

## Chapter 8: Concept Notes Guidance

Once preliminary analyses and public consultations have been completed, the Compact Development Team should review the root causes of the constraints to economic growth identified in the [Constraints to Economic Growth Analysis](#). Compact Development Teams may find the Asia Development Bank's [Results-Focused Project Design and Logical Framework to be a useful tool for identifying the root causes of constraints to growth in consultation with stakeholders](#). The analysis will typically involve working with stakeholders and subject matter experts to understand the widest possible range of root causes. As such, the root causes analysis should include:

- An assessment of policy and institutional issues relevant to the constraint to growth. Areas of investigation should include the formulation and implementation of policies, laws, regulations, administrative procedures, along with the capacity of public institutions to carry out those functions.
- A consideration of social, economic, and political inequalities and *de jure* and *de facto* discrimination as root causes of the constraints to growth, as determined by the findings of the [Social and Gender Constraints to Poverty Reduction Analysis](#).
- A consideration of private sector and other public views of the root causes of the constraints to economic growth, as informed by the [Investment Opportunity Assessment](#) and [consultations](#).

Once Compact Development Teams have analyzed the root causes of the country's constraints to economic growth, they should assess alternative courses of action to address those constraints. For example, if insufficient availability of electrical power is identified as a constraint to growth, and a root causes analysis identifies low tariffs, high losses, and poor planning as root causes behind the constraint, the Compact Development Team might assess different ways of addressing root causes, such as the installation of automatic meters, criminal prosecution to collect arrears, service shut-off for non-payment, improved transmission, distribution, and sub-station infrastructure, and select power generation opportunities.

This analytical process will generate an economic theory of change for the Compact Development Team, and provide an early analytical foundation for the programmatic logic that will underlie the initial investments proposed to MCC – the Concept Notes. The intention of the Concept Notes is to:

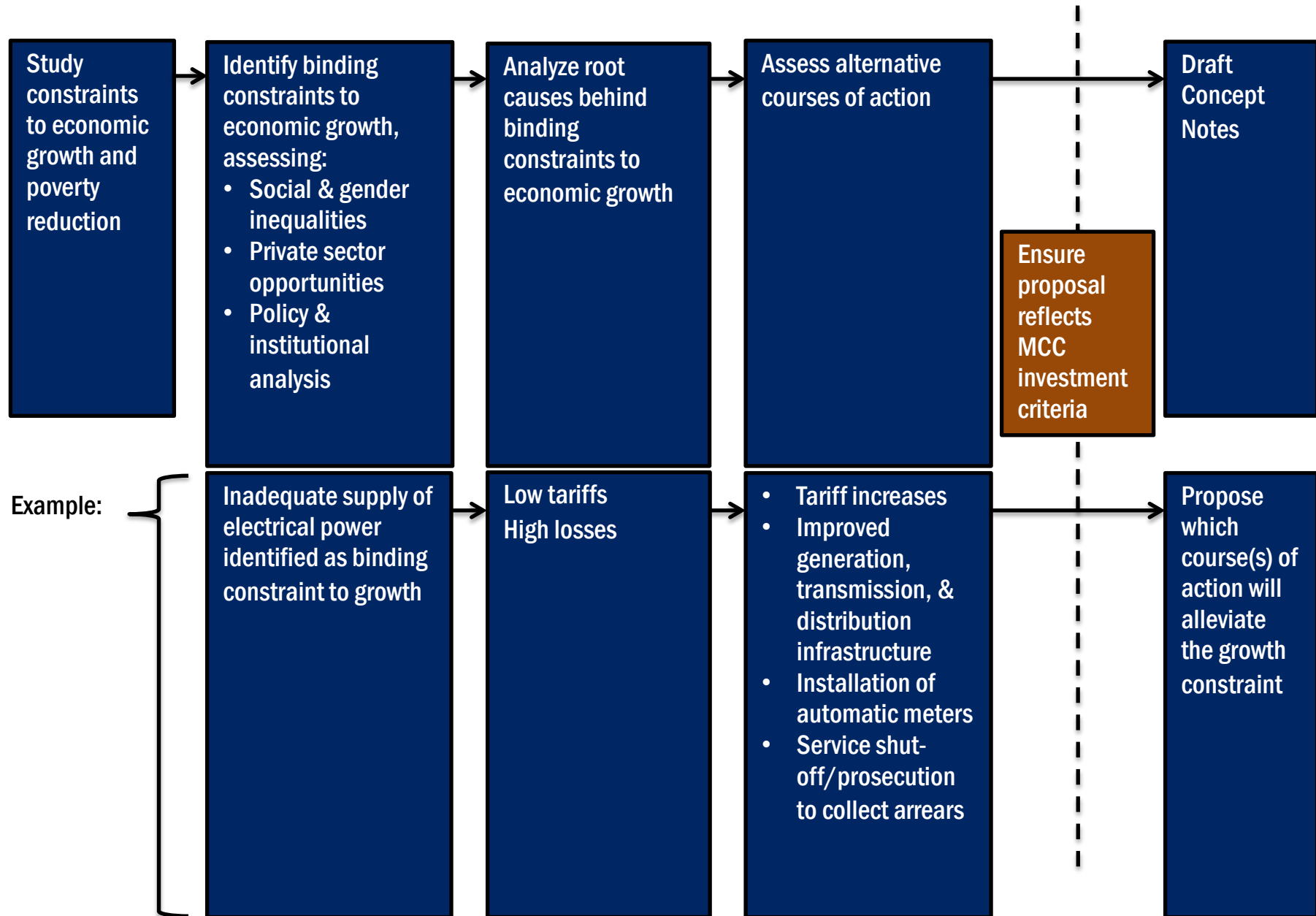
- Foster understanding of the root causes behind identified constraints to economic growth and alternative courses of action to address them.
- Deepen understating of the political dynamics relevant to the root causes of the identified constraints
- Provide analysis that will inform the program logic of proposed projects.

The Concept Notes should not exceed ten pages per project. MCC will review project proposals to determine which ones should be developed into more detailed proposals (Concept Papers). In some cases, projects that are clearly incompatible with MCC's model will be removed from consideration. The investment criteria below will play an important role in MCC's assessment of Compact Development Team project proposals throughout the compact development process, beginning with the Concept Notes:

- **Significant economic returns:** Each project proposed for funding to MCC should have an [economic rate of return](#) of at least 10%, as the expected increase in income of project beneficiaries must be substantially greater than the expected project cost. MCC does not expect Concept Notes to contain this level of detail.
- **Strong program logic:** The Concept Notes should demonstrate a clear economic logic that clearly links the proposed project to a constraint to economic growth; the logic must also clearly identify the link between the project and an impact on beneficiary income, as well as the populations that are expected to benefit from the project. The Compact Development Team's analysis of root causes behind the constraints to economic growth, as well as the alternative courses of action considered to address the root causes can be helpful in creating the program logic.
- **Achievable:** The proposed projects must be able to be completed within five years. Compact programs should be within the manageable control of the country. Countries are encouraged to be mindful of their own management and oversight capacity when designing compact programs; geographically dispersed compact programs with multiple programmatic components can be extremely difficult to manage. Projects with significant risks or uncertain time horizons will not be funded.
- **Manageable environmental and social risks:** Projects must assess the environmental risks, costs, and impacts, in accordance with [MCC's Environmental Guidelines](#). Project design must also take into account social and gender inequalities, in accordance with MCC's [Gender Policy](#) and [Gender Integration Guidelines](#).
- **Consideration of policy and institutional issues:** Concept Notes should take into account relevant policies, laws, regulations and public sector institutions relevant to the proposed project, and whether any reforms or changes need to be made to ensure the project can achieve the intended goals and be sustained over the long-term.
- **Role of the private sector:** The Concept Note should describe what role the private sector might play to either co-finance the project or make complementary investments. If appropriate, the Concept Note
- **Sustainability:** Compact projects should be designed to be financially and technically sustainable once MCC funding has ended. Concept Notes should include the Compact Development Team's preliminary considerations on sustainability, such as what revenue source will pay for long-term operations and maintenance costs, and what public or private entity will operate and manage the project.

The graphic on the following page illustrates the steps required to reach the Concept Notes:

# Overview of Process to Draft Concept Notes



## Concept Note Template

[Project Title]

**Summary of Preliminary Analyses:** Concisely describe the findings of the Constraints to Economic Growth Analysis, the Social and Gender Constraints to Poverty Reduction Analysis, and the initial findings of the Investment Opportunity Process.

**Root Causes of Constraints to Growth.** Describe the root causes of the constraints to economic growth; these may include policy, legal, regulatory, or institutional capacity issues; social, economic, and other inequalities; or other factors. The point of this section is to concisely describe what problem the Compact Development Team is trying to solve through the proposed investment.

**Alternatives analysis.** Briefly describe the alternative courses of action considered to address the binding constraints to economic growth. Explain why the Compact Development Team chose one course of action over another.

**Project Description:** Describe the project location; planned activities; whether the project is new or linked to other government, donor, or private sector investments; governing law, policy, and regulation; what government ministries would be involved in the oversight of the project; whether any feasibility studies are available for the project; and what the anticipated implementation timeframe for the project would be.

**Intended project results:** What are the intended results of the project and what populations are expected to benefit (number of people, location, numbers of men and women)?

**Project logic:** What is the chain of events that will lead from the project to the intended results? How does the project link to a binding constraint to economic growth?

**Private sector investment considerations:** Please provide a succinct description as to whether the project will lead to private sector investment or whether private investment might play a role in project execution.

**Social and gender inequality considerations:** Please provide a succinct description as to how the project can remedy existing social, economic, or other inequalities within the country.

**Project budget:** Anticipated or estimated budget (if none, state “TBD”).