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Enabling poor rural people  
to overcome poverty

## **IFAD's approach to country ownership**

Consultation on the Eighth Replenishment of  
IFAD's Resources — Fourth Session  
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For: **Review**

## **Note to Consultation members**

This document is submitted for review by the Consultation on the Eighth Replenishment of IFAD's Resources.

To make the best use of time available at Consultation sessions, members are invited to contact the following focal point with any technical questions about this document before the session:

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## **Abbreviations and acronyms**

CPMT	Country Programme Management Team
KSF	key success factor
OECD	Organisation for Economic Co-operation and Development
RB-COSOP	results-based country strategic opportunities programme

## Executive summary

1. This paper has been prepared in response to the request by Member States participating in the Consultation on the Eighth Replenishment of IFAD's Resources. The paper provides background on the issue of country ownership, its relevance in the IFAD context and IFAD's performance in this regard. IFAD's proposed approach of developing new organizational processes and building institutions to sustain country ownership is also presented, along with the results that IFAD plans to achieve during the Eighth Replenishment period (2010-2012).
2. Country ownership is widely recognized as a prerequisite for achieving development effectiveness. Effective ownership and leadership of development policies by partner countries is crucial. The related action by donors should be coordinated around the development priorities identified and channelled through strengthened country institutions. The Paris Declaration on Aid Effectiveness and the recent Accra Agenda for Action reaffirmed this commitment; IFAD, as a signatory, gives high priority to country ownership in programme strategies and implementation.
3. As required by the Agreement Establishing IFAD and the Lending Policies and Criteria, country ownership is fundamental to IFAD's operations. Its performance has also been consistent, as indicated by recent evaluations of the progress made against the Paris Declaration indicators. Under its Strategic Framework 2007-2010, IFAD is committed to aligning its interventions with existing national policies, or to contributing to updating or reforming these policy frameworks. Country ownership, as an element of **relevance**, is measured both by IFAD's self-evaluations and by independent evaluations; it was rated as moderately satisfactory or better for 93 per cent of the projects assessed in the 2006 Annual Report on Results and Impact of IFAD Operations. The 2008 evaluation of the implementation of the Paris Declaration rated IFAD among the best performing international financial institutions with respect to the coordination of country programmes with technical cooperation and the use of country procurement systems.
4. To sustain and strengthen this positive trend, country ownership has been positioned as a crucial element of IFAD's revised processes. IFAD's Action Plan for Improving its Development Effectiveness reflects this emphasis: at the corporate level, IFAD lays special emphasis on creating national capacity to manage development. Similarly, with enhanced country presence in selected countries and a substantial increase in projects under direct supervision, IFAD is better able to coordinate effectively with national governments and align projects with national priorities.
5. Similarly, both national governments and country stakeholders lead and actively participate in the design and implementation of projects within the ambit of IFAD's new results-based country strategic opportunities programmes (RB-COSOPs). Structural changes such as the establishment of the Country Programme Management Team – which includes external stakeholders – have internalized country ownership as an institutional objective. Significantly, within the newly developed success criteria – the key success factors – the most important factor of "country relevance, commitment and partnership" assesses whether projects are fully aligned with national strategies and measures the extent to which governments and other stakeholders have led and have been involved in project design. Organizational changes will be measured and adjusted regularly, and some will be reported under the Results Measurement Framework.
6. IFAD realizes that the key to sustaining country ownership lies in strengthening institutions in the country, including but also beyond those of the government. Member States and IFAD will conduct joint implementation support missions. Government capacity will be complemented by IFAD's enhanced country presence in a number of countries. IFAD will support efforts to enhance the capacity of all development actors – parliaments, civil society and other mechanisms of

accountability – principally, the government. The active participation of rural poor people will be encouraged and supported by strengthening community-based and farmers' organizations. Civil society will have the mechanisms to enable it to participate in international and national policy dialogue. The private sector will be an increasingly relevant partner in the development process, contributing at the project level through enterprise development and market linkages. Through the IFAD Strategy for Knowledge Management, it will support research institutions and promote the generation and scaling up of local knowledge. IFAD will ensure that all staff members are made aware of IFAD's commitment to country ownership, and the opportunities that this affords for enhancing project design and continuing to participate actively in the ongoing debate on best practice with regard to country ownership.

7. To sum up, in intensifying its efforts to promote country ownership during the Eighth Replenishment period, IFAD will:
  - (a) strengthen national capacities and skills for project design and implementation and policy dialogue, and build the capacity of its own staff to promote country ownership in IFAD operations;
  - (b) ensure that government priorities drive its COSOPs and that these are developed with the involvement of a range of in-country stakeholders; support integrated and programmatic approaches, where feasible; implement the Paris Declaration and the Accra Agenda for Action; and, in all design and implementation processes, actively seek the participation of the targeted rural communities and assist them in building their organizations; progressively conduct implementation support missions jointly with the government; and use the country presence to facilitate IFAD's engagement with in-country stakeholders and strengthen national capacities; and
  - (c) hold itself to account by measuring its performance against its commitments under the Paris Declaration, reporting thereon to the Executive Board annually through the Report on IFAD's Development Effectiveness and the Annual Report on Results and Impact of IFAD Operations.

## IFAD's approach to country ownership

1. As part of discussions under the Consultation on the Eighth Replenishment of IFAD's Resources, a number of participating countries have asked IFAD Management to prepare a paper outlining the current state of country ownership and the improvements needed in IFAD's project cycle and in its approaches to capacity-building and knowledge transfer. This paper presents information and critical analyses to facilitate the replenishment discussions. It is divided into five sections: country ownership: definition and rationale; country ownership in the context of IFAD; Action Plan initiatives; emphasis on building institutions; and monitoring, measuring and reporting results.

### I. Country ownership: definition and rationale

2. Country ownership is recognized by donors and developing countries alike as a precondition for achieving development effectiveness.<sup>1</sup> The concept, however, lacks a precise definition and an operational framework through which it can be assessed. The Paris Declaration on Aid Effectiveness, signed in March 2005, defines ownership as developing countries' exercising effective leadership over their development policies and strategies and coordinating development actions.<sup>2</sup> The World Bank, on the other hand, defines country ownership as the existence of "sufficient political support within a country to implement its development strategy."
3. In the context of IFAD, country ownership can be defined, operationally, as an institutionalized process that allows governments to own – and civil society and the private sector to participate in – the development, implementation and monitoring of national development strategies, programmes, and projects. Country ownership therefore extends beyond the government: it requires the active participation of non-state stakeholders. Participation by actors outside national governments functions as an end in itself by promoting accountability and also greatly improves the design and effectiveness of development interventions. Civil society, in particular, plays a fundamental role in promoting country ownership. It also enhances the relevance of development processes by advocating full stakeholder participation and creating the appropriate mechanisms for its effective functioning. Similarly, country ownership renders projects more relevant for the beneficiaries. The participation of beneficiary communities is therefore crucial to achieving successful outcomes. Within the state structure, participation needs to extend beyond central government to include provincial and district governments. Therefore, although ownership of development interventions lies with central governments, supporting country institutions is essential for strengthening and sustaining that ownership.
4. IFAD has given high priority to promoting country ownership since its establishment: the Agreement Establishing IFAD requires all financing to be provided "... within the framework of national priorities and strategies" (article 2). The Lending Policies and Criteria are based on the premise that "the lending operations of IFAD can be successful only if the recipient country has a strong commitment to a development strategy which is directed towards the rural poor" (paragraph 24). Empirical evidence has shown that development effectiveness is greater where the partner country has actively engaged in determining what actions need to be taken and

<sup>1</sup> In the replenishment discussions of the International Development Association (IDA15), the Asian Development Fund (10), and African Development Fund (XI), while no separate discussion paper was prepared, country ownership featured significantly.

<sup>2</sup> The Millennium Challenge Account has chosen "placing a country in the driver's seat of its own development," as one of its three core values. Likewise, the European Union "supports the broad participation of all stakeholders in countries' development and encourages all parts of society to take part."

how.<sup>3</sup> In line with this evidence, the Paris Declaration adopted “ownership” as its first priority, and this has subsequently been reinforced by the Accra Agenda for Action. IFAD – as a signatory to the Paris Declaration – is committed to the vision and the implementation of the Paris Declaration and the Accra Agenda for Action.

5. Country ownership implies the development of operational national development strategies. In the context of aid effectiveness, ownership would be irrelevant without alignment. Donors must therefore align their resources and efforts with national priorities, and channel their support through strengthened in-country institutions. Donor actions also need to be harmonized: common arrangements and procedures must increasingly be used to reduce the transaction costs incurred by partner countries. Similarly, results must be measured through transparent performance assessments and mutual accountability must be promoted.
6. Although progress has been made in implementing the Paris Declaration, it has been slow with regard to some crucial indicators.<sup>4</sup> The recently endorsed Accra Agenda for Action proposes that additional steps be taken to turn into a reality the resolution made under the Paris Declaration to give first priority to country ownership (paragraphs 12-14). It calls for the broadening of country-level policy dialogue and the strengthening of developing countries’ capacity to lead and manage development. To this end, developing country governments will work more closely with parliaments, local authorities and civil society organizations. They will also systematically identify areas in need of capacity development and design strategies to address them. Donors will support efforts to increase the capacity of all development actors where needed. And they will increase their own capacity and skills to be more responsive to developing countries’ demands.

## **II. Country ownership in the context of IFAD**

7. Country ownership is particularly important to IFAD, since the Fund does not implement the projects that it finances: this is carried out by the governments to which IFAD lends. Ownership of these projects by the partner country is therefore crucial to project success. IFAD’s mission – to enable poor rural women and men themselves to overcome poverty – requires it to pursue broad-based country ownership of the programmes it finances. Under its Strategic Framework 2007-2010, IFAD is committed to ensuring that its interventions are designed either to fit within and support existing national policy frameworks, or to contribute to strengthening or reforming those frameworks. IFAD alone cannot reduce rural poverty at the national level. This can be done only by local stakeholders, such as governments, farmers’ organizations, civil society and the private sector, through national processes. IFAD’s objective is to ensure that these agents have the tools and supportive policy and institutional environment to enable the poor to improve their own food security and incomes.
8. Above all, IFAD ensures that projects and programmes are based on ownership by poor rural women and men themselves. This means that they must be involved in defining and implementing the projects supported, and given the opportunity to develop the skills, knowledge and organizations they need to manage their resources, enhance their agricultural productivity, and engage effectively and more profitably with market intermediaries and service providers after project completion.
9. Most of IFAD’s assistance takes the form of loans to countries, which implies effective demand on the part of the concerned government. Consequently, IFAD’s projects respond to the concerns and priorities of governments.

<sup>3</sup> A study conducted by the World Bank’s Operations Evaluation Department shows that implementation rates are positively correlated with government commitment. Similar conclusions were drawn in the International Monetary Fund paper “Strengthening Country Ownership of Fund-Supported Programs” (2001).

<sup>4</sup> Organisation for Economic Co-operation and Development (OECD), 2008 Survey on Monitoring the Paris Declaration - Effective Aid by 2010? What it Will Take (Draft, 21 July 2008).



10. IFAD's multilateral nature, its membership-based, three-list structure, its insistence on maintaining neutrality and the transparent application of its mandate make it particularly amenable to the concept of ownership in the broader sense. In fact, ownership has long been a part of the definition of relevance used by the Fund.
11. In IFAD's independent evaluation and self-evaluation processes, country ownership has been included under the broader indicator of "relevance". Among other aspects, the indicator measures the consistency of the project objectives with the country's current policies and strategies for poverty reduction, and their **relevance** to the rural poor. In terms of relevance, IFAD's performance has been rated as follows:
- (a) Satisfactory for all the projects evaluated by the Independent External Evaluation (2003);
  - (b) Moderately satisfactory or better for 93 per cent of the projects included in the 2006 Annual Report on Results and Impact of IFAD Operations (ARRI); and
  - (c) Moderately satisfactory or better for 81 per cent of the projects included in the 2006 Portfolio Performance Report.
12. These evaluation systems have not measured country ownership separately. However, efforts are now being made to measure IFAD's performance in terms of country ownership per se. The results – which so far are of an indicative nature and need to be interpreted cautiously – show the performance of IFAD's country programmes as being moderately satisfactory or better in 82 per cent of the countries surveyed in 2008.<sup>5</sup>
13. The most recent evaluation (2008) conducted by the Organisation for Economic Co-operation and Development (OECD) of the implementation of the Paris Declaration shows that IFAD has been consistently among the best performers on some of the indicators that measure progress. The table summarizes data from the 2008 survey and compares IFAD performance with the average performance of the donors surveyed.

<i>Indicator</i>	<i>IFAD</i>	<i>Donors</i>
Indicator 4: Technical cooperation coordinated with country programmes	97%	57%
Indicator 5a: Use of country procurement systems	88%	46%
Indicator 5b: Use of country public financial management systems	76%	52%
Indicator 7: Aid that is disbursed on schedule	28%	25%
Indicator 9: Aid that was programme-based (2007 survey)	32%	46%
Indicator 10a: Joint donor missions	42%	18%
Indicator 10b: Coordinated country analysis	63%	38%

14. While recognizing that national development policies and strategies have been strengthened since 2005, the same OECD evaluation identifies several factors that hinder ownership affirmation. These constraints, which apply in varying degrees to both partner countries and donors, are presented in the appendix. Most of the constraints identified do not apply to IFAD's operations.

### **III. Action Plan initiatives**

15. IFAD is committed to greater achievements in ensuring country ownership and enhancing the participation of a broad range of in-country stakeholders. Under the

<sup>5</sup> This result is derived from IFAD's client-partner survey undertaken in early 2008 in 22 countries. In the survey, the question asked was "to what extent does IFAD foster government ownership throughout its programme cycle?" Where 70 per cent of the respondents assessed IFAD's performance as satisfactory, IFAD is considered to have had a satisfactory performance in that country. When the target is set at 80 per cent of respondents rating IFAD's performance as satisfactory (the target set for 2010 under IFAD's Results Management Framework), IFAD's performance drops to about 68 per cent. Performance is considered as moderately satisfactory or better when rated as 4 or above in a 6-point scale.

IFAD Action Plan for Improving its Development Effectiveness, IFAD has introduced a series of reforms that directly and indirectly enhance country ownership. These changes have yet to produce full results, however, IFAD expects to see significantly improved performance in terms of country ownership in the near-to-medium-term future. This section summarizes the reforms already introduced and further **action that will be taken to intensify the reform process**. As such, this section is divided into three parts: corporate policy framework, design and implementation of country strategies and programmes, and design and implementation of projects.

## **A. Corporate policy framework**

### **Selectivity and focus**

16. The Strategic Framework (with its emphasis on selectivity and focus), the IFAD Policy on Targeting, the gender framework, and project design and quality review/assurance guidelines have provided more rigorous filters/criteria in recent years for assessing IFAD's performance in terms of relevance. This, in fact, resulted in a somewhat lower performance rating for relevance during the review period 2006/07.<sup>6</sup> IFAD will continue sharpening its focus during the Eighth Replenishment period by:
  - (a) Further refining the definition of relevance in the next Strategic Framework and operational policies, such as on gender; and
  - (b) Broadening the definition of relevance beyond "leadership exercised by developing countries over their development policies" to include ownership of operations by the rural poor.
17. IFAD recognizes that the limited capacity of partner countries is a serious impediment to effective country ownership. To this end, the IFAD Policy for Grant Financing (EB 2003/80/R.5/Rev.2) supports the "development of national partnerships involving the poor, governments, the private sector, and civil society."

### **Increasing country presence**

18. As an institution committed to "...encourag[ing] the development of local capabilities and skills in respect of project and programme design...",<sup>7</sup> IFAD has initiated a number of processes that will progressively increase its engagement at the country level, allowing it to develop and use local capabilities and skills. In the past, IFAD's lack of country presence and its reliance on the cooperating institutions for supervising its projects limited its effectiveness on the ground. On many occasions, Member States felt that "IFAD was not there when needed". Now, with country presence established in several countries and a substantial increase in the number of projects under direct supervision (over half of the total portfolio by July 2008), IFAD's engagement at the country level has grown significantly. IFAD country presence will remain a lean structure, using locally recruited staff with the experience and professional profile necessary for effective engagement with in-country stakeholders and donor representatives.
19. A recent external assessment concluded that "direct supervision by IFAD has enriched the nature of the supervision process and the dialogue that accompanies it ... specifically, the missions themselves and the dialogue which accompanies them are now mainly concerned with development effectiveness".<sup>8</sup> These new operational strategies – increased country presence and direct supervision – will help IFAD coordinate better with national governments and ensure that projects are in line with national strategies, during both the design and the implementation phases. During the Eighth Replenishment period, IFAD will also:

<sup>6</sup> IFAD, Portfolio Performance Report (2007), p. 11.

<sup>7</sup> IFAD, Lending Policies and Criteria, paragraph 29(a).

<sup>8</sup> Canadian International Development Agency, Assessment of IFAD's Action Plan (2008).

- (a) Pursue direct supervision in most countries, having completed conversion of the majority of projects currently supervised by cooperating institutions to direct supervision; and
- (b) Undertake a self-evaluation of the country presence programme (2010) and present IFAD's policy on country presence to the Executive Board in 2011.

### **Ensuring mutual accountability for results**

20. IFAD is also dedicated to enhancing accountability to partner countries in order to fulfil one of the key partnership commitments of the Paris Declaration – mutual accountability. This means that donors and developing countries are accountable to each other for making progress in managing aid better and in achieving development results.<sup>9</sup> Mutual accountability and country ownership are interrelated: the former contributes positively to the latter.<sup>10</sup> To fulfil its commitment to greater accountability, IFAD will adopt management for development results in its programmes and mainstream this as a key element. IFAD has also strengthened its self-assessment systems and developed a Results Measurement Framework to track key development effectiveness indicators. A client survey has been conducted of IFAD's partners and this will feed into the new systems and processes being developed. IFAD will encourage a wider consultation process in the design of its projects and attempt to incorporate to the maximum extent possible the opinions of the country's parliament and citizens. Strong follow-up measures will also be instituted by putting in place a reliable monitoring system, continuing client surveys and, overall, deepening the managing for development results process.

## **B. Design and implementation of country strategies and programmes**

21. Under its new operating model, IFAD is currently implementing a number of change processes that aim to increase ownership by national stakeholders of their national development strategies. As these change processes have just been introduced, their impact on development effectiveness has yet to be observed. The most important changes introduced at the country level are described below.
- (a) IFAD has committed itself to contributing to the multistakeholder effort to sharpen the rural poverty focus of poverty reduction strategy papers or equivalent national development strategies and to enhance country ownership in general.<sup>11</sup>
  - (b) IFAD's new results-based country strategic opportunities programmes (RB-COSOPs) are jointly owned with the government. There is now greater involvement of in-country stakeholders in the design and implementation of COSOPs. This shared process ensures adequate consultation with other key stakeholders, and harmonization and alignment with poverty reduction policies and activities of other donors (including harmonization with United Nations reforms). It avoids duplication of activities, and it means that the COSOP is owned by both the government and IFAD.
22. To date, IFAD has approved 18 RB-COSOPs. Early informal assessments suggest that, above all, the COSOPs have helped build national ownership of the strategic programme and ensured alignment of IFAD's strategic objectives with country priorities. They have also helped promote a country programme approach in which

<sup>9</sup> Studies of mutual accountability on the ground have shown, at least in part, that "in the current aid system, recipients are highly accountable to donors, but donors are seldom accountable to recipients." Overseas Development Institute (ODI), Briefing Paper, Promoting Mutual Accountability in Aid Relationships (April 2006), p. 1.

<sup>10</sup> *Ibid.*, p. 3.

<sup>11</sup> A document containing guiding principles and indicative entry points (for IFAD) for enhancing IFAD engagement in country-led approaches to poverty reduction has been issued. Utilizing this framework, in 2007, IFAD was engaged in Benin, Bolivia, Cambodia and Honduras. IFAD was also actively engaged in sector-wide approaches and joint assistance strategy processes.

all projects, partnerships and policy dialogue not only work together to create synergies, but are also increasingly designed in coordination with other development partners.

23. It is critical that during the Eighth Replenishment period these change processes receive high priority and are equipped with rigorous follow-up mechanisms. Similarly, necessary improvements to the processes themselves will have to be instituted and the necessary resources assigned.
24. Beginning in 2004, in addition to the support provided under investment projects, IFAD introduced a special window for country grants. The aim was to allocate specific additional resources, inter alia, to build partnerships at the country level. During the Eighth Replenishment period, IFAD will continue to provide grant financing for country-level initiatives and will also enhance its efforts to:
  - (a) Strengthen the voices of the rural poor through their direct participation or the participation of relevant pro-poor institutions in country-led approaches for poverty reduction, particularly in building up those subsectors that are most relevant to the poor;
  - (b) Where feasible, complement its strategy of empowering rural poor people through social mobilization, by allocating resources to decentralization processes that enable the participation of provincial and district authorities; and
  - (c) Where necessary, assist in building trust among the government, community organizations and NGOs in order to achieve congruence of views and joint ownership of national development policies and strategies, in particular, when these relate to rural poverty reduction.
25. In fragile states, limited institutional capacity and weak governance often limit the ability of governments. The capacity of civil society and the private sector have to be developed to complement and reinforce state institutions. In states where the operational capacity of a single donor may not be sufficient, IFAD will coordinate its actions to a greater degree with other donors. Such an effort will also be geared towards reducing the "compliance costs" for the governments and avoid unnecessary duplication and gaps in donor-supported programmes.

### **C. Design and implementation of projects**

26. As per IFAD's Lending Policies and Criteria, primary responsibility for project identification and preparation is normally assigned to the governments seeking IFAD funds (paragraph 43). To that end, IFAD is expected to assist the country in undertaking feasibility studies for agricultural projects (paragraph 29). In continuation of this approach, IFAD – under its recently issued guidelines for project design – has committed itself to applying the five partnership commitments of the Paris Declaration. Of particular relevance are two commitments:
  - (a) Developing countries exercise leadership over their development policies and plans; and
  - (b) Donors base their support on countries' development strategies and systems.
27. These guidelines recognize project design as a collaborative process and seek to ensure joint responsibility and accountability for this by national partners and IFAD in order to increase impact and sustainability. Under IFAD's revised quality enhancement guidelines for project design, the former project development team has been replaced by the Country Programme Management Team (CPMT). Structurally, a great degree of country ownership is achieved through the CPMT. Besides IFAD staff, the CPMT shall have a flexible resource group of stakeholders. The external stakeholders participating in the CPMT may include government personnel; cooperating institutions; and representatives from NGOs, community-based organizations, farmer organizations, indigenous people's organizations and

the private sector. The detailed project design will be the responsibility of the CPMT, in collaboration with the government. The CPMT will also ensure that the project design report is subjected to the host government's review processes.

28. Under IFAD's revised quality enhancement framework, projects must adhere to a set of key success factors (KSFs). The KSFs are the guiding principle for work in the country and have been developed on the basis of experience and feedback. Significantly, the first KSF deals with "country relevance, commitment and partnership" and will ensure country ownership of projects. Under this KSF, the key dimensions examined during the project review process are:
  - (a) Whether projects are consistent with country and sector strategies, and relevant to national development strategies, poverty reduction strategy papers and sector priorities.
  - (b) The extent to which the government has been involved in project design, and whether cooperation with implementation staff has been optimal.
  - (c) Whether any design issues from earlier design steps have been negotiated with the government or adjusted through redesign.
  - (d) The extent to which the government's development partners have been consulted, and whether potential for partnerships with other international donors or lenders has been explored.
29. In the light of the new processes for quality review and assurance, during 2010-2012, IFAD will:
  - (a) Ensure that the five commitments under the Paris Declaration are applied rigorously and the CPMT is constituted and operated as intended;
  - (b) Seek the active participation of the rural poor, who stand to benefit from its assistance, during both design and implementation; and
  - (c) Contribute to the empowerment of the rural poor, create an environment for pro-poor development and, eventually, enhance country ownership and attain sustainability.
30. The new quality assurance processes also focus on targeting and on ensuring that stakeholder consultations have been conducted to understand the demands of the target groups. Further implementation and institutional aspects are examined in great detail, and appropriate prior arrangements for fund management, implementation, capacity-building and fiduciary controls are ensured. The sustainability of the project is also assessed. The link between country ownership and sustainability can be further strengthened with these revised guidelines.
31. Experience from other international financial institutions and IFAD has shown that sustainability performance is much higher where "**home-grown initiatives**" **have been supported**. This is most relevant in middle-income countries where IFAD needs to add value in addition to financing projects (see IFAD's approach to sustainability, REPL.VIII/3/R.3). Such home-grown initiatives also help in reducing "knowledge imbalance" (see appendix). Accordingly, IFAD will:
  - (a) Increase the emphasis on building on home-grown initiatives and on using indigenous knowledge; and
  - (b) Invest more in developing knowledge in centres in the South so that alternative policy frameworks are generated, tested and applied.
32. In sum, IFAD's current engagement in implementing a series of reforms under the Action Plan will be intensified during the Eighth Replenishment period, thereby enhancing its performance in terms of country ownership.

## IV. Emphasis on building institutions

33. IFAD realizes that the key to sustaining country ownership lies in creating and sustaining institutions in the country that can deliver development results on the scale needed to meet the Millennium Development Goals. IFAD aims to enhance in-country capacity so that the implementation of development projects is effective and there is scope for a critical and transparent assessment of results. While the initial focus is on public-sector institutions, IFAD projects also work on creating community-based organizations so that the rural poor can manage their own development; on strengthening civil society and on creating market linkages and an entrepreneurial environment for the private sector. Finally, IFAD has consistently supported high-quality research institutions that can feed into the national process of ownership and development management.

### A. Governments

34. IFAD's increased engagement at the country level (paragraph 18) will support country ownership. Enhanced direct supervision and country presence arrangements specifically aim at building capability and ownership of the central and local government concerned. These will in turn be ensured through joint project supervision, mainly through a review exercise, using to the extent possible resources available in-country.
35. Support for government staff is a crucial component of IFAD-supported projects, accompanied by a constant focus on training in community planning, financial services and pro-poor service delivery. In all programme planning, the emphasis is on ownership and strengthening government structures, while encouraging decentralized development. Fragile states are in particular need of such focus
36. Up to now, IFAD's operations have in general been designed, implemented and assessed in cooperation with the executive branches of government. IFAD has concentrated on strengthening civil society and community organizations. These organizations are an active channel for accountability and they contribute to the deliberations of parliaments. Participatory policy development and community planning have received much attention, as these systems increase the accountability of IFAD projects to citizens and consequently to parliaments. Political representatives of project areas should be consulted during project design.

### B. Community-based organizations

37. As stated, an effective country ownership process extends beyond the state to include the **active participation of the rural poor** and of other stakeholders. As the only international financial institution with a mandate to work exclusively to reduce poverty and food insecurity, it is incumbent upon IFAD that it: first, helps create conditions that enable rural poor people to participate in development policies and strategies and, second, builds their capacity to be able to participate in these processes and influence the outcome. As such, "strengthening the capacity of the rural poor and their organizations" is one of the three strategic objectives set forth in the IFAD Policy for Grant Financing (EB 2003/80/R.5/Rev.2). During the Eighth Replenishment period, IFAD will prioritize enhancing rural poor people's capacity to attain effective ownership of local and national development policies and strategies.
38. IFAD projects will build participatory community-based organizations. There will be an emphasis on creating groups around the themes of natural resources management, social services management, the forging of new market linkages, and community planning with a view to promoting decentralized demand-driven development that will ensure sustainability of country ownership.

### C. Civil society organizations

39. As regards **civil society**, IFAD has a long history of engagement, at both the corporate and the operational level. IFAD also plays an important part in supporting

advocacy organizations, through its grant and lending operations, thereby enabling them to participate in international policy discussions. Country ownership will be secure in the long run only if accompanied by a vibrant civil society that ensures accountability and transparency for stakeholders. A striking example of IFAD's engagement with civil society is the Farmers' Forum process. The forum<sup>12</sup> is a key element of IFAD's effort to promote demand-driven development initiatives, policy dialogue and accountability. During the Eighth Replenishment period, IFAD will broaden civil society participation, in particular of civil society institutions and farmers' organizations, by:

- (a) Reinforcing the collaborative process for country strategy and project design;
- (b) Strengthening civil society with both project and non-project resources; and
- (c) Giving high priority to increasing civil-society partnerships, particularly in fragile states where government capacity is limited.

#### **D. Private sector institutions**

40. Most international financial institutions are focusing their attention on developing robust approaches and operational capacity to respond to the growing role of the **private sector** in economic growth. In 2005, the Executive Board approved IFAD's Private-sector Development and Partnership Strategy (EB 2005/84/R.4/Rev.1). The aim was for IFAD to "engage the private sector to bring more benefits and resources to IFAD's target group, the rural poor" based on the premise that "the national and international private sector as a source of funds, skills, and innovative models" would be an increasingly crucial development partner. At the project level, market linkages and enterprise development form a key component of the results framework. Key first-level (output level) results measurement indicators for projects include encouraging business development service providers for enterprises, training and capacity-building for financial sector institutions, and supporting the creation of marketing groups and the upstream linkage with agricultural producers. The private sector should be invested in the development process, with the state providing "the necessary regulatory framework to engage the private sector".<sup>13</sup> A separate paper on "IFAD's approach to the private sector" is being considered by the Consultation.

#### **E. Research institutions**

41. Research institutions also play an important role in national development strategies. With a view to enriching the policy formulation process, IFAD has been providing continuous support to research networks within the Consultative Group on International Agricultural Research (CGIAR). Central to this support is an emphasis on indigenous research that can be assimilated by the country and be used by national government. Dissemination of the learning generated will build the ability of countries to lead and own development interventions.
42. Although its role is not primarily that of knowledge or research organization, IFAD nonetheless considers knowledge a vital asset in carrying out its mandate. The emphasis is on **learning from clients and partners**, and the programmes and projects it supports (see IFAD Strategy for Knowledge Management, EB 2007/90/R.4). IFAD values local knowledge and promotes the scaling up of local innovations. Given the geographic distribution of IFAD's operations, its knowledge-sharing activities to a large extent represent South-South cooperation. On the whole, IFAD does not suffer from "knowledge imbalance" (the domination of donor-produced knowledge over local knowledge, as described in the appendix) and it carries out its knowledge management functions in a way that enhances country ownership.

<sup>12</sup> The second global meeting of the Farmers' Forum was held in February 2008 in conjunction with the Governing Council of IFAD. It brought together leaders of about 80 farmers' organizations from around the world.

<sup>13</sup> IFAD, IFAD's Private-sector Development and Partnership Strategy (EB 2005/84/R.4/Rev.1).

## F. Internal capacity

43. IFAD's new operating model – which informs IFAD activities at the country, project and programme levels – requires IFAD staff to strive for a much higher level of country ownership. As country ownership is a process, rather than a state, IFAD is aware of the need to engage staff at every level. Accordingly, IFAD will:
- (a) Make staff aware of IFAD's commitment, as well as that of the international community, with respect to country ownership;
  - (b) Strengthen the orientation and guidance process that enables the fulfilment of such commitments; and
  - (c) Further align its design and quality review systems with evolving good practices for enhancing country ownership.
44. IFAD will participate in the debate on country ownership and in discussions on different approaches, an issue for donors and partners alike,<sup>14</sup> and will remain in step with evolving best practices to ensure that its initiatives to promote country ownership remain effective. Although a definition has been adopted at the international level by the signatories of the Paris Declaration, country ownership and how it should be measured remains the subject of debate. IFAD will contribute to and learn from the ongoing debate.

## V. The way forward: key actions

45. Country ownership has been a defining feature of IFAD's approach to rural poverty reduction since it was founded. IFAD has never designed and implemented its own projects, as do many international development agencies; instead, it finances and supports projects and programmes owned and implemented by its developing country Member States themselves. The importance of country ownership is today widely recognized as a precondition for achieving development effectiveness, and is enshrined as such in the Paris Declaration on Aid Effectiveness and the Accra Agenda of Action (see paragraph 6 above). IFAD's Strategic Framework states that IFAD: "...will foster national leadership over the projects it supports by governments and other local actors, and by fitting its engagements squarely within existing national policy and strategic frameworks and ensuring that they contribute to their further development". Country ownership is also an explicit objective of the new operational processes and systems established under the Action Plan.
46. During the Eighth Replenishment period, IFAD will strengthen and intensify its efforts to promote country ownership. It will:
- Strengthen national capacities and skills for project design and implementation and policy dialogue, and build the capacity of its own staff to promote country ownership in IFAD operations;
  - Ensure that government priorities drive its COSOPs and that these are developed with the involvement of a range of in-country stakeholders. Wherever feasible, it will support integrated and programmatic approaches. In all its design and implementation processes, IFAD will: (a) implement the Paris Declaration and the Accra Agenda for Action; (b) actively seek the participation of the targeted rural communities, and assist them in building their organizations; (c) progressively conduct implementation support missions jointly with the government; and (d) use the country presence to facilitate IFAD's engagement with in-country stakeholders and strengthen national capacities.

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<sup>14</sup> There is a broad concern that as currently defined, ownership may have become "a euphemism for the adoption by developing countries of externally-conceived policies: development policies might be country-owned, but remained donor-driven." OECD, *ibid*, p. 5.



- Hold itself to account by measuring its performance against its commitments under the Paris Declaration, reporting thereon to the Executive Board annually through the Report on IFAD's Development Effectiveness. The Annual Report on Results and Impact of IFAD Operations will also provide an independent measurement of the results achieved.



## Key constraints on ownership and how these are dealt with by IFAD

<b>Constraints to country ownership<sup>1</sup></b>	<b>How IFAD deals with these constraints</b>
<b>Capacity gap:</b> limited capacity of partner countries to exercise effective leadership, and difficulties in translating national strategies into sector strategies and operational and decentralized programmes, and in exercising their leadership in coordinating donors.	Strengthening the capacity of the rural poor and their organizations was one of IFAD's strategic objectives within the 2002-06 Strategic Framework. IFAD's Policy for grant financing <sup>2</sup> established building pro-poor capacities of partner institutions, including community-based organizations and NGOs, as one of its key strategic objectives. The total resources IFAD allocates to grant-financing reaches 5 per cent of IFAD's programme of work and a considerable share of these resources has been used for local capacity-building. In recent years, IFAD has further formalized the role of partner countries in taking the lead in the design and implementation of its country strategies, programmes and projects through the creation of the CPMT, where they play a crucial role.
<b>Conditionality:</b> need to apply them with greater thought and sensitivity for partner countries' circumstances	Partner surveys show countries do not find IFAD project conditions burdensome.
<b>Knowledge imbalance:</b> domination of donor-produced development knowledge over local knowledge, reducing the space for the generation of alternative policy frameworks.	IFAD supports research networks in partner countries, nationally and regionally, to ensure that the problems faced by rural women and men are adequately researched and that findings are shared with relevant stakeholders, from governments to civil society. These activities are usually formally framed within IFAD's global and regional grants allocation, with the aim of promoting knowledge and information exchange through regional research and innovation networks. One of their aims is the identification and testing of innovative approaches, and the scaling up of those that are replicable and successful in reaching the rural poor. IFAD relies significantly on 'home grown initiatives' as well as on indigenous knowledge.
<b>Aid dependence and aid burden:</b> aid dependence and burden have led countries, in some cases, to give up ownership of their development policies in exchange for foreign finance and have prevented them from taking leadership.	No evidence that IFAD loans have done this.
<b>Donor's Limitations:</b> the pressure on donors to maintain the visibility and attribution of their individual contributions, the need to satisfy their individual fiduciary and accountability requirements, and to pursue their institutional interests through their aid programmes.	As a multilateral, member-based organization, IFAD does not promote institutional interests through its operations.
<b>Civil society stakeholders</b> are concerned about the increased reliance on government-to-government relationship in implementing the Paris Agenda and pursuing country ownership, narrowing the scope for civil society.	IFAD works extensively with civil society, including farmers' organizations, both at the corporate and the operational level, through its grants and lending operations. IFAD supports civil society advocacy organizations, enabling/facilitating their effective participation in international policy discussions. Moreover, IFAD strongly contributes to the formalization and strengthening of civil society organizations from partner countries through its grants programme. Civil society organizations often play a key role in IFAD's projects as service providers to the rural poor.

<sup>1</sup> Summarized from OECD 2008, Evaluation of the Implementation of Paris agenda, Phase one.

<sup>2</sup> IFAD Policy for Grant Financing (EB 2003/80/R.5/Rev.1).