

Public
Consultation
Draft:
**MCC's Country
Ownership**

July 2024



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CONSULTATION DRAFT

The following text represents a consultation draft on MCC's approach to country ownership: where we began, what we have done in this anniversary year to advance our practice, and the principles that will inform our future.

A REFLECTION ON MCC AND COUNTRY OWNERSHIP

At MCC's founding in the early 2000s, the Millennium Development Goals represented a new promise that the world could pull together to address global challenges and improve lives. New academic literature and policy discourse on foreign aid effectiveness suggested novel approaches to test and lessons to apply. Amidst this era of development optimism, MCC, as a new agency, leaned into the possibilities of a bold experiment that would test principles established by the development community's lessons learned. MCC's founding documents articulate three core principles: (1) sound policies matter for economic growth, (2) country ownership is critical to sustainable development, and (3) aid should be delivered with accountability for results. In essence, country ownership was purposely and uniquely built into MCC's founding mandate.

Over the past 20 years, MCC has further embedded country ownership in its operational model. In practice, this meant developing policies and procedures to bridge the gap between ownership principles and operational realities and making the link between them public. The agency first released a discussion paper articulating MCC's approach to country ownership in 2009, following it closely in 2011 with a "Principles into Practice" paper describing how MCC has applied country ownership in its operations alongside sound economic logic and the protection of US taxpayers' interests. Country ownership remains a foundational—and practical—element of MCC investments.

As MCC reflects on 20 years of experience operationalizing the best of development thinking, this milestone is an opportunity to assess, refresh, and institutionalize the innovative aspects of MCC's approach that have led to success. We recognize that change in the world around MCC should prompt a change in practice within MCC, even as we hold fast to the core model. For country ownership, this means looking across available data on program results, agency performance, lessons learned by MCC staff, and MCC partner countries' own perspectives. It means acknowledging the practical tensions and making process adjustments we can see already and committing to some core principles that will carry our momentum into the next 20 years.

Whether we call it locally-led development, decolonization, or a partnership of peers, MCC's commitment to actualize country ownership is not only a core principle for development effectiveness, but also enables the agency to deliver strategic impact in ways that meet the needs of the moment.

PRACTICAL RELEVANCE OF COUNTRY OWNERSHIP TODAY

When the broader development community introduced the notion of country ownership, it was as part of a recognition that aid cannot drive development outcomes on its own, but, rather, can capitalize leaders who are working to develop their own countries and communities. The Global Partnership for Effective Development Cooperation, a 2011 global agreement to which the US is a signatory, was unequivocal, "Partnerships for development can only succeed if they are led by developing countries..." Since then, the

global community has only become more aware that impact is limited when donor agencies make the decisions about populations and contexts thousands of miles away. This practical realization is reinforced by growing recognition of the value of broader inclusion and participation — whether in development or diplomatic fora—as the world encounters ever more shared, global challenges.

In that context, the rise of non-traditional development finance providers has also made clear to aid-receiving countries that they can act on their preference for more equal partnerships. Considering changing geopolitical realities, partner countries are interested in development finance providers that are willing to build processes based on mutual respect and work toward outcomes of the country’s own choosing. Directed from the beginning to center partnership, ownership, and respect for countries’ leadership, MCC had an auspicious head start. But these global evolutions mean we cannot rest easy at “good enough.”

Finally, country ownership is a tangible part of how MCC enables democracies to deliver. As the world has witnessed a retreat in democracy, it is worth reflecting on how MCC’s existing commitment to country ownership pushes the agency to work with its partner countries in ways that respect their efforts to deliver accountable, democratic governance.

For a long time, the agency has been commended for the fact that it *selects* partner countries based on their commitment to democracy and good governance as captured in the scorecard. We have been celebrated for credibly demonstrating that MCC *expects* those countries to maintain those standards throughout the duration of the partnership. But if one looks through the lens of democratic governance, it becomes clear that when MCC consistently practices country ownership, MCC also *respects* those countries’ democratic processes and their role in delivering for the people to whom they are accountable. In this sense, by leaving greater decision making and implementation in the hands of partner countries, MCC not only makes space for democratic institutions, systems, and procedures, but also provides resources for them to deliver.

HOW MCC CURRENTLY PRACTICES COUNTRY OWNERSHIP AND RECENT IMPROVEMENTS

From early days, MCC defined country ownership as having three tangible dimensions: countries determine the investments, they implement the programs, and they are held accountable by their domestic stakeholders.

- A. **Countries control the prioritization process:** Once eligible for MCC compact or threshold assistance, partner countries choose the sectors where MCC invests, based on an economic analyses of countries’ key constraints to economic growth, and informed by meaningful engagement with citizens, civil society, the private sector, and other donors. MCC and partner countries work together to design investments that meet country priorities, are cost-effective, and have strong potential to increase incomes. MCC does not set out to focus its investments in any sectors.
- B. **Countries implement their own programs:** MCC has small in-country missions in program countries (typically only two U.S. direct hires). MCC requires partner country governments to establish accountable entities to lead program implementation; these entities, typically known as Millennium

Challenge Accounts (MCAs), are led, managed, and staffed by country nationals and work directly with existing government ministries and other domestic stakeholders.

- C. Countries are accountable to domestic stakeholders for results:** Each MCA reports to its own board of directors (or similar governing entities) that includes ministerial officials and representatives of the local civil society and private sector. Thus, MCA boards are accountable to national governments and their citizens for implementation of MCC-funded programs, transparent decision-making, and achieving results.

Over 20 years, we have learned that, while clearly defining country ownership matters, it is embedding this principle in our processes that makes country ownership real. To that end, as MCC takes advantage of this anniversary moment to improve its own function, we found many of the improvements we undertook were in clear alignment with enhancing our ownership approach.

A. Countries control the prioritization process → increased ownership in program development through two key adjustments.

- *A constraints to growth menu approach:* When determining the sectors MCC grant funding will support, the agency has relied on an economic “constraints to growth” analysis to identify potential sectors. Before, MCC and the country worked together to determine which constraint(s) the investment would address. Now, MCC partner governments look at a broader range of sectors and make a formal decision on which two they’d like to prioritize and explore for investment. This shift means partner countries make a critical choice on their own about how to align with nationally determined development objectives and the resources otherwise available.
- *A new joint design document:* In a recent adjustment to MCC’s program development process, once partner countries select the specific sectors of focus for the MCC-funded program, the partner and MCC work together to define the projects themselves in a joint design document. This is a shared, co-created document in which MCC staff and partner country counterparts transparently craft the proposal for an MCC program. This document captures the essence of country ownership by pushing MCC and counterparts to be literally on the same page about project details earlier in compact development.

Taken together, these adjustments mean countries choose the sector for investment, work with MCC to identify the root causes of the issues they’d like to address, and work in the same document to outline the design of the program. This moves beyond a typical co-creation process because now, completed documents are submitted to the MCC approval process as well as a country-determined approval process that involves their political actors directly,¹ securing more accountable, democratic country ownership.

B. Countries implement their own programs → innovation in procurement and policy reform tools.

- *Reforming our partnership in procurement:* Procurement@20, one notable workstream within the MCC@20 effort, shifts more ownership and responsibility for the procurement

¹ Freedom House, *Freedom in the World 2024*, available at https://freedomhouse.org/sites/default/files/2024-02/FIW_2024_DigitalBooklet.pdf

process to MCA partners. This suite of reforms increases the dollar threshold for MCA led procurements, reduces the number of MCC touchpoints during the procurement process, and optimizes the role of the MCA Board of Directors in procurement oversight. On average, it is expected that the Procurement@20 reforms will reduce procurement timelines by 30 percent. These changes mean MCAs have more authority, and more accountability for ensuring quality procurements.

- *Embracing new innovative design methods:* As MCC and partner countries recognize the centrality of policy reform in sustainable economic outcomes, the agency is providing space and support to innovative program approaches that strengthen local systems and local institutional reform, such as facilitated change management (sometimes called problem-driven iterative adaptive processes), political economy analysis, and increasing our capability to better plan and implement projects that address policy and institutional reforms. These approaches allow MCC investments to be more responsive to political realities within a particular context and increase their sustainability.

C. Countries are accountable to domestic stakeholders for results → Reviewing MCC strategy and practice.

- *Inclusion and Gender Strategy:* In October of 2022, MCC released a new Inclusion and Gender Strategy. Underlying that text is a recognition that country ownership is not just about government ownership but requires a commitment to address inclusion concerns routinely and systematically. The strategy includes an agency commitment to address structural exclusion and support the ability of people in marginalized communities to access, participate in, and derive benefit from MCC investments in a way that is locally sustainable.
- *Listening to our partners—the MCC Leadership Conference:* In November of 2022, MCC continued its long-standing practice of bringing together leaders of MCC-funded programs in development and implementation. Representatives from MCAs and compact development teams from 21 MCC partner countries joined MCC resident country directors and team leaders for a three-day conference to discuss program issues, including the relationship between MCC and MCAs/development teams. During these discussions, partner country attendees advocated for more country ownership throughout the compact life cycle, enhanced MCA decision making, processes, and procedures, and improved locally-led stakeholder consultation to reflect the needs of their countries.

PRINCIPLED MOMENTUM TOWARDS A STRONGER APPROACH TO COUNTRY OWNERSHIP

While MCC has already taken steps to deepen our implementation of country ownership, we know the work is not finished. At the end of 2023, we began an ‘ownership review’ to examine how well staff and partner countries feel the agency is practicing country ownership. The review included numerous focus groups, surveys, and most importantly, discussions with MCAs and key national stakeholders. Core to this assessment was identifying and analyzing key points of contention.

Detailed findings are forthcoming, but the animating principles are clear. MCC's operationalization in the future will be guided by efforts to do the following:

1. **Continue to enhance country-owned perspectives, capabilities, and approaches when we consider change.** MCC's practice of hosting leadership conference and proactively seeking out partner feedback on our operations and procedures, along with MCC's ongoing inclusive 'ownership review' demonstrate that it is possible and valuable to consult with our partner countries when making changes to how MCC operates. We will build on those precedents going forward.
2. **Honestly articulate key tensions in our operational model.** As a US government agency, MCC needs to manage multiple competing priorities when making decisions, including timelines, fiduciary responsibility, statutory requirements, and international environmental, social, and governance standards. MCC cannot ignore the reality of these demands, but we can be clear in our commitment to assess the tradeoffs openly and look for ways to determine how country ownership should be weighed against other priorities.
3. **Look for ways to codify mutual respect and mutual accountability.** As Procurement@20 and the joint design document make clear, being transparent and forthcoming with our partners is critical to building trust and respect. As MCC expands MCAs' decision-making authorities, we have been clear that we expect our partners to uphold a common set of standards. Increasing transparency and shared information is one way of enabling our partners to hold *us* to account as well.
4. **Explore the links between MCC's approach to country ownership and our commitment to supporting inclusive and accountable democratic institutions.** In addition to respecting the institutional roles of our country counterparts, MCC's Inclusion and Gender Strategy signals that more inclusive consultation is plausible, in partnership with our government peers, to incorporate the perspectives of economically, socially, or politically marginalized actors.
5. **Continue sharing our commitment to country ownership with external stakeholders and invite others to hold us to account to these commitments.** Just as MCC holds our country counterparts accountable for implementing and sustaining MCC projects, we want others in the development community to continue to hold us to account for our commitment to country ownership.

CONCLUSION

In conclusion, MCC plans to prioritize and strengthen our approach to country ownership, because we know the overall MCC model works. The agency was designed as an incentive for governments to adopt reforms and policies that make development effective, including good governance and sound democratic practices. In recognition of this, MCC provides grants to our partners to support the development needs they themselves identified. Our approach to strengthening democracy, and our ability to form valuable partnerships for the US, are two parts of the same mechanism. As such, our commitment to maintaining an agency focus on country ownership is paramount. We know this will be hard work—not just a restatement of principles and guidance but strengthening a culture of country ownership within the agency. As we embark on this journey, we look forward to the board's guidance, experience, and leadership.

Reducing Poverty Through Growth

