No Longer at Ease: Country Ownership in an Interconnected World

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Thank you for inviting me to share some ideas about country ownership. I'm so happy to be back in Uganda and to see the changes and progress here.

I first came to Uganda in February 1992 at a time when the country was just emerging from a long period of conflict. This is what downtown Kampala looked like then.

There was still a curfew at night, the roads downtown were impassable. The joke at the time was, "How can you tell if someone is driving drunk?" "They drive straight."

And it was a time of hope and promise and renewal.

What I learned from my Ugandan counterparts — like Dr. Omoti at the Ministry of Education, Ephraim Kamuntu who was a banker at that time, Emmanuel Tumusimi who was PS of Finance and his colleague Damon Kitabiri who ran the treasury, and Amanya Mushega who was the tough Minister of Education (to name just a few of the outstanding professionals I had the privilege to work with) — has informed my development knowledge and practice ever since.

I know my colleagues get tired of hearing me give examples of best practices from my five years in Uganda in the 1990s.

My experience during those years reinforced my belief that country ownership and local buy-in are essential ingredients for what I like to call "good development." And there is agreement in the development community that one of the great lessons of human development is "ownership matters."

After witnessing firsthand the power and importance of local buy-in during more than 20 years of living and working in Africa, I had the honor of serving as Vice President at the Millennium Challenge Corporation.

MCC was created in 2004 to take a nontraditional approach to U.S. bilateral assistance. When it was created, MCC tried to incorporate the key lessons from two generations of development practice. We had three guiding principles:

1. Ownership Matters
2. Policy Matters
3. Results Matter

We used to repeat these like a mantra.

But in practice, we found these principles often conflicted with each other and required tough trade-offs. Our most heated debates and disagreements were about country ownership, which often expressed itself in terms of which priorities to finance, and fights over whose implementing standards to use: local ones or international ones.

Let me give an example of each of these areas from my MCC experience, because they will be relevant to the point I want to make later.

First, on the question of whose priorities to fund: In many countries, MCC funded road construction. While we could agree on the importance of roads, we often disagreed on which roads to finance. Typically, the government would want to fund roads in more remote areas on the theory that putting in a good road would open up the area and stimulate economic activity. There also were often political considerations, such as favoring an area that supported the ruling party, or, in one case, that was an opposition stronghold the government wanted to win over.

MCC frequently disagreed with these proposals because the roads could not show a positive economic return due to little economic activity and few vehicles in the selected areas.

However, in most of these cases, MCC ultimately agreed with our partner governments and followed their infrastructure plans. And, in most cases, the local partners were right: Follow-on analysis showed the roads did stimulate economic activity and the return on investment was higher than MCC's estimates.

So, this was an example where listening to the countries paid off — a country ownership success.

Because MCC financed a lot of infrastructure, including roads, water systems, electrical grids and large-scale irrigation systems, most projects required resettling affected people. We often argued over whose resettlement standards to use: international standards or local ones.

The reason this mattered was because following international standards often added millions of dollars to the cost of a project, money the partner governments thought could be better used to build more infrastructure.

In the case of resettlement, MCC refused to compromise. Our policy was that if a country was not willing to follow international standards, MCC was not in a position to provide finance for a project requiring resettlement. This was a classic case of a donor forcing a policy on a partner. But, what our partner governments found was that the international standards, while more expensive, yielded real benefits in terms of reducing disputes and corrupt practices, treating affected people more fairly and by doing so winning their support for the projects, and building their own capacity to design and implement sophisticated resettlement plans. A number of countries adopted the international standards as national policy and applied them to all their infrastructure projects. This was another, although different, example of country ownership success.

So, it's fair to say that I've spent my career in international development trying to figure out how to build country ownership into programs, policies and relationships.

I've titled this presentation *No Longer at Ease* because over the last few years, I've increasingly come to believe that the way country ownership has come to be defined needs to be reexamined, like almost everything in our rapidly changing, interconnected world.

I've concluded that the way I have typically understood country ownership and the way it has been embedded in development doctrine — that is, upholding local priorities, respecting local standards and favoring local institutions and implementing partners — is rapidly becoming obsolete in a world where the forces of global connectivity are shaping international relations and economic and social development.

This conclusion challenges my own long-held views that were shaped by my coming of age in postcolonial Africa. Thus, the title of this talk.

So, I want to share some disruptive ideas about country ownership in the 21st century. I hope we'll have time for a lively and perhaps uncomfortable debate when I finish the presentation.

I have two main theses:

> First, true country ownership is not achievable through promises by the international community or international agreements with donors.
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> Countries achieve country ownership when they **control their own sources of development finance.** This is as true for the U.S. or the U.K. as it is for Uganda. And, for all but a handful of nations, this requires external sources of finance, technology and expertise which, in turn, require a policy environment that enables and encourages connectivity of people and institutions to the outside world.
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> The exceptions are countries like Eritrea and North Korea, which have cut themselves off from the world. You can say they have successfully achieved country ownership, but what they own is misery, poverty and injustice.
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> Central to this point is the decreasing importance of aid relative to other sources of development finance. The more countries tap their own resources and access international financial markets, the less country ownership is an issue in their relations with development partners and the greater the recognition of mutual interests and the importance of effective partnerships.
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> My second thesis is that even where assistance remains a significant source of funding, as I expect will be the case in Uganda until your oil production comes on line, country ownership in an interconnected world is best advanced by policies that enable government, businesses and civil society **to connect** with global networks.
>
> Measures that seek to assert sovereignty and protect national organizations wind up isolating institutions and freezing them in time when everything around them is rapidly changing.

The U.S. military uses the term BLUF (Bottom Line Up Front). Here is my BLUF for advancing country ownership in the 21st century:

Where ODA remains a major source of funding:

- Countries need strategies to expand their access to non-concessional funding and **raise their own resources**

- **They must deepen their connectivity** with the rest of the world

This relies on good governance, good economic management, controlling corruption and recognition that development assistance is a political instrument driven by the donor's own political considerations.

Here's the agenda:

- First, I want to look at how country ownership is defined in development policy and how it came to be a pillar of development orthodoxy.

- Then I will review how profoundly the world has changed in just the last 15 years. We often talk about globalization, but I actually think we are in a post-globalized world. We live in the world of connectivity.

- And finally, I want to ask what these changes mean for how national governments and institutions define and operationalize the concept of country ownership, and more specifically, what it means for Uganda.

When I came to Africa in 1980, we didn't use the term country ownership. We talked about the need for local buy-in, and localization, which meant replacing expats with qualified local professionals.

I recall a conversation in 1984 with the former Tanzanian PS of Education about the use of expat technical advisors. I told him I thought we needed to recruit people willing to make long-term commitments to the countries where they worked. He gave me a troubled look and said, "No, they've stayed too long already! We want them to go."

I chose the images on this slide because they represented for me an ideal of country ownership: citizens working together to plan and carry out development projects. But the more I thought about the images, the more I realized that this isn't what country ownership looks like in an interconnected world. Today's image of country ownership would no doubt include a much more diverse set of actors.

By the time of that 1984 conversation, there was a biting critique of development assistance that pointed to lack of local control as a key factor in poorly designed projects, imported technologies and equipment that were incompatible with local conditions, and reforms that were impossible to sustain or take to scale.

Here's an example. The first project I ever managed for USAID was a program to support teacher training colleges in Swaziland. We bought more than a million dollars of equipment for the colleges, including projectors, photocopiers, word processors and slide projectors. Swaziland, like Uganda, uses 220 volt electricity. And all the equipment was purchased in the U.S. as 110 volt!

Examples like these caused resentment at the often arrogant, know-it-all attitude of foreign donors and their "experts." This quotation sums up how many developing country policymakers (and many western development professionals) felt about donor-imposed programs:

> "The Western ruling groups are conceited, full of themselves, ignorant of our conditions, and they make other people's business their business."
> — Yoweri Museveni (2006)

At the same time, donor representatives and expat program managers and technical advisors were equally dissatisfied with a system that too often seemed to serve the interests of donors and international NGOs at the expense of building capacity and sustainability in the countries where they worked.

It is worth noting that these attitudes were influenced by postcolonial nationalism, by relationships with international organizations that often had a neocolonial feel, and by the politics of the cold war rivalry between the U.S. and its European allies and the Soviet Union.

For example, when Charles de Gaulle, the President of France, asked Sekou Toure, the leader of Guinea, if he wanted to remain within the French commonwealth, his famous reply was:

> "We prefer poverty in liberty, than riches in slavery."

Now, one of the problems with country ownership is that countries can own some pretty bad things. Guinea certainly didn't benefit from Sekou Toure's much-admired, but self-defeating, defiance of de Gaulle.

And the historical record is filled with examples of countries mistreating women and minorities and denying them legal rights. There are plenty of ugly examples of countries owning bad policies.

This picture was taken about a month ago in my own country, where we have gradually militarized our police and enacted laws that jail black citizens at a rate over six times that of white citizens. We have also seen an epidemic of police violence against young black men. The Black Lives Matter movement is exposing some bad policies that we own.

Uganda also has experience with bad policies discriminating against minorities. Still, our mistakes do not negate the simple truth that development programs are more effective when there is some sense of ownership and support from those involved.

I often hear people talking about putting policy into practice. With country ownership, it was more a case of putting practice into policy.

Starting around 2000, a series of UN-sponsored international conferences on Aid Effectiveness and Financing for Development codified country ownership into development doctrine. The text from the resolutions at each conference shows the evolution of the policy ending with a focus on private sector and domestic resource mobilization in Addis Ababa in July.

Today, the objective of country ownership is probably the least controversial concept in international development. Does anyone disagree with it?

But even though we all pledge allegiance to country ownership, it means different things to different people.

Country Ownership: Donor Perspective vs. Developing Country Perspective

Donors tend to emphasize broad-based participation, consultative processes and the inclusion of civil society. Country ownership is framed more in terms of including beneficiaries and less in terms of power relationships. It is often associated with representative democracy. In fact, donors insisted on indicators of mutual accountability between governments and their citizens in the international agreements on aid effectiveness.

On the other hand, developing country leaders and some Western activists stress the power relations between donors and recipients. There is an explicit demand that leaders at the country and local levels exercise power over resource allocation and management decisions.

While different players emphasize different dimensions of country ownership, there is consensus that it includes aligning external actions and resources with national or local priorities and institutions, placing more decision-making authority in the hands of local actors and relying more on local organizations to implement programs.

Policy Matters

As country ownership was formalized into doctrine through the High Level Forums on Aid Effectiveness, the international community designed new funding mechanisms to put the policy into practice.

These included increased use of direct budget support; SWAPS and multidonor basket funds; the Global Fund to Fight AIDS, Tuberculosis and Malaria (the flagship of new financing mechanisms); the Global Partnership for Education (modeled on the Global Fund); and just last July at the Financing for Development Conference in Addis Ababa, a new Global Financing Facility (also modeled on the Global Fund), to focus on reproductive and child health.

All these mechanisms are designed to give developing countries greater control over managing and implementing resources and programs. So, here is an example where international “talk shops" did, in fact, result in tangible changes to how development resources are mobilized and managed.

To summarize the first point on the agenda, the demand for country ownership was a response to clear deficiencies in the management of development assistance from the 1960s through the 1990s, and it was shaped by both developing country and donor policymakers and practitioners.

While the term encompasses many aspects of the relationships between development partners, ultimately, it comes down to who controls the allocation and management of foreign assistance.

Where the resources are non-concessional, the issue of country ownership rarely comes up.

This last point — that we are talking essentially about control of external *assistance* funds — is especially important and takes us to the next point on the agenda: the profound changes in our world that are increasing prosperity and raising living standards, diversifying sources of development finance and transforming relationships among countries.

An Interconnected World

The first thing to acknowledge is that we now live in a multipolar world where the challenges we face are intricately connected. A change in one area can't be addressed without a corresponding impact — whether positive or negative — in another (as I've tried to show here in this adaptation of the World Economic Forum's Global Risk Interconnection Map).

And yet, we've adapted to an increasingly complex environment and changed and grown *with* it. And Uganda is transforming with the rest of the world.

I started this presentation by recalling what Kampala looked like when I arrived in February 1992. Here is what it looks like twenty years later. It is almost unrecognizable in its growth, modernization and development, which I can personally attest to because I kept getting lost in a city I used to know very well.

It's not only Kampala that has changed. By 2005, as country ownership was gaining momentum as a policy concept, the world looked profoundly different from the postcolonial era which nurtured the idea in the first place.

As a result of advances in technology, particularly in agriculture and health, world population is exploding. Between 1980, when I first came to Africa, and today, world population has nearly doubled from 4.4 to 7.3 billion people. This is the most rapid population growth in history. Developing countries accounted for 97 percent of this growth because of the dual effects of high birth rates and young populations. Africa is the primary driver of this growth. And, Uganda is a key contributor, leading East Africa in total fertility with an average of six children per woman.

When I moved to Kampala in 1992, the population was estimated at around 18 million people. Today it's over 38 million. You're the second most populous landlocked country and the one of the youngest countries in the world. At 3% per year, population growth more than cuts in half the good economic growth the country has achieved.

At current rates, Uganda’s population will be 102 million in 2050 and by 2100, it could increase fivefold, making Uganda one of the top ten most populated nations in the world.

David Canning, a professor at the Harvard School of Public Health, has shown that no country has benefited from the demographic dividend or broken out of the poverty trap until total fertility drops to three children or fewer per woman — that’s half your current rate.

Let me make a controversial suggestion: Uganda ought to follow the example of revolutionary Iran, which decreased total fertility from over six to under two in 20 years. It’s hard to see broad-based prosperity if you don’t.

Second, we are a lot more urbanized. In 2007, the number of people living in cities outnumbered the rural population for the first time in human history.

Even if Uganda claims to be one of the least urbanized countries in Africa, over the next generation it will undergo a profound transformation toward urbanization. And personally, I don’t think you are as rural as your statistics claims — twenty years ago the road between Entebbe and Kampala was mostly countryside. Now, even if it is still classified as rural, it is an urban environment, as are the crowded rural suburbs that seem to stretch endlessly north of the city.

The demographic forces of population growth and urbanization are profound and long term. The drama we are witnessing as migrants from the Middle East and Africa flood into Europe and Central Americans flood into the U.S. are examples of uncontrollable demographic forces at work.

The third big transformative force is technology. We’ve gone beyond a globalized world to a world connected by technology — economically, socially, politically and culturally.

A World Connected

The internet is one of the great connectors in a post-globalized world. Uganda is in blue. You are well ahead of other LDCs but well behind the LMICs. Use rates are around 90% in high-income countries. African undersea cables are bringing down the cost of internet and making international connectivity more accessible. These trends will definitely continue.

An even more powerful tool for developing countries, including Uganda, is the cell phone.

By the way, I saw my first cell phone when I was living in Kampala in 1997. They had just been introduced, and George Rubagumiya, the Director of UIA, was the first person I saw use one.

Africa almost tripled its mobile web traffic between 2010 and 2012. In 2012, 65% of people in Africa had cell phones, and access was growing at 20% per year.

Three years ago 79% of the Ugandan population was using a cell phone — not far from the global average of 86%. This must mean every adult in the country has a cell phone, including Karamajong men who, in addition to their stools, must now carry a cell phone.

Beyond just being more connected, cell phones are transforming how we interact with the world. As you can see, three years ago, 50% of Ugandan cell phone owners were regularly making payments through their phones. It must be much higher today.

We're doing business, sending money to our families, organizing protests, taking courses, flirting and hooking up (has anyone done research on the impact of cell phones on HIV/AIDS transmission?).

Over the last five years, we've also seen the profound impact that social media has had on politics and social order. Social media enabled the revolutions of the Arab Spring and has been used with wicked effectiveness by ISIS and Al Shabab as a recruiting and propaganda tool.

Just look at the spread of Facebook from 2010 to 2013. You see an uptick in Facebook usage around the world but particularly in Africa, India and South America.

By the way, how many people here have a Facebook account?

On August 26th, Facebook announced that 1 billion individual users logged on that day. That's one in seven people in the world, and it looks like a majority of the people in this room.

I'm going to get a selfie with you all and send out a tweet letting the world know I'm giving this talk:

> *Happy to be back in Uganda @USAIDUganda discussing #countryownership in an interconnected world*.

Technology requires literacy, math and higher-order problem solving and innovation skills. New online learning platforms are like perpetual motion machines creating the skill base to both use and create new technology. People are getting online degrees, using peer-to-peer learning and doing sophisticated research.

In his annual letter this year, Bill Gates identified e-learning as one of five "big bets" for what would transform the world in the next five years.

The globalization of learning is accompanied by globalized labor markets that are both a push and pull to the mass migration we are witnessing.

I'm not going to try to cover everything that connects us. I think you get the picture. But, there is another area that is profoundly effecting economic growth.

A huge driver of a more connected world is the steady growth in world trade, facilitated by new and cheaper transport links, better infrastructure and access to information.

Here you can see how robust trade routes connect every part of the world. For example, those between China and Africa are already strong, but trade between China and East Africa is expected to double by 2020.

You can also see the degree to which Uganda has diversified its export markets.

All of these factors are interrelated: driving demand for each other, facilitating, stimulating and ultimately changing our institutions and behavior.

Development Finance

But, of all the transformative change we are witnessing, the most relevant to this discussion is the changing landscape for development finance.

There were two big currents of discussion at the FFD conference in Addis Ababa in July. The first was about the decreasing importance of ODA as more and more countries mobilize their own resources through better tax administration, by attracting FDI and accessing non-concessional finance through international financial markets.

These slides tell the story looking back 25 years.

ODA increased by about 50% in dollar terms but, when adjusted for inflation, actually decreased by 7%. You see a blip in 2005–2007 as a result of the Iraq and Afghan wars. We can add Other Official Flows and get a picture of official resource transfers. It looks pretty stable.

When we add FDI to the picture, we see it was about half of ODA in 1990 but grows to more than double the value of ODA by 2012. This is where you see the impact of globalization.

Portfolio equity — that's emerging market funds in the U.S. and Europe, a type of FDI — are more volatile. It barely even existed until around 2002 but now is almost equal to ODA.

Remittances — fueled by mass migration made possible by increased transport links, better communication technology, the ability to transfer money safely and demand for labor in rich countries — are now nearly twice as large as ODA.

Finally, there is commercial debt from banks and T-bills.

When you look at development finance this way, you see that ODA — the resources that are at the center of the country ownership discussion — account for less than 10% of total external resources flowing to developing countries.

But there's more …

When we add in domestic resources — that is, money raised from taxes, fees and royalties — we see more than an eightfold increase that by 2012 dwarfs external resource flows. And I promise that domestic resource mobilization, DRM, is the new buzz word in international development.

You look at this and you can see why so much more is being done to build infrastructure and expand services than in the 1980s and 1990s.

Before turning to my last point, I want to add a couple of qualifications to this rosy picture.

First, international finance is fickle. We saw that in the crisis in Southeast Asia in the late 1990s, which not only hit living standards but led to the overthrow of governments in Indonesia and Thailand.

So, there is potential for volatility, and we're seeing it now in emerging market mutual funds that are crashing with commodity prices as demand in China slows down.

Second, while the macro picture looks bullish, when we look only at LDCs, where Uganda is, ODA is still the largest single source of development finance. Only remittances follow the other upward trends.

So what does all this have to do with country ownership? A lot, actually.

Where countries remain dependent on ODA, country ownership will continue to be an issue.

Here are the countries that were LICs in 2000. There were 65 of them.

And this is what has happened in the last 15 years. Thirty countries had graduated to LMIC or UMIC status.

The countries that are moving up have two things in common:

1) They are **connected to the global economy**. Generally, this means that they have policy environments that allow **private enterprise, protect private property, control corruption** and ensure a reasonable level of predictability through competent **macroeconomic management.**

This allows them to:

2) R**aise their own development finance**. The more they work with their own resources, even if they continue to receive donor funds, the less country ownership is an issue.

I think it is important to make a distinction between political participation in the international community, through the UN and other multilateral bodies, and meeting the business standards required to get a good credit rating or attract private capital.

Burundi participates in international bodies and can claim to be connected politically, but it is not a global economic player.

The failure to achieve these two factors explains, in large measure, why the remaining LDCs are stuck. In almost every case, we find poor governance — often accompanied by civil unrest and conflict — that limits global connections.

You can see that LMICs outperform LICs in a WB analysis of public policies and institutions.

In line with their transition to LMIC status, their regulatory environment is more conducive to doing business and attracting investment, and they are more connected.

- Public resources are used to implement national poverty reduction plans.
- Private economic activity is facilitated by an effective legal system in which property and contract rights are enforced.
- There is real budget transparency that exposes policy priorities and financial management.
- Tax systems are effective and the elite pay their fair share.
- Control of corruption is serious and impartial.

Countries that have moved from LIC to LMIC or even UMIC status create the conditions to participate in the global economy and to be treated as equals.

Country Ownership in the 21st Century

This is what country ownership looks like in the 21st century:

- The narrative shifts from protecting country ownership to achieving national objectives.
    - National priorities are advanced by greater connectivity and openness, not by limiting opportunities to protect local organizations.
- The venue for asserting national priorities shifts from international donor conferences to national institutions that:
    - Manage taxes (DRM) and public spending
    - Regulate the economy to stimulate local entrepreneurship and private investment, promote fair competition and control corruption
    - Encourage free trade and foreign investment
- At an international level, relationships shift away from donors toward business, educational and scientific relationships
- Businesses, not donors, create jobs and import technology and expertise
- Donor funding transitions to a complementary role that naturally follows national actors

At this point I want to introduce a new lesson to the list of three I presented earlier. In the 21st century, connectivity matters.

21st-century country ownership will rely on building multinational, multicultural and multilingual relationships. In a world where progress and prosperity depend on global connectivity, relationships will resemble the give and take of business negotiations.

I want to give one last example from Jordan which negotiated a $285 million public–private partnership to double its water-processing capacity.

It had to get banks, donors and the private sector to agree on a complicated business deal. To close the deal, the government made numerous changes to its own regulations to adopt higher environmental standards, to change water tariffs and to extend guarantees to investors and banks, all of which required cabinet or legislative approvals.

These were hard, high-stakes, sometimes contentious, negotiations. All parties had to compromise to get to a deal, but no one ever suggested that country ownership was being violated, because the country's objective of increasing water supply was what the negotiations were about in the first place.

Private investors and banks demand all sorts of assurances — legal, financial and political — before committing resources. They are a lot tougher than donors! But assessing risk, performing due diligence and negotiating the conditions for a commercial investment is a normal part of doing business. Each party has a pretty clear idea of their ownership stake.

You see this shift reflected in Goal 17 of the new Sustainable Development Goals (SDGs) that will be adopted by the international community at the UNGA next week.

"Strengthen the means of implementation and revitalize the global partnership for sustainable development finance."

The changes taking place in the world as the result of the technology revolution have led to a diversification of sources of development finance that simultaneously:

- Elevate country ownership by putting countries in charge
- Undercut those aspects of country ownership that look inward or seek to limit competition and protect local parochial interests

What does this mean for Uganda?

Uganda is ranked 150 out of 189 countries by the WB's *Ease of Doing Business* survey. It is generally not included among the countries considered growth economies.

In 1995 Uganda launched a *We Mean Business* campaign that drew upon lessons from fast-growing economies like Ireland and included establishing the Uganda Investment Authority, a one-stop shop for investors; simplifying business start-up; harmonizing border controls; and reducing wait times for importers and exporters. This was five years before the WB even launched its *Ease of Doing Business* survey.

Just in the week I've been here I've seen all of these issues reported as continuing challenges in the business news.

When I see that Uganda is lagging behind its peers in the EAC and COMESA, my question is why?

Real country ownership will come when Uganda:

- Increases domestic resource mobilization through tax reform (while performance on DRM improved slightly in the last fiscal year, it lags behind other countries in the EAC and well behind LMICs)

- Improves business conditions to better protect private property and makes compliance with regulatory requirements transparent and easy

- Puts in place stronger controls on corrupt practices and patronage

- Deepens international connections through technology, trade, education and private investment

Country ownership doesn't rely on development doctrine or on donors agreeing to respect local priorities. Donors have their own agendas and domestic stakeholders.

As the historian Frances Fukuyama has pointed out, real country ownership is achieved when countries understand they have to align their practices with international standards as a condition for being treated as sovereign equals.

I want to close by leaving you with my favorite quotation about the need for people to be agents of their own development, which I see as at the heart of the concept of country ownership. This observation will never go out of date, because it sums up a simple truth about human nature:

"But people cannot be developed, they can only develop themselves."
— Julius Nyerere, Freedom Development