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Principles into Practice: Country Ownership

In Principle: MCC's Approach to "Country Ownership"

Development investments are more effective and sustainable when they reflect countries' own priorities and strengthen governments' accountability to their citizens. This is the starting point for MCC's approach to country ownership. To MCC, however, country ownership is more than this. Country ownership is embodied in partnership. MCC's partner countries exercise ownership when, in close consultation with citizens, governments take the lead in setting priorities for MCC investments, implementing MCC-funded programs, and being accountable to domestic stakeholders for both making decisions and achieving results. This ownership is implemented in partnership with MCC: It takes place within the framework of MCC's focused mandate; must be consistent with MCC's standards for accountability, transparency and impact; and draws on MCC's support and guidance.

In Practice: MCC's Approach to "Country Ownership"

Country ownership is not a new concept. MCC was founded at a time when the country ownership principle was emerging as central to the global dialogue about aid effectiveness. MCC's founders explicitly built into its model authorities and approaches to enhance strong and mutually accountable partnerships with compact countries. These include:

- ★ **Selectivity.** MCC partners with poor countries that have a proven track record in good governance and policies that support economic growth and effective use of development assistance. With this as a starting point, MCC can pursue an ambitious approach to country ownership.
- ★ **Focused mandate.** MCC's mandate is clear: to support poverty reduction through economic growth. This puts clear parameters around the country ownership principle.

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PRINCIPLES *into* PRACTICE

MCC was founded with a focused mandate to reduce poverty through economic growth. MCC's model is based on a set of core principles essential for development to take place and for development assistance to be effective – good governance, country ownership, focus on results, and transparency.

The *MCC Principles into Practice* series offers a frank look at what it takes to make these principles operational. The experiences captured in this series will inform MCC's ongoing efforts to refine and strengthen its own model. In implementation of the U.S. Global Development Policy, which emphasizes many of the principles at the core of MCC's model, MCC hopes this series will allow others to benefit from and build on MCC's lessons.

"Country Ownership" is the second policy paper in the Principles into Practice series. This brief summarizes the lessons captured in the paper, available at *www.mcc.gov/principlesintopractice*.

- ★ **Flexibility.** MCC is not subject to sector earmarks or directives. This means that MCC can work in sectors that matter most for countries' growth and poverty reduction, and to support investments that are country priorities and promise the best returns in terms of increased incomes for beneficiaries.
- ★ **Five-year funding.** MCC has the authority to commit five years of funding up front. This makes funding predictable for partner countries, and allows MCC to support long-term growth investments and policy reform.
- ★ **Transparency.** MCC and its partner countries are very transparent about MCC investments and measuring their progress and impact. This empowers citizens to hold governments and donors accountable for how development resources are used and what results they achieve.

With this framework as a starting point, MCC enters into five-year bilateral grant agreements, called compacts, with eligible country governments. MCC puts the principle of country ownership into practice in three basic ways.

1. **Setting priorities.** Once eligible for MCC compact assistance, country partners take the lead in setting priorities for MCC investments.

2. **Implementing programs.** MCC has very small field missions, and looks to partner country governments to establish accountable entities, called MCAs, to lead implementation.

3. **Being accountable.** MCAs are accountable to boards of directors (or similar entities) that include government officials and representatives of local civil society and private sector.

Based on seven years of experience working under this model, MCC has learned a lot about what it takes to put a country ownership principle into practice.

Six Lessons: What MCC has learned putting its "Country Ownership" principle into practice

Lesson 1

***Country ownership is a partnership** based on mutual accountability that benefits from structure and clear expectations.*

For MCC, ownership means that countries enter into a mutually accountable partnership with MCC, and exercise ownership within the framework of MCC's mandate of economic growth and poverty reduction. MCC investments are selected based on countries' own priorities, but they must also meet MCC's standards for expected economic returns and technical specifications. MCC has turned down country proposals with insufficient promise of high returns for growth and poverty reduction, and has paused implementation of projects out of compliance with MCC standards for environmental protection, social impact, or health and safety.

MCC has learned that country ownership can be more meaningful if it is well structured and guided, rather than fully open-ended. In its early days, MCC's effort to adhere to the notion of country ownership meant it offered less guidance for country proposals. At times, this led to a frustrating and unstructured compact development process. MCC has learned that clear expectations can enhance country ownership by better equipping countries to prepare proposals and focus stakeholder consultations. Over time, MCC has developed clear guidance for compact development, transparent standards against which MCC assesses and approves investment proposals, and operational tools to focus compact proposals. This defined process helps manage expectations and saves time and effort for both MCC and partner countries. *See the full paper for examples from Armenia, Cape Verde, Honduras, Malawi, Mongolia, Nicaragua, Philippines, and Tanzania.*

Lesson 2

***Country ownership is a balancing act** among MCC's principles and operational approaches.*

One of the biggest lessons MCC has learned about country ownership is that it is just one part—though a critical one—of MCC's overall focus; MCC is constantly challenged to balance country ownership alongside MCC's other core principles. For example, while an ownership principle might suggest supporting an investment proposal because it is important to local communities and politicians, a results principle might require MCC to say "no" to the proposal if it does not have sufficient potential to cost effectively raise incomes among beneficiaries.

In other cases, balancing applies to tradeoffs in operational approaches. MCC has high expectations for partner countries—to design, manage and be accountable for results of big, complex investments with fixed timelines and budgets. Among MCC partner countries there is a wide range in capacity and experience in managing such ambitious programs. As a result, MCC and each partner country must develop a different balance between ownership, accountability, support and oversight. *See the full paper for examples from Honduras, Mozambique, Nicaragua, and Tanzania*

Lesson 3

***Country ownership goes beyond national governments,** both in setting investment priorities during compact development and in implementing programs.*

Ownership extends beyond national governments to include local citizens, civil society, private sector, local elected officials, and program beneficiaries. Meaningful, strategic, targeted, and ongoing engagement with these groups is essential for setting investment priorities, designing programs with beneficiaries' needs in mind, leveraging additional resources for increased impact, monitoring program implementation, and keeping MCC and partner governments accountable for results.

MCC's tools for guiding this engagement during compact development have evolved over time. Early on, MCC focused heavily on the types of groups with which partner countries should engage. This approach tended to lead to big town hall-style meetings that invited a wide range of ideas and raised unrealistic expectations about what compacts might include. With this experience, MCC revised its process so that partner countries focus less *who* to engage with and more on *what kind of information* is useful to inform compact development; making as much use of existing domestic institutions and processes as possible; avoiding one-off efforts to gather information from citizens or civic groups through forums that cannot be re-convened later; and introducing tools to focus consultations around countries' key constraints to growth and poverty reduction.

During compact implementation, ongoing engagement with non-government actors and local authorities can play an important role in ensuring project quality and accountability. MCC asks partner country governments to establish structures that facilitate ongoing engagement, including MCA boards of directors that include government, civil society and private sector representatives; and, in some countries, stakeholder committees to advise on specific program implementation issues. Experiences have been quite mixed across MCC's portfolio. In some cases, countries' existing structures may better serve the interests of the compact than an MCC-mandated entity. *See the full paper for examples from El Salvador, Namibia, and Zambia.*

Lesson 4

Country ownership includes capacity building, *but not everything has to be about capacity building.*

Under the MCC ownership model, country counterparts are responsible for implementing MCC-funded programs. Partner governments establish MCAs to manage implementation for most compact projects, and MCAs establish close partnerships with existing government ministries. These partnerships can give existing government entities an important role in program implementation and opportunities for capacity building. In some cases, explicit capacity building and institutional strengthening efforts are built into project design—for example, to help government entities better manage MCC-funded and other development investments in the future, or better provide public services.

However, the ultimate, measurable goal of MCC projects is to increase incomes for beneficiaries—for example, in building a road to help farmers move their goods to market and thereby increase their incomes. This is very different from a project that has the ultimate, measurable goal of strengthening the long-term capacity of the ministry of transport to plan, fund, manage and maintain the nation's road network. This difference is acceptable; not every project has to be a capacity building project. The key is to be clear about objectives, and to measure progress against those objectives. *See the full paper for examples from Ghana, Georgia, Lesotho, and Tanzania.*

Lesson 5

Country ownership includes using elements of country systems where feasible, *but country ownership doesn't mean country partners have to do everything.*

Many in the development community consider use of country systems an important part of country ownership, especially with regards to key management functions like procurement and financial management. MCC has learned a lot about balancing this aspect of country ownership with U.S. standards for accountability. In its early days, MCC generally required MCAs to hire external firms to serve as procurement and fiscal agents. This was motivated by a desire to ensure accountability for use of MCC funds and compliance with MCC's procurement and financial management standards. It was quickly evident, however, that external agents do not necessarily ensure success.

MCC's current policy is to use elements of country systems for procurement, financial management and monitoring and evaluation to the "maximum extent possible." For cases in which country partners want MCC to consider the use of country systems, MCC assesses those systems according to its *Guidelines for the Use of Country Systems in the Implementation of MCC Compacts*.[1] These public guidelines make the agency's approach transparent, so expectations and decision-making criteria are clear.

MCC's current partners use a mix of approaches for procurement and financial management. Some use external agents, some exercise functions internal to MCAs, and some rely on existing government entities. Even when MCC relies on local personnel and institutions such as existing government ministries or the MCAs to perform these crucial functions, however, the use of country systems is limited because MCC requires compliance with its own procurement guidelines and financial management standards and reporting, rather than national laws. *See the full paper for examples from Honduras, Jordan and Morocco.*

Lesson 6

Country ownership pays off for results and for leveraging policy reform.

MCC has seen that focusing on country ownership can enhance results, improve program design, increase impact and sustainability of investments, leverage important policy reforms, and provide opportunities for capacity building.

MCC's approach to country ownership has been essential for achieving results, especially when ownership by civil society, local communities and the private sector has served as an anchor for MCA programs in times of political transition in partner countries. Likewise, this broad-based ownership approach creates opportunities for better program design and implementation, as non-governmental entities often have different and creative ideas for what is needed to overcome key constraints to growth.

1 Available on MCC's website here: *http://www.mcc.gov/documents/guidance/guidance-2010001010701-use-of-country-systems.pdf*

MCC has seen that the dialogue inherent in a country ownership model—about what matters most for countries' growth and poverty reduction, and what investments will bring the greatest returns—creates opportunities to engage countries on tough policy reforms that will increase the impact and sustainability of development investments. In areas such as land tenure, management of utilities, financial sector strengthening, and ongoing maintenance of infrastructure investments, MCC partners are taking on tough reforms that have lasting impacts.

MCC also believes that the focus on ownership helps strengthen another unique aspect of the MCC model—the incentive effect caused by MCC's approach to selecting partner countries based on good policy performance. By publicly setting priorities and committing to program objectives, partner governments that implement MCC-funded programs take on responsibility for achieving results. This creates opportunities for governments to be accountable to their people and maintain MCC eligibility. *See the full paper for examples from Benin, Honduras, Malawi, Mali, the Philippines and Tanzania.*

Country ownership pays off.

After seven years of putting into practice its country ownership principle, MCC has plenty of experience to show that ownership pays off: for results, for leveraging policy reforms crucial for impact and sustainability, and for capacity building. But MCC also has seen that the notion of "country ownership" is not as simple as it sounds. In fact, MCC enters into complex partnerships with its compact countries; like all partnerships, careful balancing of each others' interests, priorities, and capabilities is necessary to achieve success. MCC is still learning how to strike the right balance with each of its partner countries.

Indeed, after seven years, MCC has a lot more humility about how demanding it is to live up to a commitment to country ownership and true partnership. It is clear, however, that ownership is worth the challenge. MCC will continue to apply its ambitious approach to country ownership, and its lessons learned, to new partnerships. In doing so, MCC will continue to be transparent about its successes and challenges so that it can continue to strengthen its approach, and help others learn from its experiences.

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