Commitment, control and interest:

A case study in operationalising ownership

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U4 PRACTICE INSIGHT

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How can donors promote national ownership in the projects and programmes they fund? How do national counterparts regard ownership? How to translate principles articulated in international documents, such as the Paris Declaration, into project design and implementation? Can the imperatives of promoting ownership apply equally for anti-corruption projects?

This Practice Insight explores how ownership is perceived at the levels of donor, international implementer, and national stakeholders involved in the USAID-supported Municipal Economic Growth Activity (MEGA) programme in Serbia. The lessons gathered here both introduce unexpected insights and confirm long-established project design and management practices.

Anti-Corruption Resource Centre
www.U4.no

Background

The question of ownership is recognised in the development community as a vital requirement for the success, sustainability, and impact of development assistance. The 2005 Paris Declaration on Aid Effectiveness[1] defined key imperatives for donors and partner countries in promoting ownership: partner countries are to assume leadership over their development policies while donors should respect this leadership and strengthen the countries' capacity to exercise it.

The 2008 Accra Agenda for Action[2] further elaborated the relevant commitments to include, among others, an obligation for partner countries to broaden country-level policy dialogue on development by engaging with parliaments, the private sector, and citizens, and called on donors to respect the countries' priorities and help develop the capacities of relevant actors to participate in this dialogue. It also stipulated that donors make greater use of national institutions and systems to deliver aid while ensuring that technical co-operation is demand-driven. Finally, it set obligations on accountability for development results.

The Accra Agenda introduced some specific implementation-level recommendations on promoting national ownership, and it stands as a milestone in this respect. Nevertheless, there remain a number of questions and challenges in operationalising ownership principles at all levels of intervention.

This study, along with three others undertaken

under the same terms of reference, seeks to explore this challenge at the level of single project/programme implementation. While the remaining case studies review private sector-related anti-corruption initiatives, this one, by contrast, examines an economic development effort, where corruption-prevention activities emerged as a necessary step in pursuing that objective. This case study was included in the analysis to provide a contrasting perspective and test the hypothesis that explicit anti-corruption projects may require special consideration in pursuing national ownership.

Description of the MEGA intervention

Launched in October 2005, the Municipal Economic Growth Activity (MEGA) was an economic development programme aiming to enhance the capacity of local governments to foster economic growth and employment by promoting a favourable environment for the local private sector and foreign investment. MEGA was a follow-up to an earlier initiative, the Serbian Local Government Reform (SLGRP), undertaken 2001–2006. It was through the implementation of SLGRP that the needs and opportunities which led to MEGA were identified and defined.

General project framework

MEGA was a USD 26.5 million, five-year programme with three key components: (a) National-Level Policy Advocacy, (b) Municipal Capacity Building for Local Economic Development, and (c) Municipal Capacity Building. It was implemented by an international contractor, the Urban Institute, in close consultation with USAID. This includes the complete financial management of the project, and where goods and services were required to support particular activities, all procurements are undertaken by the implementer.

Participating municipalities were selected on the basis of criteria defined by USAID and the

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[1] Please see the OECD resource pages on the Paris Declaration at:
www.oecd.org/document/18/0,2340,en_2649_3236
398_35401554_1_1_1_1,00.html.
[2] Please see the Accra High Level forum web site:
www.accrahlf.net/WBSITE/EXTERNAL/ACCRA
EXT/0,,menuPK:64861886~pagePK:4705384~piP
K:4705403~theSitePK:4700791,00.html.

Urban Institute that include accessibility and infrastructure; status as a regional centre (whose economic development would carry wider impact); economic development potential; political stability; past/existing efforts to promote economic development; and, the capacity to prepare project applications (timeliness, completeness, and responsiveness).

Beginning with 10 participating municipalities, the group expanded with each successive year, with the final number reaching 32. Each of the municipalities participated in a different range of activities, depending on the unique context, needs, and opportunities present. The activities were determined through close consultation with the municipalities, but the final decision rested with the Urban Institute and USAID.

Municipal Capacity Building for Local Economic Development

The core component of the programme supported local economic development offices (OLEDs) in improving municipal marketing materials, establishing Business Improvement Districts (BID) and business incubators, planning for strategic development, and otherwise attracting business. Assistance was also provided for effective communication with the private sector, particularly in the area of project implementation and municipal marketing.

Municipal Capacity Building

The second component strengthened the municipalities' technical capacities on issues such as capital investment planning, infrastructure finance, public-private partnerships, asset management, public procurement, privatization, construction permitting and urban planning. It also assisted the establishment of relevant policies, procedures, and systems, and helped connect with counterparts in other transitional Central and South-East European countries to share best practices in local economic development.

National-Level Policy Advocacy

The third component promoted national regulatory changes. Technical assistance was provided to key national-level partners to advocate for reforms such as property devolution, or good governance practices such as such as e-government mechanisms. It worked with relevant ministries, the Standing Conference of Towns and Municipalities and the National Alliance for Local Economic Development (NALED) to promote restructuring of institutional arrangements necessary for local economic development.

Programme Segment Spotlight: NALED

Originally an activity under the third programme component, the NALED[3], which 'spun off' into an independent organisation in January 2008, is of particular interest to this analysis. Launched in March 2006, NALED seeks to facilitate dialogue between local and central government, institutions and the private sector to create an enabling environment for the growth of business community in Serbia, increased investments, and enhanced economic development.

One of NALED's noteworthy initiatives from an anti-corruption perspective is the analysis of administrative barriers to business in Serbia and recommendations for their elimination, compiled on the basis of an open call for suggestions from the public. While corruption is nowhere mentioned explicitly, the project team clearly understood that unnecessary administrative barriers represent important opportunities for corruption, and that their elimination consequently reduces those opportunities.

In fact, none of the MEGA programme components explicitly addressed corruption, but a number of activities, such as the establishment of municipal "one-stop shops," have a strong corruption-prevention

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[3] www.naled-serbia.org

dimension. Programme stakeholders were fully aware that many instruments that stimulate economic development, such as simpler and more transparent administrative procedures or more participatory decision-making processes, implicitly but significantly reduce the opportunities for corruption.

Findings: how is ownership regarded in practice?

The national perspective

National stakeholders are arguably the parties most qualified to render a verdict on the extent of national ownership of any development programme. While interviews were undertaken with only a limited, non-representative sample and cannot be viewed as a methodologically valid survey, the comments nevertheless provide a number of issues for consideration.

Representatives of participating municipalities

The first striking observation in the course of the interviews was a resistance to the term ownership. The preferred word was partnership, suggesting an inclination toward equality of relationships between the stakeholders.

Municipal representatives interviewed felt having shared in the decision making of the programme, having had the choice to opt in/out of various activities, even if the overall project direction was set from the start. As a result, they rated the project activities undertaken as extremely useful in terms of capacity-development, of knowledge/skills in particular. They believed that the municipalities' ability to promote themselves as destinations for foreign investment had increased dramatically, and that the importance of public participation and consultations became better understood. According to the interviewees, one certain indicator of the success of this investment was the vigorous post-election political bargaining over the appointment of the head the local

economic development offices established or strengthened through MEGA.

The municipality representatives agreed that the success of the programme lay in two key factors. The first was the donor and implementer's profound knowledge of the country/locality and its needs/constraints. One interviewee went so far as to suggest it possible for an implementer to know a local institution's needs better than the institution itself. The second factor was the emphasis on providing knowledge and skills support throughout the project duration, rather than simply transferring the responsibility for implementation without further assistance. (The 'teach a man to fish' approach.) In fact, there was a preference not to be involved in certain aspects of programme implementation—particularly the administrative requirements—in view of their demanding routine workload.

Representatives of NALED

Two representatives from NALED were interviewed for this analysis: the Executive Director and a member who has a role on the Executive Board. Both evaluated very positively the MEGA programme in general, and particularly commended the programme's ongoing technical support and expertise. The relationship with the international implementer was characterised in mentoring terms.

There was a particularly strong sense of commitment expressed with regard to NALED, with the term commitment preferred to that of ownership.

Dynamic participation in its activities and members' (CEOs of some of Serbia's most prominent enterprises) increasing self-identification and self-introduction as members of NALED were described as the most relevant indicators of commitment. Part of the success stems from NALED's effectiveness in determining and promoting its members' needs, but another part surely also lies in the

organisation's decision-making structure: namely, NALED has introduced a member-composed Executive Board (in addition to the traditional Managing Board) that shares the decisions with the Executive Director. The Executive Board member interviewed compared this decision-making system to an effective corporate management structure where communication flows both top-down and bottom-up, and where each employee (stakeholder) is assigned responsibilities and allowed the independence to fulfil them.

NALED became an independent NGO with excellent results in obtaining the close involvement of its members and an impressive increase in membership in the first year. The sustainability of the organisation was assessed optimistically as dependant on the management's continuing success in identifying the interests and needs of its members.

Views of the International Implementer

The Urban Institute uses no formal definitions or guidelines on promoting national ownership. The Team Leader was keenly aware of the concept in development work, however, and considered the idea so deeply internalised by experienced implementers as to dispense with the need to formally articulate it. Some principles have been informally identified as contributing to local ownership of the project, nevertheless, including the following:

- Understanding extremely well the local situation and constraints, including the behaviour of individuals and institutions: in the case of MEGA, this knowledge was achieved through the implementation of an earlier programme (SLGRP), and through the engagement of national staff who worked on that initiative.

- As a consequence of above, understanding thoroughly the needs of beneficiaries;

- Designing a project that meets those needs and makes very clear the beneficiaries' interest (benefits) in participating in the project.

Additional issues crucial for success also include:

- A sufficiently long timeframe to allow for measuring outcomes rather than outputs.

- Coordination with other donors (in particular, joint funding of programs or segments of programs over a longer term) to allow for a longer time frame and to avoid duplication.

- Sufficient (human) resources on part of the donor to maintain close monitoring of the performance of project implementers/consultants.

Furthermore, certain methodological elements are viewed as essential:

- Selectivity in identifying local partners/beneficiaries: municipalities were required to apply and undergo a review process, rather than simply being presented with an unconditional invitation to join.

- Aligning expectations of all parties by developing and signing memoranda of understanding that specified obligations and expected outcomes. Such a tool provided a clear basis for continuing or ending cooperation with individual counterparts.

- Flexibility and joint decision-making with national counterparts on determining priorities and project activities.

- Allowing for the process of learning by national counterparts, which sometimes included making mistakes. MEGA implementers were particularly sensitive to respecting the decisions of local mayors on, for instance, the organisational placement

of OLEDs, even when the decision was judged unlikely to be effective. This permitted the local counterparts to reach their own conclusion that the alternative was the better choice.

- Cost-sharing: matching of funding for the bulk of activities was seen as an essential expression of commitment (ownership) by the local counterparts.

Experienced implementers also warn of the risks involved in promoting national ownership, however. Control over project decisions and resources presents opportunities to skew their allocation in favour of clientelistic relationships or to gain or exercise influence. It is often difficult for foreigners to fully understand the local political dynamics, and they may be instrumentalised in local political power struggles. The greater the national control over programme implementation the greater the risk, and here, again, excellent knowledge of the local context, particularly the engagement of national staff, is seen as essential in mitigating it.

The Donor Outlook

USAID has not defined particular guidelines on ownership, but the staff interviewed were fully aware of the Paris Declaration and considered ownership by local counterparts as essential to designing and implementing successful projects.

In the absence of explicit guidelines, it was the view of the interviewee that staff commitment and experience are essential in ensuring well-designed programmes and projects that promote a sense of ownership by national counterparts. The informal principles that have guided the design of the MEGA program included the following:

- Extensive consultations with potential partners and an openness to understanding local needs: While MEGA emerged as a

follow-up to a previous project on local governance—which provided a considerable history of interaction and learning about local needs—consultative meetings took place before the development of tendering documents. The donor emphasised the need for an open and respectful dialogue that acknowledged that neither side had all the answers. This is the only way to ensure that a project is demand-driven, inclusive, and sustainable.

- Maximum flexibility in pre-defining programme activities: This principle is essential in adjusting the to the situation on the ground once implementation begins and in responding to changing circumstances. MEGA evolved in at least two ways. One, as implementation began, it became apparent that encouraging investment was the most important way to stimulate local economic development. As a result, additional activities were defined and additional funds obtained to support the new activities. Two, while the project initially intended to have a more robust private sector component, the technical capacity of the implementer was stronger on local government development, and the programme accordingly emphasised the areas where capacities were strong.

- Selecting local partners/stakeholders who demonstrate a real motivation to participate in the programme: Exemplified through undertaking an application process to and cost-sharing of programme activities, either directly or in-kind (e.g. human resource hours invested in project implementation).

- Preparedness to not implement or suspend a project that is not functioning well: It is not unheard of that, due to administrative, political, or other pressures, projects are implemented regardless of the national support or satisfactory progress. In such circumstances, resentments may be created on all sides that can sour relationships and

future projects, while squandering the donor country taxpayers' monies. The USAID interviewee was of the opinion that such situations should be avoided at all costs.

The USAID representative further suggested that a key challenge lies in identifying an implementing partner who shares the programme's vision and commitment to its objectives. As there is no explicit measure for commitment to programme objectives, however, competence on the question appears to be fundamentally one of the evaluation committee's experience and judgment: the 'art' of the process.

Lessons learned

While a more extensive analysis would certainly yield additional lessons, this brief examination of the MEGA programme captures some key factors that have contributed to the its success, including in promoting national ownership.

MEGA certainly adheres to the founding principle of the Paris Declaration in following national development objectives. At the same time, national counterparts had rather limited control over the programme, and national systems were not used in implementation, with financial/administrative responsibilities performed by the international implementer and the donor. Despite this fact, none of the national counterparts expressed disapproval. On the contrary, the interviewees expressed a preference for such an arrangement. This finding should serve as a caution: insisting on the use of national systems irrespective of national capacities and wishes may do more harm than good.

All parties emphasised commitment over control, including most crucially the local/national counterparts. This suggests that the former may be more important than the latter.

A key factor for the national stakeholders was the usefulness of the initiative, in two key respects: addressing real needs, and strengthening their capacities (knowledge and skills) to carry on with the work beyond the programme duration. The notion of needs closely relates to the question of interest, which appears to have been consistently recognised by the national stakeholders. To address real needs (and identify stakeholders' interests), the programme designer must understand the national context extremely well and engage in true dialogue with the national stakeholders. Longer-term engagement and experience in a country by a particular donor and/or implementer contributes significantly to gaining the required knowledge.

Related to the notion of true dialogue is the recognition of incomplete knowledge on each side. While local knowledge is invaluable, external/international expertise or good practices can be exceedingly helpful, provided they are fully adapted to the national specifics.

The notion of dialogue further extends to the practice of joint decision-making in programme implementation. MEGA demonstrates how the space for such decision-making can be designed by allowing sufficient flexibility for particular activities within a rigorously set framework. Prior agreements on the scope of joint decision-making (memoranda of understanding) proved a useful tool in aligning expectations and preventing disagreements to the extent possible.

Other indicators of commitment also appear to be of value, in particular cost-sharing practices, and selectivity in enlisting partners through a competitive process. While competition will create dissatisfaction with unsuccessful applicants, the fact that any one programme or project is limited in resources implies that it may be best to focus resources where they will have most impact, as long as the criteria for selection and decisions are fair and transparent.

Coordination with other donors is once again confirmed as essential, not in the least to avoid imposing unnecessary administrative burdens on the national partners. Concern with administrative burdens was very strongly expressed by staff of state/municipal institutions.

Taken altogether, the factors that have contributed to the success of the MEGA programme, particularly in ensuring the commitment of national counterparts, constitute good programme design and implementation principles that have long been recognised. But it is the emphasis on usefulness or interest from all stakeholders consulted here that has the most serious implications for governance-reform or anti-corruption initiatives, where at least some of the stakeholders may stand to lose rewards or influence. The future debate on ownership must fully recognise the constraints and contradictions inherent in anti-corruption efforts and review ownership imperatives with those constraints in mind.

Abstract

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