

# METRICS FOR IMPLEMENTING COUNTRY OWNERSHIP

The 2014 policy paper of the Modernizing Foreign Assistance Network (MFAN), “The Way Forward,” outlines two powerful and mutually reinforcing pillars of aid reform —“accountability through transparency, evaluation and learning; and country ownership of the priorities and resources for, and implementation of, development.” Strengthening these two pillars will make U.S. aid more effective in helping developing countries access a path to prosperity.

Neither transparency nor country ownership are new concepts. MFAN focuses on both because together accountability and country ownership are vital prerequisites to enable leaders and citizens in developing countries to take responsibility for their own development. This includes guiding spending priorities, making evidence-based conclusions about what works and what doesn’t, and holding country leaders as well as donors accountable for delivering results. Informed and empowered citizens who demand good governance and sound priorities, and act as a check against corruption, will bring about lasting change in their countries. Ultimately, as the MFAN policy paper states, they will become better trading partners to the United States, more reliable allies, and safer bets for U.S. private sector investment.

The MFAN Working Group on Country Ownership was constituted to foster a more complete and robust conversation about country ownership. In this paper, the Working Group seeks to define country ownership, suggest methods to measure progress towards meeting ownership objectives, and propose a more practical and enhanced set of guidelines for policymakers trying to advance the country ownership agenda.

This paper suggests a number of existing and potential metrics that would support U.S. agencies and initiatives, including USAID, MCC and PEPFAR, in their ongoing efforts to implement country ownership. The MFAN Working Group

on Country Ownership supports the following framework for more completely measuring and implementing country ownership.

## HIGH LEVEL PRINCIPLES FOR COUNTRY OWNERSHIP

The context of country ownership can vary. But MFAN believes the following principles guide and frame how we define and measure it:

- ▶ **PRIORITIES:** If a donor-assisted program or project is not a key priority of a local institution or stakeholder in the country, it will not be sustainable
- ▶ **IMPLEMENTATION:** Local partners (whether from

### Recommended Metrics

#### *Ownership of Priorities*

- » Measuring Donor Adaptability to Country Needs
- » Measuring Donor Alignment with Country Development Strategies
- » Measuring Inclusiveness of Partner Country Development Strategies

#### *Ownership of Implementation*

- » Measuring Local Procurement
- » Measuring the Use of Local Systems

#### *Ownership of Resources*

- » Measuring Domestic Resource Mobilization and Local Co-Financing
- » Measuring Integration of External and Local Funding to Increase Sustainability/Impact

government, civil society and/or the local private sector) are essential for effective and efficient implementation

- ▶ **RESOURCES:** One important goal of U.S. assistance should be to support local partners to generate the vast majority of sustainable future resources for political, economic, and social development within and by the partner country itself
- ▶ **METRICS:** Meaningful metrics for the U.S. government to measure its efforts to implement country ownership approaches are crucial to demonstrate whether country ownership is happening, whether efforts are improving, and ultimately how country ownership approaches are contributing to development outcomes

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### **What is Country Ownership of Priorities?**

The MFAN 2014 Policy Paper states that when it comes to ensuring country ownership of priorities, the U.S. government needs to:

- » Decrease the percentage of aid directed through Congressional directives and Presidential initiatives;
  - » Ensure meaningful and consistent engagement with local actors before plans are set, and increase flexibility to design and even reconfigure existing investments to better align with local priorities; and
  - » Actively promote and invest in developing country-led efforts to ensure that all citizens – including the poorest, marginalized populations, and women and girls – can participate in the process of setting development priorities that inform both donor aid and country budget allocation decisions.
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## **1. Country Ownership of Priorities**

In most societies, the spectrum of priorities includes a range of economic and political goals, reflective of the diversity

of government leaders and institutions, political parties, economic actors, and civil society participants. Moreover, the level of inclusiveness in the creation of the country priorities varies dramatically. Measures of country priorities must take into account not just the diversity of views but how these views are actually considered in the process.

Within the U.S. government, the Millennium Challenge Corporation is the most systematic about assessing and directly supporting country priorities. The MCC's advantage over other agencies is its model which allows for country selection of priorities based on constraints-to-growth analyses and is free from spending directives. The resulting set of programs may cover multiple sectors (such as health, education, energy, or agriculture), which offers more degrees of freedom to partner countries selecting their own priorities.

In theory, USAID shares this advantage, working across a range of sectors that can align with partner country development strategies. In reality, however, because of extensive Congressional directives and White House requirements for Presidential initiatives, global investments in a number of sectors are pre-determined in Washington, thereby removing critical flexibility to match U.S. resources with country priorities. For example, a recent report from USAID's Office of the Inspector General noted that USAID officials from 11 of the 12 selected Missions found that Presidential initiatives and earmarks trumped local priorities. These conditions create unnecessary challenges for the U.S. government to support locally-led development. Experience shows that externally-led programs are less likely to be sustained and to generate lasting impact.

MFAN's Country Ownership Working Group has identified several existing or potential measures that would facilitate the task of measuring ownership of priorities:

### **1A. Measuring Donor Adaptability to Country Needs**

- ▶ Percentage of pre-determined program funding tied to Congressional directives and Presidential initiatives
- ▶ Delegation of authority and incentives to country-based staff for working effectively in partnership and adapting to country priorities

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### **What is Country Ownership of Implementation?**

The MFAN 2014 Policy Paper states that when it comes to ensuring country ownership of implementation, the U.S. government needs to:

- » Increase the proportion of U.S. assistance flowing through local institutions over time;
  - » Measure sustainability and self-reliance of all projects being implemented by U.S.-based grantees and contractors; and
  - » Focus on strengthening people, management systems, financial processes, research analysis and advocacy, and accountability mechanisms.
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### **1B. Measuring Donor Alignment with Country Development Strategies**

When a nation develops a more inclusive country development strategy, this should lead to more donor alignment with local priorities. Increasing donor alignment could itself provide an incentive for governments to develop more inclusive strategies by including civil society, the private sector, local governments, marginalized groups, and other key stakeholders.

- ▶ Percentage of U.S. aid alignment with partner country priorities, systems, and procedures by program funding levels
- ▶ Degree of conceptual alignment between a country's national development strategy and the U.S. country plan of operation (such as USAID CDCSs or MCC's compact agreements)
- ▶ Percentage of alignment between U.S. program funding and regionally agreed development plans and priorities such as the Comprehensive African Agriculture Development Program (CAADP)
- ▶ Percentage of on-budget and general budget U.S. funding to partner countries at the national,

sub-national, and local levels

- ▶ Percentage of program objectives that were derived from and/or aligned with country development plans and policies
- ▶ Number of formal joint decision-making mechanisms between U.S. agencies and local institutions and actors

### **1C. Measuring Inclusiveness of Partner Country Development Strategies**

- ▶ Number of countries with an existing U.S. country plan of operation (such as USAID CDCSs or MCC's compact agreements)
- ▶ Reporting on the level, quality, and types of consultation involved in the formulation of each U.S. country plan of operation
- ▶ Number of countries that have developed their national development strategies based on inclusive consultation processes. (This metric could be used to direct U.S. and other donor funding to promote inclusiveness in countries that inadequately consult their citizens)

### **2. Country Ownership of Implementation**

To date, USAID has chosen to operationalize country ownership primarily through the ownership of implementation dimension, setting a goal that 30% of USAID assistance at Mission level be channeled through local organizations. While there has been much discussion about the 30% goal, there has been relatively limited discussion about other ways of operationalizing ownership of implementation. Encouraging a more sophisticated definition and a fuller set of measures of ownership of implementation will require that decision makers tackle how to balance the interests of U.S. strategy with the priorities of partner countries and stakeholder communities.

- ▶ What degree of necessary adherence to U.S. requirements (gender, environment, transparency, reporting) should be required of local entities carrying out implementation?
- ▶ To what extent should procurement and acquisition officers make price and quality trade-offs when using local entities?

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### **What is Country Ownership of Resources?**

The MFAN 2014 Policy Paper states that when it comes to ensuring country ownership of resources, the U.S. government needs to:

- » Invest in the capacity of partner governments to enhance domestic resource mobilization and to identify new and/or alternative sources of funding to gradually increase their financial contribution to their own development priorities;
- » Proactively and consistently facilitate the integration of local and external aid resources through collaborative planning, management, and reporting mechanisms;
- » Work consistently and collaboratively with partner countries, the private sector, and the international community to identify and resolve hurdles and disincentives to private investment and economic growth; and
- » Work to expand cost-sharing models (as PEPFAR is currently using) to more countries where the conditions are right, including as part of MCC compacts and USAID country development cooperation strategies.

- ▶ Ideally, decisions about when to rely on local organizations and when to open competition to international entities should be based on the requirements of the work. How is that addressed in a practical set of guidelines?
- ▶ What requirements should accompany local procurement and acquisition regarding public dissemination of program contracts and budgets to local governments, institutions, and civil society organizations?

In the same vein, PEPFAR plans to measure its political will and commitment to country ownership in the legal, environmental, technical, and political space. It should also invite local actors to grade PEPFAR on how well they are integrating country priorities, systems, and institutions. PEPFAR will need to measure its own inclusiveness and flexibility as it rolls out these new business practices under PEPFAR 3.0.

The Country Ownership Working Group has identified several existing or potential measures that would facilitate the task of measuring ownership of implementation:

#### **2A. Measuring Local Procurement**

- ▶ Number and application of U.S. procurement instruments specifically formulated to facilitate and promote partnerships with local organizations (simpler, low-risk mechanisms like USAID's FARA are one first step)
- ▶ Percentage of U.S.-purchased services (such as thought leadership, policy making, engineering, auditing, financial, etc.) provided locally

#### **2B. Measuring the Use of Local Systems**

- ▶ Percentage of U.S. agency program funds flowing to local institutions, disaggregated by type of institution and country
- ▶ Percentage of MCC compact that utilizes country procurement and financial systems for compact implementation
- ▶ Number of existing joint program design and implementation agreements or teams with joint donor, government, and civil society participation
- ▶ Reporting of local sub-grantees on all U.S. contracts and acquisitions
- ▶ Publication of partner country status and stage on USAID's Public Financial Management Risk Assessment Framework
- ▶ Proportion of U.S. programmatic results contributed by local entities

### **3. Country Ownership of Resources**

Ultimately, the best indicators of country ownership will measure the investments of local actors in programs

co-financed and co-created with donors. Investments by local governments, civil society, private sector, and citizens demonstrate that they value the programs and are in agreement with the goals and objectives of the effort.

One of the major shifts in the development landscape over the last 15 years has been the very significant increase in domestic revenues—including direct taxes (e.g., income, corporate), indirect taxes, and natural resource revenue. This is a result of the sustained economic growth witnessed in most parts of the world over this time period, including in Africa. Lower-income countries continue to generate a smaller amount of taxes than high-income OECD countries as a percentage of GDP; however, the trend has been toward greater domestic revenue that can be applied to meet the development needs of countries. This reality offers an important opportunity for donors to invest in domestic resource mobilization to build country ownership to maximize sustainability and create lasting impact.

Ownership of resources is also relatively easy to measure and may be able to serve as a proxy indicator of ownership of priorities. MFAN's Policy Paper proposes these elements of country ownership of resources:

- ▶ Domestic resource mobilization
- ▶ Local co-financing/cost-sharing
- ▶ Integration of local and external aid resources and
- ▶ Sustainability and lasting impact of project results

Moreover, measurement becomes increasingly practical and effective as donor and government data transparency increases. This is an area where the U.S. international development community is aligned as to its importance, definition, and key metrics.

The PEPFAR model for innovative health financing and its Sustainability Index are both steps in the right direction. USAID should build on its domestic resource partnership with PEPFAR and mobilize domestic resources more widely in its own programs. USAID can also capitalize on the excellent results of its domestic resource mobilization program in El Salvador. In that program, a USAID investment of just \$5.8 million generated an annual \$350 million increase in

revenues of which \$160 million was used for social spending.

The Country Ownership Working Group has identified several existing or potential measures that would facilitate the task of measuring ownership of resources:

### **3A. Measuring Domestic Resource Mobilization and Local Co-Financing**

- ▶ Number of CDCSs, MCC compacts or other agreements between the partner government and the United States that include a gradual transition from foreign to domestic sources of financing for specific country programs
- ▶ Number and percentage of U.S. investments made to boost domestic resource mobilization
- ▶ Number or proportion U.S.-funded programs using co-financing or matching grant mechanisms to leverage additional resources
- ▶ Percentages of capital and operating budgets from donor and local sources

### **3B. Measuring Integration of External and Local Funding to Increase Sustainability/Impact**

- ▶ Number of MCC compacts and USAID CDCSs that incorporate and complement a partner government's own spending priorities
- ▶ Number of program outcomes sustained by local actors as measured by ex-post evaluations
- ▶ Number of program outcomes scaled-up by local actors as measured by ex-post evaluations

With these proposals, MFAN seeks to support the U.S. government's efforts to realize sustainable development results. This paper has suggested a number of metrics that USAID, MCC, and PEPFAR could adopt now to further the essential goal of co-designing, co-implementing, and co-financing programs that will endure. Doing so will build a vital evidence base for locally-led development and help ensure the lasting impact of U.S. investments in development.



**MFAN** MODERNIZING FOREIGN  
ASSISTANCE NETWORK

MFAN is a reform coalition composed of international development and foreign policy practitioners and policy advocates and experts. MFAN was created to build upon the bipartisan consensus that has emerged over the last decade that the U.S. should play a leadership role in achieving economic growth and reducing poverty and suffering around the world, and that we can play this role more effectively, efficiently, and transparently. In 2014-2015, MFAN will focus on two important pillars of reform – accountability through transparency, evaluation and learning; and country ownership of the priorities and resources for, and implementation of development. MFAN will monitor and encourage the Administration’s development policy reform agenda, and support action in Congress to achieve bipartisan agreement and legislation in support of these two powerful and mutually reinforcing pillars of reform.

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