Millennium Challenge Corporation

MCC's Approach to Country Ownership

Working Paper: A Draft for Comment and Discussion

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Executive Summary

The Millennium Challenge Corporation (MCC) was formally established in 2004 with a mission to reduce poverty through economic growth, and to do so in a way that would contribute to country-led sustainable economic development. The agency's founding documents articulate three core principles based on lessons previously learned by the development community: sound policies matter for economic growth, country ownership is critical to sustainable development, and aid should be delivered with accountability for results. In essence, MCC is an organization with country ownership purposely built into its model from the beginning. MCC spent the past four years working to develop and institutionalize internal processes that can help shift country ownership from a guiding principle to a practical approach. While this effort remains a work in progress, the approach has become more systematic and it represents progress towards operationalizing a complex principle.

Defining Country Ownership

With regard to the large scale grant programs (called "compacts"), MCC defines country ownership as follows:

> *Country ownership of an MCC compact occurs when a country's national government controls the prioritization process during compact development, is responsible for implementation, and is accountable to its domestic stakeholders for both decision making and results.*

This definition suggests that ownership is not static, but can evolve over the life of a program. The definition also highlights three distinct component parts, each of which has prompted some practical, tangible actions and processes by MCC in an effort to pursue comprehensive country ownership.

1. **Countries control the prioritization process:** For MCC, this means that country governments set their compact priorities. MCC has neither pre-established objectives nor sector-specific spending priorities. Rather, we leave it to each country partner to identify its own priorities for removing constraints to economic growth and poverty reduction, and to propose specific programs based on those priorities. In practical terms this means that MCC does not establish a field presence until after a compact has been signed, and that during compact development, countries conduct their own early economic constraints analyses; retain responsibility for donor coordination; and hold consultative processes that lay ground work for broader ownership in the long run.
2. **Countries implement their compacts:** Once a compact is signed, MCC looks to partner country governments to empower a domestic accountable entity that will take the lead in implementation, and to support that entity as appropriate. This may be a pre-existing system within a ministry or agency, or it may be new and independent. Not only do the countries' own implementation entities (managed and staffed by country nationals) have formal management responsibility, they are accountable to their own domestic board of

directors. MCC's implementation model has also evolved to include a sliding-scale of assistance and oversight that is based on capacity.

3. **Countries are accountable to local stakeholders (not just MCC):** Country ownership is larger than the wishes of individuals in the national government. For this reason, MCC expects country partners to incorporate practices and procedures that protect the "democratization of ownership." This stance recognizes that while a country government needs to satisfy accountability requirements for use of MCC funds, it must also remain accountable to its own domestic stakeholders for economic development decisions and actions. Consequently, we have attempted to align MCC process requirements so that support or opposition for the government's decisions and actions can be expressed and acknowledged through the country's normal institutional channels, In support of this, MCC adjusts its consultation expectations to individual country institutions, and takes steps to help align basic reporting and transparency requirements in ways that reinforce or cultivate domestic accountability.

Looking ahead

MCC's experience to date suggests that country ownership is as complicated as it is desirable. There are some practical realities that present real challenges when attempting to shift from a broad commitment to practical actions. Country ownership may be necessary for sustainable development, but it is not sufficient. Compacts also need roots in sound economic analysis and program logic. Once a compact is underway, the desire for rapid implementation and universal quality control can be in direct tension with efforts to pursue ownership on a more country-driven time table. Even within a single country, the range of expectations and capacity levels can create misunderstandings and friction over the course of compact development and implementation.

Despite these challenges, MCCis building a practical approach and seeing evidence that MCC country partners value this as well. According to an externally conducted [blind] 2007 survey of partners, some 80% of respondents either agreed or strongly agreed that "MCC's approach to country ownership will help my country achieve its development objectives." Still, for the foreseeable future, the operationalization of a practical approach to country ownership will continue to evolve. As MCC moves ahead, each individual country actor will play their distinct role in the compact process– whether that is through public consultations, in the technical or managerial aspects of compact implementation, or by working along side compact programs to deepen their impact on economic growth and poverty reduction.

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I. Introduction

Country ownership has been broadly embraced by the international donor community as a critical element of international development aid. However, even as the 2005 Paris Declaration took steps to establish a single, common indicator of country ownership, there is no current consensus on an explicit definition of the principle or guidelines for concrete action.

The Millennium Challenge Corporation (MCC) has spent the past four years working to develop and institutionalize internal processes that can help shift country ownership from a guiding principle to a practical approach. We recognize that ownership is not a starting point, but very much the product of how donors engage with their country partners over the course of a program. Consequently, MCC is attempting to take a process based approach to country ownership. This allows us to continually evaluate the ways our own actions and procedures might affect levels of ownership over the life of a program relationship, to identify the inherent challenges and tensions, and to adjust when possible.

In its earliest days of operation, MCC made clear that country ownership was an agency priority. Our effort to actualize that commitment is ongoing; it is a process which we revisit and recalibrate as both MCC and our country partners gain experience and perspective. This approach has become more systematic in the last four years, and, at this point we believe it represents a sound step toward operationalizing our commitment to county ownership. This paper represents an effort to clarify what MCC means by "country ownership," and articulates the steps we have taken to try to build a practical, tangible approach.

The next section offers background on MCC's general model and makes explicit our definition of country ownership. This is followed by a brief overview of some of the practical challenges we have encountered. Sections four through six break out each of the component parts of MCC's definition and describe in detail the technical steps and procedures we have put in place. The seventh section outlines some of the evidence we are monitoring to assess both our progress in implementing this approach and its effects on the quality of our programs.

II. MCC background and definition of country ownership

MCC was formally established in 2004 with a mission to reduce poverty through economic growth. We were created to work with low and lower-middle income countries that have demonstrated commitment to good governance, investing in its people, and economic freedom, and to do so in a way that contributes to country-led sustainable economic development. Because of this, MCC's founding documents also articulate three core principles based on lessons previously learned by the development community: sound policies matter for economic growth, country ownership is critical to sustainable development, and aid should be delivered with accountability for results. Thus, MCC is an organization with country ownership purposely built into its model from the very beginning.

Defining Country Ownership

By 2004, a wide range of literature on the value of country ownership already existed. Several donors were in the process of articulating their own definitions, queries, and approaches, and analyses and critiques from NGOs were also already common. As a result, MCC was able to draw heavily on close to a decade's worth of learning and evolving public debate. Our approach is one of many donors' efforts to respond to this debate, and it is shaped by some very specific elements of the MCC model. MCC's founding legislation allows MCC a freedom of operation that many donors do not enjoy, but also restricts our interpretation of ownership in certain ways.

For example, MCC's funds are not tied to specific sector objectives (e.g. through congressional earmarks or other strategic priorities). This means that there are no competing MCC priorities that must be aligned with a country's development agenda. Instead, we are free to accept a country's development strategy as it stands, so long as the elements MCC is asked to support will lead to poverty reduction through economic growth. Moreover, MCC has no-year funds (or funds that do not expire at the end of a fiscal year) and is not required to use procurement processes that favor businesses of specific national origin. As a result, MCC's large scale grant programs (called "compacts") provide partner countries with a confirmed five-year budget and the ability to procure goods and services on the open market. This makes it much more practical and efficient for a country-led team to retain implementation responsibility. Finally, MCC was designed to be a foreign assistance mechanism that works only with relatively well-governed country partners.[3] As a result, we can be more comfortable aligning our oversight and transparency requirements with a range of domestic accountability mechanisms.

Why value country ownership?

Scholars and practitioners had worried about moral hazard and principle-agent dilemmas in international development assistance for some time, but much of the earliest writing on country ownership came out of the IMF and World Bank.[1] Research in the World Bank's Operations Evaluation Department (OED) in 1999 demonstrated a statistically significant, positive relationship between the success of a particular lending project, and the extent to which a country government was committed to, or 'owned,' that project.[2] Today, the development community acknowledges that country ownership is a key piece of sustainable development. This is in no small part because a country that 'owns' a particular development project or initiative is much more likely to make difficult decisions or take complex actions to ensure effective implementation and lasting results.

At the same time, MCC has fiduciary responsibility to ensure that its funds are spent appropriately. All donors face similar responsibilities, with the specific details varying from agency to agency. For MCC, this requires close monitoring of US taxpayer dollars through pre-investment assessments during compact development, as well as financial and managerial oversight tools during compact implementation. These responsibilities, and the fact that they are sometimes in tension with country ownership, have also shaped MCC's evolving approach. Based on their own operational requirements, other donors have looked to direct budget support or other formal mechanisms to facilitate country ownership. While MCC is not fully precluded from considering these modes of assistance, we have, for the most part, tried to institutionalize a practical approach that works within the freedom and constraints of our basic model.

When it comes to our own investments, MCC defines country ownership as follows:

> *Country ownership of an MCC compact occurs when a country's national government controls the prioritization process during compact development, is responsible for implementation, and is accountable to its domestic stakeholders for both decision making and results.*

This definition suggests that ownership is not binary – there is no point in the relationship at which one can assess the situation and conclude "country ownership has now been achieved" or "country ownership has definitely failed." Rather, it can evolve over life of a program, changing as implementation progresses. For MCC's purposes, there are three component parts, each of which is critical:

1. *Countries control the prioritization process:* MCC has no pre-established sector-specific spending priorities. Rather, we leave it to each country partner to identify its own priorities for removing constraints to economic growth and poverty reduction, and to propose specific programs based on those priorities. All proposals are subject to the same rigorous scrutiny by MCC economists and sector, environmental, and social experts. At times, feasibility studies, environmental or social impact assessments, or economic impact estimates may suggest that an activity proposed by country partners does not meet MCC's standards for feasibility and results. At other times, these same assessments may prompt countries to include additional elements to buttress what has already been proposed. In every case, however, countries determine the focal points of the final compact.
2. *Countries are responsible for implementation of their compacts:* This requires countries to commit significant human and financial resources to the task. Once a compact is signed, MCC expects each partner country government to empower and support a domestically accountable implementation entity that will take the lead in implementation. Countries may rely on pre-exiting systems or offices within relevant ministries, or may stand up independent offices. While MCC provides technical assistance to this entity, our goal is to keep implementation tasks in the hands of the country.
3. *Countries' accountability to local stakeholders is not supplanted by MCC requirements:* Country ownership is larger than the wishes of individuals within the national government. For this reason, MCC expects country partners to incorporate practices and procedures that protect the "democratization of ownership." For us, this does not necessarily mean there is complete consensus about compact components or implementation

strategies, but that stakeholders outside of the executive branch have bought-in to a compact development and implementation process. An accountable process is one in which support or opposition for the government's decisions and actions are expressed and acknowledged through the country's normal institutional channels. This may include media coverage; NGO reports, assessments, or direct communication; discussion in pre-existing public debate; or the statements of various political institutions and actors.

As part of this, MCC asks country governments during the compact proposal process to undertake public consultations and to make use of local institutions, both to talk about national development strategies and to gather the varied local perspectives and information needed to design sustainable programs.[4] However, MCC looks beyond the participation of relevant stakeholders in the program development stage to whether their participation is sustained throughout implementation in an institutionally appropriate manner. Over the life of a compact, each country's implementation entity is asked to maintain a level of transparency that gives a wide range of actors across society the chance to participate in a meaningful way.

By using this three part definition, MCC recognizes that country ownership ultimately depends not only on each country partner's belief that ownership is a desirable outcome, but also on their capacity to act in pursuit of that outcome. Ownership is a process and a moving target.

The implication for MCC is that, as part of our commitment to country ownership, we have made efforts to shape our standard operating procedures in a way that not only respects the principle, but recognizes the need to adjust our own actions. From 2004 to present, MCC has therefore worked to institutionalize an overall approach that incorporates practical, tangible actions in pursuit of each of the three elements of our country ownership definition.

A practical approach yields practical challenges

Just four years into operation, MCC's experience suggests there are deep challenges associated with the effort to move from a commitment in principle to practical actions. Encountering these challenges directly, and taking stock of the lessons we have learned from them, is a significant part of the Corporation's efforts to refine its evolving approach to country ownership.

Tension between the pursuit of ownership and other critical goals

Country ownership may be necessary for sustainable development, but it is not sufficient. For example, to reduce poverty through growth, MCC believes development programs must have clear economic logic and technical quality in addition to strong country ownership. However, negotiating the potential tension between country ownership and program logic can cause misunderstandings and friction during compact development.

Capacity, speed, and tradeoffs

After a country moves into implementation, there may be practical tradeoffs between the goal of having a country completely own the process and the goal of timely implementation. The desire for rapid implementation and universal quality control can be in direct tension with efforts to pursue ownership on a more country-specific timetable. Although MCC-funded compacts are intended to be long run investments in economic growth and poverty reduction, there is also a strong desire for "rapid results." Country partners hear elevated demands from their domestic beneficiaries, while MCC's domestic stakeholders call on the Corporation to demonstrate results more quickly.

Prioritization varies among MCC's own stakeholders

Country governments, international NGOs, in-country NGOs, bi- and multi-lateral donors, and a range of US-based actors all see country ownership through a variety of lenses. This diversity of views creates a continuum of expectations, ranging from those who believe ownership is a first order priority to address a wide range of development dilemmas, to those who view it as subordinate to the need for fiduciary accountability or emerging strategic priorities. The net result is a cacophony of competing demands and assertions, each rooted in a belief that "country ownership" should be pursued in very particular (and often contradictory) ways. MCC regularly finds itself in the middle of pre-existing disagreement about the extent to which country ownership is a legitimate justification for slower timelines or less predictable schedules.

The sheer range of local conditions

Further complicating matters, institutions and organizations each have different expectations about their own role in economic development programs, and varying degrees of capacity to play that role consistently and effectively. A country government's participation in the MCC compact process occurs against a backdrop of established interaction between all parts of society and existing institutions. The nature of the relationship between the legislative, executive, and judiciary branches; tensions among regionally diverse groups of citizens, socio-economic classes, or political parties; and links between a country's political and economic leadership fundamentally shape what country ownership looks like in a country. Differences in these relationships – and in the capacity of specific actors within these relationships – certainly affect the ways a donor may need adjust its own requirements in an effort to enable country-specific ownership. Recognizing this helps to preserve respect for democratization of ownership, but it also creates practical country-to-country differences and difficulties.

III. Countries control their priority-setting process

Almost all competing definitions of country ownership include the idea that countries should set their own development priorities. MCC's perspective on this is that of a donor agency that can support elements of a national development strategy, but does not participate in any negotiations regarding the strategy documents themselves (e.g. the PRSP, Vision 2020, etc). National development plans typically contain a wide variety of development priorities, and not all are focused on generating economic growth. Therefore, MCC leaves its country partners to determine which of the priorities within their plan are growth focused, and which they would like to address in their proposal to MCC.

When thinking about this aspect of ownership, MCC focuses on the extent to which a country government is concentrating on the outcomes of the program they have proposed, not simply the program itself. This is in part because development proposals are submitted in varying degrees of completion. For some countries, their first submission includes enough technical detail that it is clear that the specific proposed interventions are an appropriate solution to the identified problem. In other cases however, a country may have identified one solution to a problem or economic constraint they want to resolve, but there is not enough reliable technical information to demonstrate that the proposed solution would be cost-effective. In these cases, MCC does not move forward with a proposal until it has sufficient information to determine whether the proposed investment is a reasonable response to the problem at hand.

For example, a country may propose the construction of water reservoirs, intending that these will ease water shortages in a specific district. However, there might be several other ways of increasing access to water on a sustainable basis, including water collection, storage, delivery, or demand-side management interventions. If further technical appraisal shows that the roots of the water access problem lie in inadequate delivery mechanisms and not storage capacity, country staff and MCC staff may work together to technically re-focus the proposed use of resources on delivery systems rather than pursuing the initial idea of increasing total water stored in reservoirs. In this case, the compact component changed substantially (both in form and dollar amount), but still aims to achieve the country's originally identified outcome. This type of situation can be difficult, since mutual agreement on desired outcomes does not guarantee agreement on the appropriate technical path to achieve those goals. However, MCC considers this kind of solution-identification work to be consistent with a respect for country ownership.

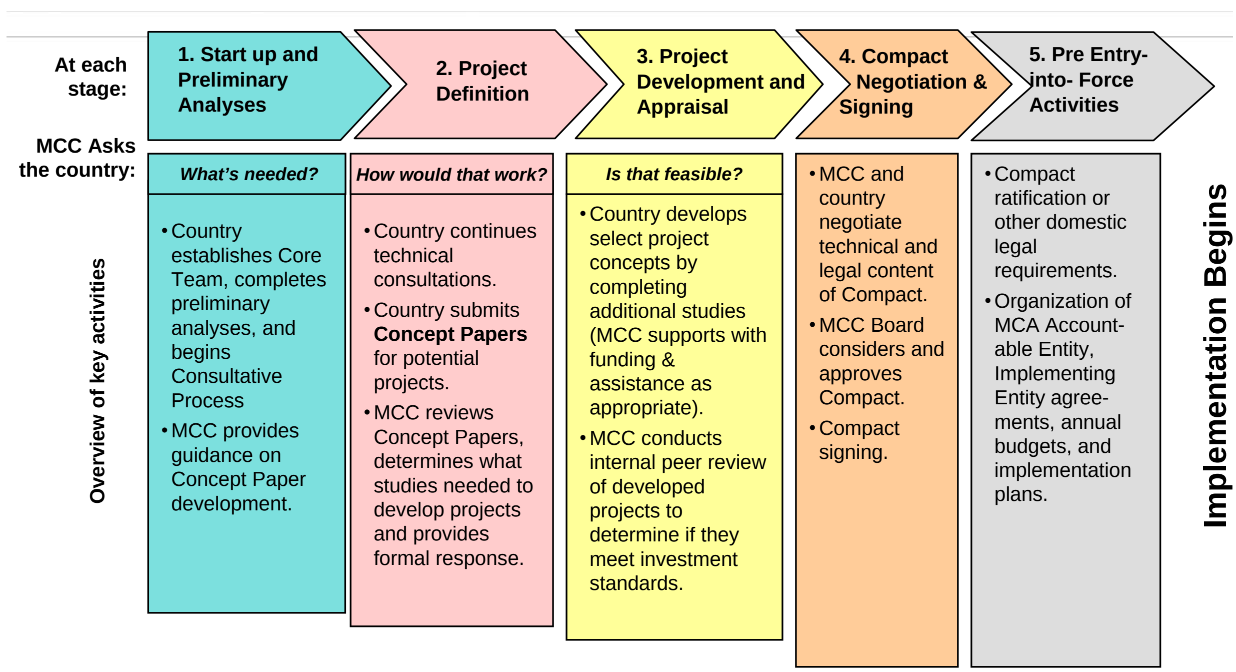
Tangible steps toward country control

MCC's compact development process has evolved substantially over the last four years. We recognize that simply asserting our commitment to our country partners is not enough: the best intentions can be undermined by technical processes or timelines that were developed without consideration for how they might influence a country's ability to articulate its own priorities. The current compact development process, therefore, was designed to align MCC and country expectations about results-based program design early in the process, without jeopardizing a country's control over the direction of its proposal. (Figure 1).

The process is intended to leave enough flexibility in the earliest stages for countries to make their own decisions. MCC aims to provide enough immediate technical guidance to uphold its own standards and commitment to results without eroding the country's ownership of the desired outcome in a subsequent period of intense technical design and assessment work. We operationalize this as follows:

- ★ *Countries conduct their own early economic constraints analyses,* which support government ownership of outcomes. MCC does not tell our country partners what their constraints to growth are; rather, we ask them to undertake their own analysis in order to identify them for themselves.[5] The country assembles a group of local economists to identify the core constraints to economic growth—beginning with recent macroeconomic analyses and other growth diagnostic work done as part of a PRSP or other national development strategic process.[6] In some cases, the core team has, in consultation with the private sector, undertaken a private sector analysis in order to identify potential opportunities for domestic and international private investment. The results of this analysis are shared broadly within the government, among civic actors and the private sector, and with donors, and then serve as a basis for a more structured and informed consultative process. MCC sends a staff economist to explain the analytical model we ask countries to use, or to discuss the findings, but we are careful to respond to requests for technical assistance in ways that do not pre-determine findings.

Figure 1. The Compact Development Process



- ★ *MCC does not establish a field presence in partner countries until after a compact is signed.* While MCC technical engagement begins in the Project Development and Appraisal phase, MCC has no in-country presence until after a compact is fully negotiated (even in the long run, this in—country presence rarely exceeds three professional staff). Once a country has articulated its priorities (at the beginning of phase two), MCC mobilizes feasibility experts to work collaboratively with the country's core team (the group of individuals tasked by the country government to develop and negotiate a compact with MCC—see box). The result is that both sides have access to all information about the realistic parameters of a potential program. This is intended to prevent misunderstandings or surprises as compact development moves into more concrete, formal stages and MCC continues to examine potential programs through the lens of economic and beneficiary impact.

- *Country core teams are primarily responsible for donor coordination.* Although coordination has been traditionally seen as the duty of donor representatives, MCC asks its country partners to take the lead on this. MCC remains committed to meeting its own responsibility for coordination, and our assessment of country proposals requires us to understand all aspects of the environment, including the activities funded by other donors. This means MCC does engage with donor colleagues, encourages the country core team to look for synergies with other donors' work, and asks them for explicit information on donor coordination at each step in the compact process. Differences in capacity and circumstance in our partner countries means that MCC's actual role in donor coordination has varied to some extent. However, we also try to make it clear to our country partners, and to our in-country donor colleagues, that it is the country core team that is primarily responsible.

Characteristics of a Core Team

The country's core team is the group of individuals tasked by government with developing and negotiating a compact with MCC. This group typically reports directly to a minister or cabinet level official; in other cases, to the President or Prime Minister. The exact composition varies from country to country, but a typical core team includes:

- Lead point of contact
- Economist/development expert
- Monitoring and evaluation expert
- Environmental and social impact expert
- Technical sector experts/ engineers
- Legal/ finance/ procurement experts
- Consultation or outreach expert

Please see MCC country guidance at *www.mcc.gov* for more detailed information on the "*Characteristics of a Core Team*."

- *The consultative process requirement lays the groundwork for broader ownership.* MCC asks country partners to use local institutions to talk about national development strategies and to gather the varied local perspectives and information they will need to design their compact proposals. We see this as a multi-stage, evolving process that integrates stakeholders at very different levels as it progresses. When done thoroughly, it also suggests the government is willing to be seen by its own political stakeholders as working for a particular outcome—that it is willing to accept domestic accountability.

IV. Countries are responsible for implementation of compacts

While there is much to be said of ownership of a priority, strategy, or idea, the benefits of country ownership (with regard to development outcomes) only accrue if that ownership is sustained through the difficult portions of implementation. For MCC's purposes, good intentions alone are inadequate if they are not paired with country government recognition that they also own responsibility for success or failure.

What does it look like when a country retains responsibility for implementation?

In an effort to define, one might ask:

- Once the work begins, what evidence is there that a country government wants to make sure the project/program is completed in the way they envisioned?
- Is the government bearing costs financial or otherwise?
- Is the government taking on difficult decisions or managing through conflicting priorities?
- Is the government taking credit for progress in implementation and/or bearing the public burden of explaining delays or failures?

Debates about country ownership often skim over the fact that full ownership would make a country responsible for success as well as failure. However, it is a critical part of the motivation to keep implementation moving forward. This can create tensions for MCC as well, as we are under no illusions about our own stakeholders' expectation that we deliver effective, successful foreign assistance programs. Pressure on foreign assistance agencies to declare program success in every country can be intense. However, we recognize that development programs are unlikely to be successful in the long run if a donor cares more about the success of an investment than its country partner does.

From this perspective, MCC has two roles during compact implementation, and these are sometimes in tension. First, because we want to maximize the reduction in poverty associated with our investments, MCC plays a supporting role, providing technical assistance when necessary to the country-led and -staffed entity responsible for implementation. In some cases, this capacity building or training on procedures is specific to the MCC process. In others, it may include support for skill sets or experiences for country staff that are more broadly applicable to national economic development.

Second, however, MCC wants our partners to bear the weight of implementation responsibilities, because this critical piece of country ownership contributes to more accountable, sustainable outcomes. Thus, MCC must allow accountable entities to function independently, particularly when their track record suggests that implementation capacity is high.

As before, transparency and consultative process requirements help to build a certain level of domestic demand for government responsibility when it comes to implementation progress. This is a core building block of accountability. Because each country continues consultations during implementation in slightly different ways, they incorporate different national stakeholders. For example, in Honduras, media inquiries place pressure on the country-led implementation entity to deliver the program as promised, while in Georgia, coordinated monitoring efforts by civic organizations maintain a public demand for information about disbursements, timelines, and progress.

Tangible steps toward country responsibility

Like compact development, the compact implementation process has also evolved as MCC and its country partners gain more experience working together. MCC has said from the beginning that countries bear the responsibility for implementation. We have used the last four years to refine our requirements and processes to support that assertion while still maintaining our commitments to results, program quality, and fiduciary responsibility.

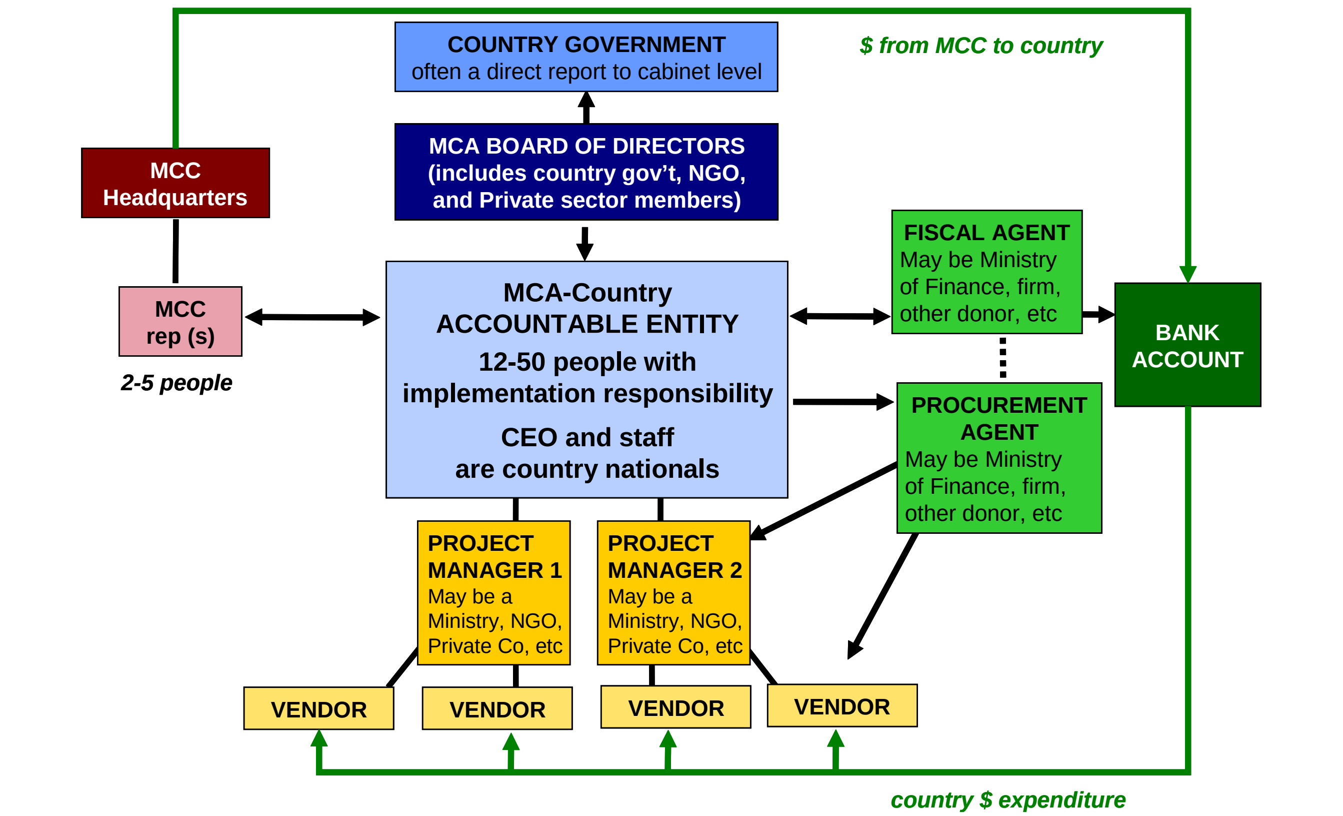
As a first step, MCC asks each government to propose an implementation structure as a final part of the compact development process. This structure is accountable to the country government and typically includes (see Figure 2):

- ★ A self-managing implementation body, which we refer to as the Millennium Challenge Account accountable entity, or the "MCA accountable entity". These pre-existing or newly created entities are led and staffed by country nationals and are viewed by MCC and the country government as responsible for implementation. The head of this body (its director or CEO) is appointed by the country government (typically through a competitive process), and staff are hired for their technical expertise (often from private sector or civic backgrounds). Depending on the program and country in question, the accountable entity will oversee and coordinate the work of contractual program managers or implementation units inside of relevant ministries;

- ★ A decision-making board made up of government officials and non-governmental actors. There may also be a separate stakeholders' committee(s), typically composed of additional civic and private sector stakeholders, as well as local government officials; and
- ★ Internal or independent fiscal and procurement agents (see Figure 2).

Once the compact is signed, this institutional framework is established through whatever legal and other mechanisms are constitutionally required (in several countries this has required legislative action).

Figure 2. Illustrative in-country Implementation Structure



The exact structure varies from country to country, but there are some common elements that support continued country government responsibility for implementation: *The primary mission of MCC's few resident staff is not implementation.* MCC establishes a permanent field presence in country only after the compact is signed, and resident MCC staff are rarely more than one or two people. They are not directly responsible for implementation, but are instead tasked with helping the MCA accountable entity set up the processes and structures it will need to manage five years of compact implementation. Once these structures are in place, MCC staff continue to act as liaisons between MCC and the accountable entity, providing technical assistance or facilitating contact with other MCC technical experts, as needed.

- *MCA accountable entities have formal management responsibility* and direct oversight of program management contractors and implementing vendors. Day-to-day management decisions are taken by the MCA accountable entity's technical staff, as led by their CEO. These individuals are country nationals, almost without exception.
- *MCA accountable entities are accountable to their own domestic Boards.* As part of the governance structure, each country also proposes the composition of a Board of Directors, which will be responsible for key strategic and tactical decisions. In nearly every case, this board is composed of ministerial-level representatives of the country government and prominent members of civil society and the private sector. While MCC resident staff may attend these board meetings, the meetings themselves are run by the MCA accountable entity's CEO, and MCC staff have no vote or other formal authority. In many countries, the minutes of these meetings are available from the MCA accountable entity's own web page. In some cases, they are available in local languages only.
- *MCC's implementation model includes a sliding-scale of oversight:* A final procedural element of MCC's approach to country ownership during compact implementation is the evolution of a sliding scale of assistance and oversight. At its core, this is a system to stage the handover of key implementation tasks to the MCA accountable entities based on their experience and capability. MCC recognizes that countries have different levels of experience in exercising ownership and management of donor-funded programs, and all countries have a natural learning curve in working with MCC financial, procurement and social/environmental accountability policies. A sliding scale of technical assistance and oversight allows MCC to realistically calibrate the nature of its interaction with an MCA accountable entity based on capability and experience of key implementation actors. This willingness to tailor oversight and technical assistance to a country's specific needs is not unique to MCC. However, it is one practical response to the very real challenge of pursuing country ownership in countries with very different levels of implementation capacity. When paired with some of the other tactics reviewed here, it also embodies MCC's effort to create a dynamic, process-based approach to country ownership over the life of a compact.

V. Domestic accountability helps "democratize ownership"

As a bilateral donor, MCC's compacts are state to state agreements. MCC recognizes country governments as our main interlocutor and respects their decision making role in the realm of national economic development. Elected national governments are democratically responsible for managing state resources and policy. However, our model also recognizes that sustainable ownership is broader than government ownership. MCC sees the democratization of country ownership as a natural outcome of country governments remaining accountable to their constituents over the course of a particular program. From our perspective, this builds the kind of sustainable ownership that can evolve with time, lending stability and consistency for a program's duration.

MCC detailed its efforts to have pre-existing local institutions to play their democratically prescribed role in compact development and implementation in a 2007 working paper on *Deepening Democracy*.[7] Although all aspects of that effort are part of a practical approach to country ownership, we highlight here just some of the practical steps we have taken in an effort to prevent our own accountability requirements from supplanting domestic institutions or processes that demand domestic accountability. Clearly, MCC is not the only variable in questions of domestic accountability, and we are under no illusions that we can create demand for government responsibility where none exists. However, we can do our best to ensure that we undergird local demands for accountability by asking our partners to maintain realistic standards of transparency and consultation.

What does it look like when a compact has roots in the domestic political economy?

By political economy, we mean the existing social institutions that are strongest in the country in question. In an effort to define, one might ask:

- To what extent is the government accountable to its constituents and stakeholders regarding their decisions on the content of compact?
- Is there public expectation that the government should be pursuing the outcomes in the compact?
- To what extent has the government set up implementation in a way that causes it to be publically accountable for progress and the results of the compact?

Tangible steps to "democratize ownership"

From some perspectives, the idea that donors can broaden country ownership by requiring ever greater levels of participation is naïve.[8] This criticism stems from many of the same problems associated with displaced accountability and de-participation,[9] and MCC has tried to institutionalize actions, process requirements, and incentive structures for our partners in ways that combat these challenges.

Adjusting MCC consultation expectations to individual country institutions

MCC recognizes that broader ownership is about more than NGO participation. Because there is no single set of "right" stakeholders from which to solicit input and buy in, our guidance to partner countries avoids laying out a specific list of stakeholders to include. As time has passed, our technical advice has instead evolved to ask country core teams to think about and include stakeholders from three groups: those who have information needed by the core team (e.g., beneficiaries, non-governmental experts, the private sector); those who have a right to access information about compact development (e.g., media, constituency advocacy groups, citizens who either expect to be affected by the compact or actually will be affected); and those whose support the core team will need to sustain implementation over time (e.g., local and national political actors, partisan civic or private actors, religious or other traditional actors that influence domestic politics). Further, we do not establish a set of explicit steps required for "adequate consultation," but offer an overview of how the purpose and execution of consultations may evolve over the course of compact development and implementation.[10]

This willingness to avoid a one-size-fits-all approach to consultation is intended to ensure that country governments reach out to all of the relevant stakeholders in their political economy, not just large domestic NGOs. It allows civic, private, and political sector actors to play meaningful roles in setting priorities for the development of the country, and has empowered elected officials to exercise their representative rights and responsibilities.

Transparency requirements that support domestic accountability

MCC requires countries to implement their compacts with transparency, and to ensure that those seeking information know where it can be found. This manifests itself in a variety of ways, but common aspects include:

- *Provision of implementation data on line:* All but one MCA accountable entity has its own web-page, through which MCC asks it to maintain a stream of information for public consumption. While on-line transparency may not reach the poorest members of the public, it does provide a base of information for the civic and political leaders that represent poor constituencies—two actors in the political economy that may be better placed to demand accountability from the government than the poorer beneficiaries they represent.

- *Proactive work with the media.* Because the media act as a conduit of information to a variety of domestic actors and institutions, work with journalists is a key part of ensuring that information about country activities reaches a full range of stakeholders. Investigative journalism can also be a strong driver of domestic accountability. To this end, a large number of MCA accountable entities have dedicated outreach officers who issue regular updates and respond to requests for additional information. For instance, in Mali, MCC resident staff have also contributed to efforts to cultivate an MCA press corps that includes journalists from both the capital city and the areas in which compact programs are being implemented. This included an orientation to compact implementation operations and some initial training. Now both the MCA accountable entity and MCC staff provide regular information and updates to these journalists, some of whom are exploring more detailed long term plans to track compact implementation.

- *Willingness to provide the information needed for ongoing debate.* In keeping with diverse political economies, the participants and instigators of public discussion regarding the MCA accountable entity's performance and results vary from country to country. Elected officials in Ghana and Vanuatu,11 civic monitoring organizations in Armenia and Georgia, and Local Development Councils in Nicaragua have all played distinct roles and expressed vigorous opinions about the work of their MCA accountable entity. In these cases, MCA accountable entities have provided additional information when called upon to do so, enabling continued public debate.

VI. Looking for evidence

In an effort to measure global progress on country ownership, the ownership commitments of the 2005 Paris Declaration call upon partner countries to have an operational development strategy (such as a PRS) with clear strategic priorities in place, linked to a Medium Term Expenditure Framework and reflected in annual budgets. For all donors, the one ownership commitment is to respect countries' leadership in this area and to support their capacity to exercise it.[12] For many donors, this has meant an effort to ensure that the programs or projects they support are reflective of the priorities outlined by each country in its PRSP or national development strategy.

To find evidence, MCC asked:

- How can we tell - before a compact is approved - whether or not the proposed programs are owned?
- What does it look like when a country government feels responsible for implementation?
- What might demonstrate the kind of democratic country ownership that not only reflects all aspects of a political society on paper, but is closely matched with domestic accountability mechanisms that carry meaning for the country government in question?

MCC has respected this definition, and over the past three years, we are pleased to report that in every one of our 16 partner countries with standing PRSPs, each compact component is reflective of the priorities as laid out in that country's PRSP.[13] However, because MCC has institutionalized a practical but multi-part approach to country ownership, we have also cast the search for evidence of country ownership somewhat wider. MCC is looking at three kinds of information.

Survey data

In 2007, MCC hired a polling firm to conduct a blind survey of our country partners, and asked several questions related to country ownership. Among country partners who had not yet signed their compacts, but were either in the initial development phase or the project appraisal phase 70% of those surveyed agreed that MCC gave them a sufficient level of ownership or responsibility over their programs. For partners in implementation, that figure dropped slightly to 63%.[14] Practically, this likely reflects the deep challenges associated with a simultaneous need to provide technical assistance to equalize capacity and maintain environmental, fiduciary, and transparency standards across countries. The previously described tension between a commitment to capacity building and country ownership is very real.

In the same survey, when partners were asked if MCC's approach to country ownership would help them achieve their development goals, a substantial majority agreed that it would, with partners in the initial development phase somewhat less likely to agree with this statement (67%), than partners at the project appraisal phase (87%), or in compact implementation (81%). Although the sample sizes are very small, MCC finds this disaggregation reassuring, in that our continued technical engagement is not reducing countries' valuation of ownership or satisfaction with MCC's approach.

Direct Evidence

Although there is no consensus on how to identify the presence of country ownership, MCC believes that if our particular approach to ownership is working, we should see that reflected in two tangible ways.

Proposed program outcomes have been desired for some time

In addition to looking at the number of compact elements that align with priorities listed in the current PRSP, we ask if there isany evidence that the problem being addressed has been reiterated over the course of several government development initiatives or efforts? In Tanzania for example, where the compact is designed to help address regional imbalances in the provision of infrastructure with an emphasis on rehabilitating/ maintaining rural roads, it is possible to trace an emphasis on transport road infrastructure over a decade. The *Vision 2025*, which was initiated in 1995, noted that "Investment in infrastructure must be accorded the highest priority and be spearheaded by the government… In particular, the development of the road network is absolutely essential…"[15] A decade later, this same need was identified in Tanzania's PRSP, as well as its National Strategy for Growth and Reduction of Poverty (NSGRP)[16]. Finally, the specific mainland roads included in the compact were originally documented in the Government's 2003 10-year National Transport Policy.[17] This well documented evolution in focus on rural roads suggests that the program ultimately funded through the MCA compact is something the country government has desired for some time.

Governments prioritize pursuit of compact related policy changes

One of the most common pieces of indirect evidence is a country's willingness to pursue specific regulatory or structural policy changes in an effort to enhance the impact of a specific compact program. This demonstrates continued commitment in the face of difficult implementation decisions. For example, through new legislation, Honduras set aside funding for a sustainable road maintenance fund to complement the compact's infrastructure investment; Madagascar established stronger legal recognition of new land tenure procedures; Lesotho granted women formal legal status to widen the number of beneficiaries that would be affected by its proposed compact investments.

Governments take proactive steps to maximize investment impact

Government efforts to work with the MCA accountable entity and MCC to adjust implementation priorities or time lines in the event of new information or resources may be another example of continuing ownership. In Benin for example, when private operators at the Port of Cotonou installed their own landside cranes, an activity that was originally planned under the Compact was no longer necessary. The MCA accountable entity and the Government of Benin's port authority worked together to re-adjust compact implementation to increase the port's competitiveness in other ways and therefore maximize the return on compact investments.

Governments mobilize non-MCC resources:

With regard to unanticipated challenges, MCC's country partners have remained committed and constructive as we grapple together with changes in the global economy that are affecting compact costs.[18] Increases in the costs of transportation and raw materials, as well as recent dollar depreciation, present a difficult and unanticipated situation for some of our partner countries. Countries' own commitment to seeing their compact through has enabled us to work as full partners to identify solutions when cost escalation means that MCC funds no longer fully cover the full cost of specific investments. In these instances, each country's accountable entity has worked with MCC to re-organize anticipated procurements into smaller bundles. This not only allows the country in question to maximize the impact of MCC funds by working more incrementally, but also to locate or solicit resources to make up the gap. Whether countries find resources of their own, or look elsewhere, their proactive engagement suggests that these partners remain committed to the original outcome, and have internalized implementation as their own challenge.

Indirect evidence

In addition to direct evidence like the ownership indicator established by the Paris declaration, there are some benefits to looking elsewhere for evidence of country ownership. This is particularly true with respect to the third piece of MCC's three part definition of country ownership; domestic accountability. When thinking about how to look for indirect evidence, we asked, what would demonstrate the kind of democratic country ownership that not only reflects all aspects of a political society on paper, but is closely matched with the domestic accountability mechanisms that carry meaning for the country government in question? Here MCC looks at four possible indirect measures.

The government makes public its decisions and involvement

Of 11 compact countries well into implementation, all but one have an MCA website which provides links to their compact documents, as well as clear contact information for those interested in more information. In a majority of cases, MCA accountable entities post the same recent progress reports, disbursement requests, or technical program documents that they submit to MCC.[19] In some cases, country governments posted early compact proposals, even before the compact was signed. [20] While web transparency does not reach all stakeholders, it provides a starting point for dissemination to those that are interested.

The MCA accountable entity is subject to domestic political processes and scrutiny

Over recent years, the call for greater civil society participation has been joined by recognition of the role that can be played by media, legislatures, and other aspects of what Oxfam refers to as a country's "political society."[21] From MCC's perspective, this means that we should look for evidence of country ownership in the way a compact is or is not integrated into the country's standard political landscape.

- ★ *Changes in the nature of media coverage, legislative debate, and political discourse* This may include political stakeholders talking about MCA compact implementation as "the government's accomplishment/ responsibility/ failure," in media statements, through legislative debates and processes, or even integrated into their campaign rhetoric. Because public consultations do not guarantee public consensus, journalists or political actors may question the motivation for compact content, requiring government officials to make public responses. MCA compacts are also typically subject to local legal processes and procedures, including those conducted by the national legislature as part of ratification or budgetary responsibilities.[22] This intersects nicely with domestic accountability as the legislature and its committees are a permanent location for the discussion of national economic development efforts. Because a full range of political parties are usually represented in the legislature however, debate and other formal proceedings regarding MCA can strengthen political scrutiny of compact implementation. While these debates can be nerve-wracking for any donor or implementation unit hoping to adhere to specific timelines and workplans, they are also some of the most effective ways to broaden de-facto ownership by inviting domestic actors to engage in compact implementation on their own terms.
- ★ *Continuing attention from self-supported, non-governmental actors* MCC does not fund any civic monitoring initiatives. As a result, NGOs and other civic actors that independently decide to monitor compact implementation may be one of the best indicators that domestic stakeholders working to hold their government accountable for implementation of the compact. We already see this in Georgia and Armenia, and anticipate additional monitoring efforts elsewhere as time passes.
- ★ *MCA accountable entities rely on formal advisory councils or informal stakeholders for support.* While nothing guarantees commitment to a program through an electoral transition, the breadth of consultations and participation in MCC compact processes has enabled several MCA accountable entities to continue their work even through significant transitions of power. In cases like Nicaragua and Benin, it was, at least in part, the early and continuous involvement of civic actors and locally elected officials in public consultations that enabled implementation under a completely different national government than the one which had been in power during proposal deveopment.

Media coverage highlights political debate about the compact proposal

"The MP further told his listeners that the government should have selected two districts from each region and used different means to get the remaining districts so that there would be equity in the distribution of the [Millennium] Challenge Account. He said the government had refused to do so."

–Local paper, June 5, 2006

"The [newspaper's] independent research at the MCA secretariat shows however that the region [in question] is heavily represented in the agricultural intervention districts earmarked, with [the district] …heavily locked onto the MCA grid."

–Local paper, June 6, 2006

"[The] Minister of Local Government, Rural Development and Environment… stated that the government is committed to the balanced development of all the districts in the country…no one district, and for that matter region, has been neglected in government's efforts towards poverty reduction.

–Local paper, June 22, 2006

Governments initiate efforts to increase MCA accountable entities' capacity

If a country government has accepted full responsibility for compact implementation, but believes it requires further capacity building to execute the responsibility successfully, one might find that country initiating its own efforts to increase capacity. This could range from self-arranged trips to nearby countries that are slightly farther ahead in implementation, or efforts to take advantage of pre-existing opportunities to meet with other MCA accountable entity staff.[23] We have seen some evidence of the former among MCA accountable entities in Georgia, Benin, Namibia, and Mali, which coordinated and held brief technical staff exchanges in early 2008.[24] Similarly, several MCA accountable entities sent representatives to an MCA-Ghana organized seminar in Accra in late 2007 in an effort to learn from colleagues who have had longer relationships with MCC.

The government adopts compact related processes more broadly

Because MCC must balance its own oversight and accountability requirements, we cannot avoid asking countries to make use of certain specific technical and systemic processes during implementation. However, some early evidence suggests that we may have struck a sound note in at least certain areas, and that some countries have found elements of the design and implementation processes sufficiently valuable to adopt them for other national development efforts. In Madagascar for example, the MCA accountable entity's procurement activities eventually led the Government to introduce procurement curriculum at the National Business University. Similarly, after signing their own Compacts, Ghana and Tanzania decided that the process of calculating economic rates of return had contributed enough to their own decision making process that they adopted similar mechanisms for funds raised on the bond market and within the Ministry of Finance.

VII. Conclusion

MCC is an organization with country ownership purposely built into its model from the very beginning, and we recognize that country ownership is, at the end of the day, about the extent to which our interlocutors in government, civil society, and the private sector can honestly assert that the programs we finance are their own programs. We respect that ownership will be different in every country.

Our working definition encapsulates the notion that country ownership is not binary, but rather the result of a process that unfolds over time. We look for evidence that country governments not only control their compact priorities, but remain responsible for implementation, and accountable to their own domestic stakeholders for the outcomes of those programs. As described above, MCC is already taking actions to establish a practical, process-based approach to all three components of country ownership. We want to make clear that while MCC believes this is a sound contribution to effective development practice, it remains a work in progress – something that requires MCC to make continual refinements.

Turning once again to the 2007 blind survey of our country partners, more than 80% of respondents either agreed or strongly agreed that "MCC's approach to country ownership will help my country achieve its development objectives," suggesting that while we may still struggle to define the exact nature of country ownership, MCC is building a practical approach that our partners value as well.[25] As we move ahead, we look forward to each individual country actor playing its distinct role in the compact process – whether that is through public consultations, in the technical or managerial aspects of compact implementation, or by working along side compact programs to deepen their impact on economic growth and poverty reduction.

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(Endnotes)

1 A nice overview in Khan and Sharma's "IMF Conditionality and Country Ownership of programs" p 4-9.

2 World Bank, 1999, *High Impact Adjustment Lending (HIAL): Initial Evaluation,* Operations Evaluation Department, report No. 19797 (Washington: World Bank)

3 For a description of MCC's Selection process, see *http://www.mcc.gov/selection/index.php*

4 In many cases proposals have roots in previously developed PRSPs or other national development strategies, but have been supplemented by specific public consultations.

5 MCC makes use of the growth diagnostic approach described by Haussmann, Rodrik, and Velasco in "Growth Diagnostics" available at *http://ksghome.harvard.edu/~drodrik/barcelonafinalmarch2005.pdf*

6 These economists have come from academia, government service, and the private sector, but they are all country nationals. The actual conduct of this analysis varies from country to country. Moldova and Jordan produced independent reports, the Philippines worked closely with the Asian Development Bank, and Malawi conducted this as a joint exercise with multiple donors.

7 *MCC and the Long Term Goal of Deepening Democracy.* MCC Working Paper, November 2007 Available at: *http://www.mcc.gov/documents/mcc-112007-paper-democracy.pdf*

8 Booth, David. Missing Links in the Politics of Development: Learning from the PRSP Experiment. Working paper No. 256. Overseas Development Institute. London: ODI, Oct., 2005.

9 Displaced accountability is the concern that large flows of international aid may reduce elected officials' accountability to their own population and other domestic stakeholders, while departicipation represents citizens' refusal to engage democratic structures due to their perception that elected officials are more attentive to international donor pressures than to domestic demands. Both concepts are discussed more thoroughly in MCC's Working Paper, Deepening Democracy.

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13 Based on internal review of Compact proposals, IMs, and PRSPs.

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17 *Tanzania National Transport Policy.* United Republic of Tanzania Ministry of Communication and Transport. 2003. p 28.

18 In light of MCC's budget structure and operation, it is not possible to ask MCC for additional funds to cover increased costs.

19 See for example Ghana, Georgia, Armenia, Benin, Madagascar, or Nicaragua.

20 MCA websites, accessible from *http://www.mcc.gov/countries/index.php*

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22 As of summer 2008, nine national legislatures have ratified their country's MCA-Compact (Nicaragua, Honduras, Georgia, Vanuatu, Armenia, Ghana, El Salvador, Mali, and Morocco).

23 We have also seen efforts to take advantage of information from more advanced neighboring countries during Compact development (Malawi country staff visited Ghana), in the Threshold program (the Nigerien POC

visited Burkina Faso), and as part of an effort to maintain eligibility (Jordan's ministry of Planning invited the ministerial staff responsible for monitoring indicator performance in El Salvador)

24 For more information see: *http://www.mcc.gov/documents/successstory-052208-makingheadway-mca-benin-georgia.pdf*

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