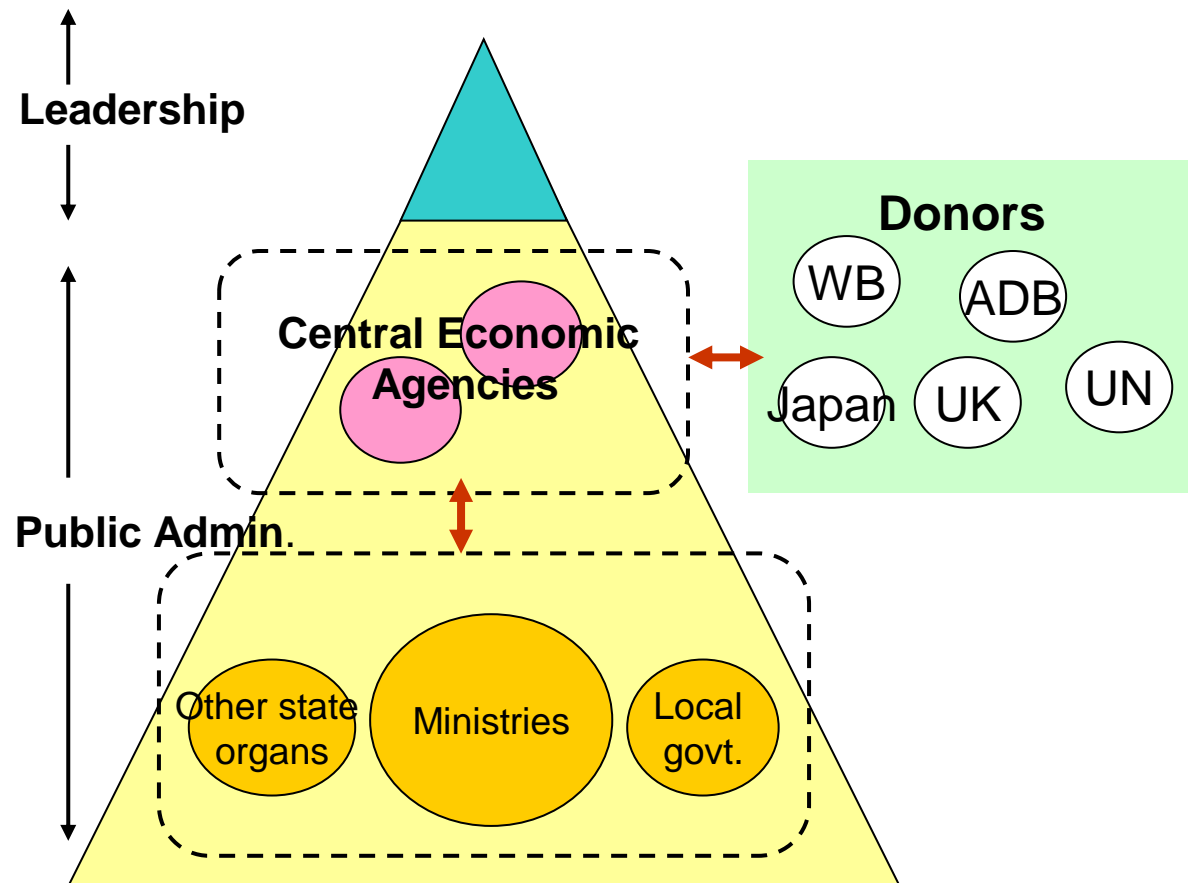
South Korea (60s-), Malaysia (70s-), Thailand (esp.80s)	-Strong aid and development management <i>But, there exist variations in the types of development administration</i>
Vietnam (90s-early 00s) pc. GNI =\$2,590	-Strong aid management -Weak development management (fragmented, poor inter-government coordination)
Cambodia (90s-early 00s) pc. GNI =\$1,530	-Weak aid and development management (fragmented, poor inter-government coordination, policy ownership?)
Ethiopia (90s-) pc. GNI =\$850	-Strong aid management -Mixed development management
Rwanda (2000-) pc. GNI =\$830	(strong policy ownership; but weak implementation)

Source: Per capita GNI data (2019) are based on the World Bank: World Development Indicators.

South Korea (60s-), Malaysia (70s-), Thailand (esp. 80s)

-Strong aid & development mgt. (esp. key role of central economic agencies, as strategic core center)

-Managing aid as integral part of the development process



Country variations

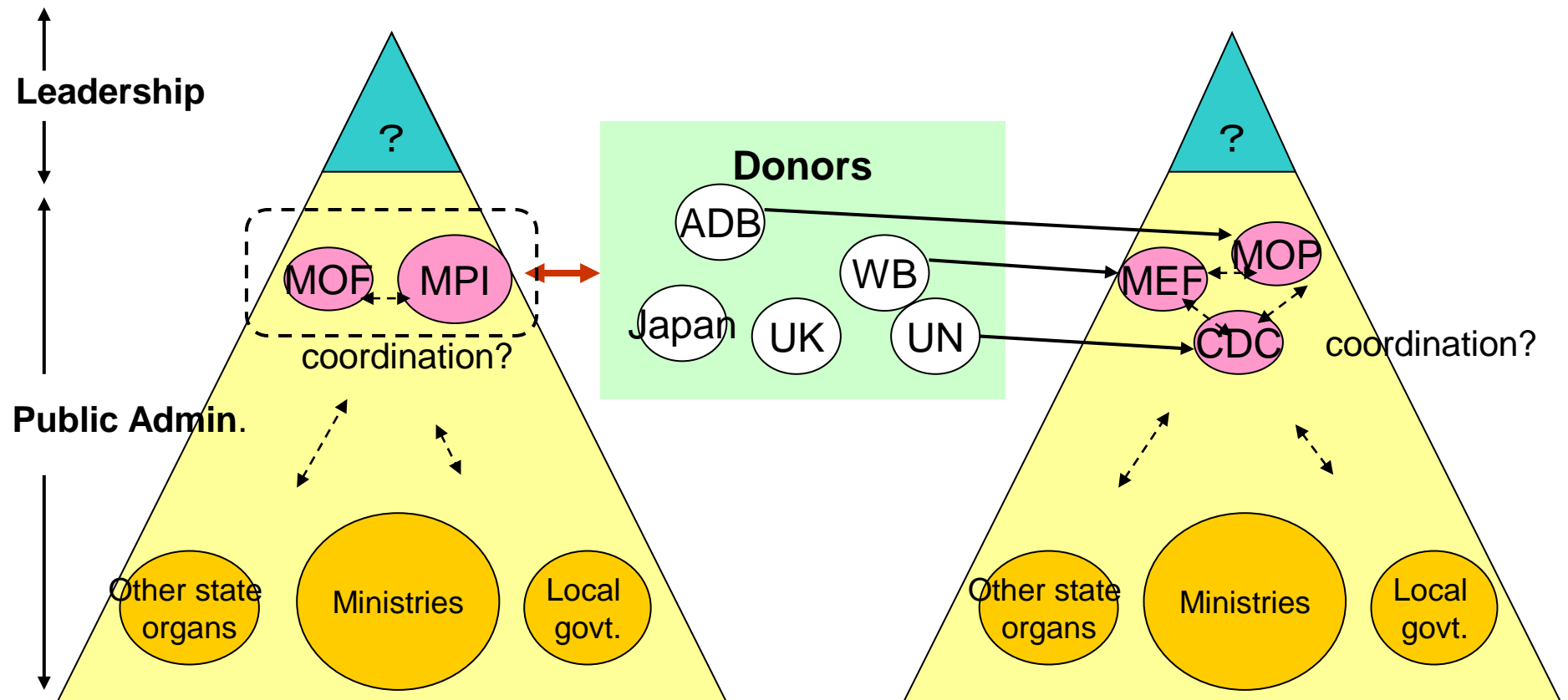
- Structure of development administration
e.g., existence of a “super-ministry”?
- Leadership style
e.g., top-down approach (South Korea, Malaysia), delegation to technocrats (Thailand)

Vietnam (90s-early 2000s)

- Skillful & centralized aid mgt. (via MPI)
- Weak intra-govt. coordination

Cambodia (90s-early 2000s)

- Fragmented aid mgt. (3 agencies)
- Weak intra-govt. coordination



4-1. Vietnam (90s-early 2000s)

- Transition to the market economy
 - Economic reform “*Doi Moi*” (1986); collapse of ex-Soviet Union (1991) → govt. decision to open its economic relations to the West
- Donor management
 - Skillful management; centralizing all kinds of aid through a single window (one dept. within MPI)
 - Example: incorporating country-specific factors into the PRSP process (→ CPRGS); appealing the int’l aid community the importance of adapting to diversity; and then merging into national five-year development plan.
- Development management
 - Remain weak in owning policy ideas and internal coordination

Vietnam (90s-early 2000s)

- Decentralized policy-making structure and administrative machinery
- Lack of realistic industrial vision; insufficient strategic coordination among MOIT (strategy & trade negotiations), MPI (ODA & FDI), MOF (tariff structure), MOST (technical standards).
- Incompatibility between ODA management and internal administrative systems; many inconsistencies among policies/guidelines.
- Misuse of ODA money? (e.g., PMU18 (2006))
- Move to decentralization posing further challenges?

4-2. Cambodia (90s-early 2000s)

□ Challenges of post-conflict country

- Massive aid infusion, at the post-war, reconstruction stage, has made the government extremely reliant on donors.

□ Donor management

- Complex institutional set-up, weak overall coordination: loans, grants, bilateral vs. multilateral (MEF, CDC, MOP)
- Donor-driven, fragmented policy processes
- Example: donor rivalry (ADB vs. WB) dividing the national policy planning process (SEDP II vs. NPRS); *“two Banks, two processes, and two strategy documents.”*

□ Development management

- Efforts are underway to build the core country system, with aid management as its integral part (single NSDP (2006-10) under the vision, Rectangular Strategy (2004-)).
- Strengthening CDC and economic-policy making functions.

Organization Structure of Cambodia Development Council (CDC)

(Information as of May 2015)

Prime Minister of the Kingdom of Cambodia

(Samdech Akka Moha Sena Padei Techo HUN SEN)

Chairman

Trouble Shooting Committee Chairman: PM

Supreme National Economic Council (SNEC)

Advising PM on socio-economic policy

Deputy Prime Minister

(H.E. Mr. Keat Chhon)

1st Vice Chairman

Senior Minister, Minister of Commerce

(H.E. Mr. Keat Chhon)

2nd Vice Chairman

Minister Attached to the Prime Minister

Senior Minister, Minister of Commerce

(H.E. Mr. Sok Chenda Sophea)

Secretary General, CDC

Secretary General, Cambodia SEZ Board (CSEZB)
(H.E. Mr. Sok Chenda Sophea)

Planning and implementation of Special Economic Zones (SEZ)

Secretary General, Cambodia Investment Board (CIB)
(H.E. Mr. Sok Chenda Sophea)

Investment promotion, project appraisal & incentives, monitoring

Secretary General Cambodia Rehabilitation and Development Board (CRDB)
(H.E. Mr. Chhieng Yanara)

Aid coordination and management

4-3. Ethiopia (90s-around 2017)

- ❑ Land-locked, resource-scarce country in SSA
- ❑ Reformist government: transition to the market economy (after the fall of the socialist Derg regime in 1991)
- ❑ Donor management
 - The govt. retaining control over core policy agenda (e.g., primary education vs. TVET, liberalization & privatization) – even when donors do not agree.
 - MOFEC responsible for coordinating all kinds of aid (but, not for relief aid)
 - Requesting donor assistance, based on comparative advantages (e.g., Italy - leather product design; Germany - technical education; Japan - *Kaizen* or factory floor improvement; China – infrastructure & IZ etc.)

Ethiopia (90s-around 2017)



□ Development management

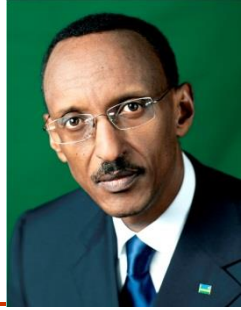
- Strong policy ownership: home-grown development vision "ADLI" (Agricultural Development Led Industrialization), and subsequent "GTP" (Growth and Transformation)
- Now, aspiring to be a leading country in Africa in light manufacturing (GTP2: 2015/16-2019/20)
- Need to strengthen implementation capacity (esp. need to foster and broaden a cadre of policymakers)

□ Factors affecting Ethiopia's ownership

- Quality of top leader (i.e., late PM Meles)
- Intellectual coalition with external partners (e.g., Prof. Stiglitz)
- Using the role of emerging donors (e.g., China)
- Geopolitical factor (located in "Horn of Africa"); no colonial experience (donor relationship as "a meeting of equals"), etc.



4-4. Rwanda (2000-now)



- ❑ After the tragic genocide (1994), the country has transformed into a developmental state, led by President Kagame (2000-): Singaporean model
- ❑ Donor management
 - Despite high aid dependency, govt. retains control over donor relations (role of MINECOFIN)
- ❑ Development management
 - Strong policy ownership (e.g., ICT drive, financial services): "Land-locked" → "Land-linked" country
 - Systemic stakeholder consultation, annual National Dialogue, performance contracts (*Imihigo*)
 - From "Vision 2020" to "Vision 2050" -- embracing High Standards of Living for All Rwandans (targets: becoming UMIC by 2035, High-Income Country by 2050)
 - Need to strengthen implementation capacity and pragmatism on the ground (*gemba*)

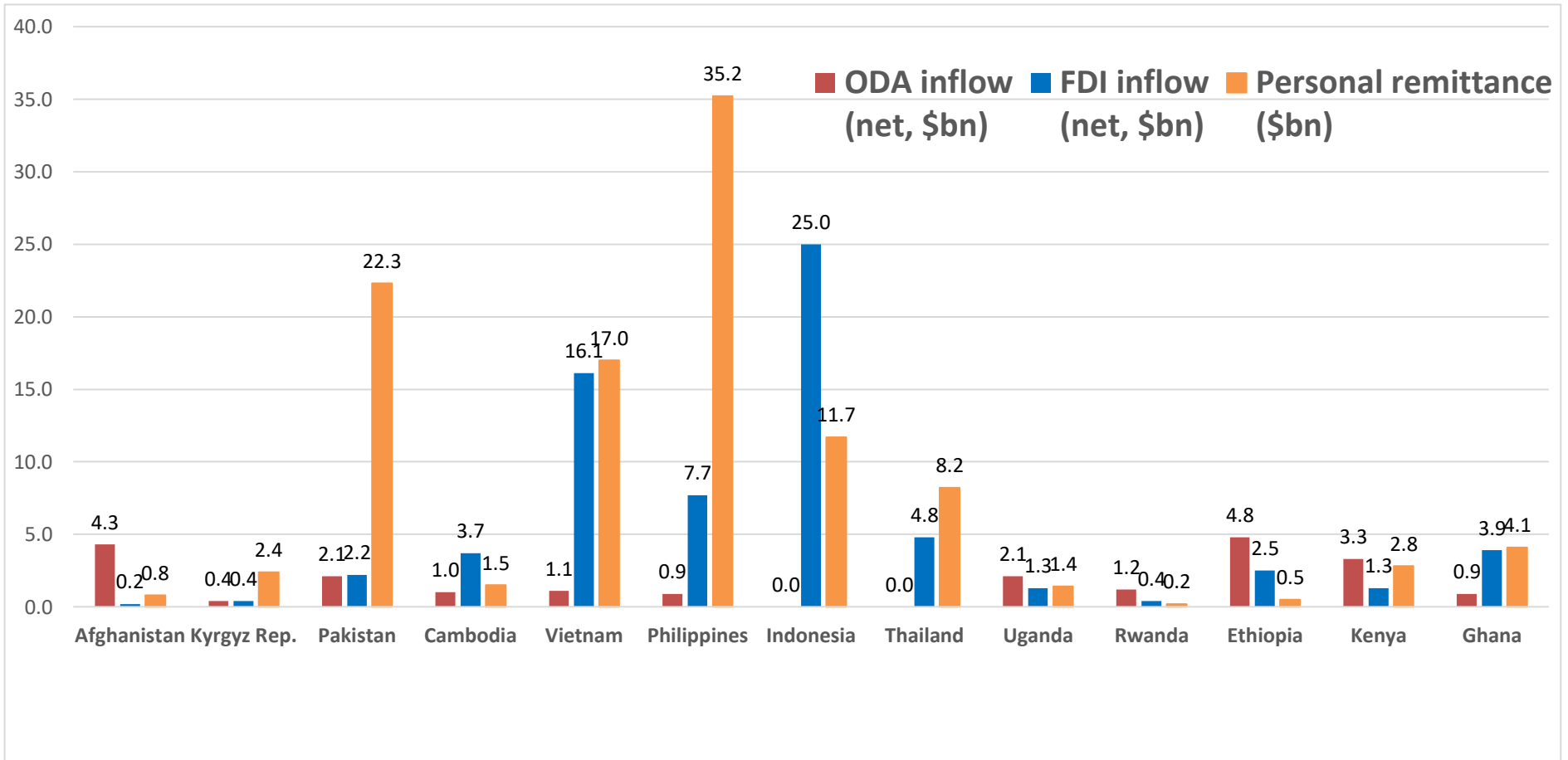
Does Aid Dependency Matter?

- Aid dependency seems to be an important, but not the decisive factor affecting the quality of ownership ...

	pc. GNI (\$ WB Atlas method)	ODA inflow (net, \$bn)	FDI inflow (net, \$bn)	Personal remittance (\$bn)	ODA/Centr al govt. expense (%)	Tax Revenue/ GDP (%)
Afghanistan	520	4.3	0.2	0.8	n.a.	n.a.
Kyrgyz Rep.	1,240	0.4	0.4	2.4	20.6	16.7
Pakistan	1,410	2.1	2.2	22.3	n.a.	n.a.
Cambodia	1,530	1.0	3.7	1.5	23.0	22.8
Vietnam	2,590	1.1	16.1	17.0	n.a.	n.a.
Philippines	3,850	0.9	7.7	35.2	1.6	16.1
Indonesia	4,050	-6.3	25.0	11.7	-0.4	9.8
Thailand	7,260	-0.3	4.8	8.2	-0.3	14.6
Uganda	780	2.1	1.3	1.4	44.0	13.2
Rwanda	830	1.2	0.4	0.2	59.5	20.7
Ethiopia	850	4.8	2.5	0.5	51.7	7.8
Kenya	1,830	3.3	1.3	2.8	17.2	15.1
Ghana	2,230	0.9	3.9	4.1	7.8	12.0

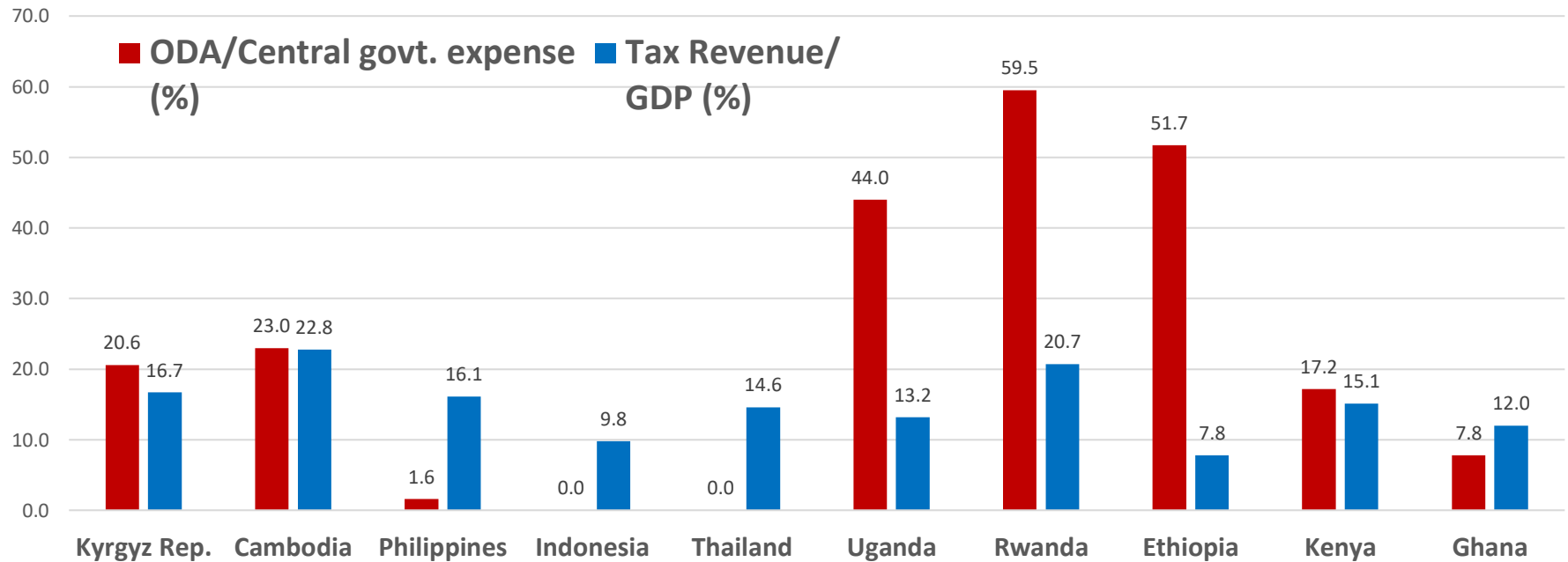
Source: World Bank Development Indicators (2019). No data are available on ODA/Central govt. expense and tax revenue/GDP ratio of Afghanistan, Pakistan and Vietnam.

The Importance of ODA in Macroeconomy(1)



Source: World Bank Development Indicators (2019).

The Importance of ODA in Macroeconomy (2)



Source: World Bank Development Indicators (2019). No data are available on Afghanistan, Pakistan and Vietnam.

5. Topics for Discussions

- ❑ What is the type of ownership exercised by your government?
- ❑ What are problems, if any, that inhibit your government from exercising ownership?
- ❑ What would be key elements of “good donorship” (any requests to donors)?
- ❑ Are there any factors (other than aid dependency) which could affect positively countries’ exercising ownership?

THE END