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Principles into Practice: Focus on Results

In principle: MCC's "focus on results"

MCC's focus on results is motivated by some of the basic questions of aid effectiveness, such as, "Do the expected results of this program justify the allocation of scarce aid dollars?" MCC's results framework reflects a commitment to technically rigorous, systematic and transparent methods of projecting, tracking and evaluating the impacts of its programs. Coupled with transparency, this approach is a cornerstone of MCC's commitment to accountability and aid effectiveness.

In practice: MCC's "focus on results"

MCC has a singular focus: to promote poverty reduction through economic growth. This translates into one central goal—to increase incomes of program beneficiaries. MCC's results framework is designed to provide the information MCC and partner countries need to reach that goal, and is centered around five key questions:

1. ***Which investments proposed to MCC will best support economic growth and poverty reduction?*** MCC and country partners use constraints analysis to identify the main barriers to economic growth and private investment; benefit-cost analysis to estimate the expected increase in local incomes of proposed projects; and economic rates of return to assess whether the expected income gains of a proposed project justify the costs.
2. ***Who will the investments benefit, and by how much?*** MCC and country partners use beneficiary analysis to assess how the total income gains of proposed projects will be distributed across different income groups in a country or targeted program region.
3. ***How do we know investments are on track to reach the intended impact of income gains?*** MCC and country partners use

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PRINCIPLES *into* **PRACTICE**

MCC was founded with a focused mandate to reduce poverty through economic growth. MCC's model is based on a set of core principles essential for development to take place and for development assistance to be effective – good governance, country ownership, focus on results, and transparency.

The *MCC Principles into Practice* series offers a frank look at what it takes to make these principles operational. The experiences captured in this series will inform MCC's ongoing efforts to refine and strengthen its own model. In implementation of the U.S. Global Development Policy, which emphasizes many of the principles at the core of MCC's model, MCC hopes this series will allow others to benefit from and build on MCC's lessons.

"Focus on Results" is the first policy paper in the Principles into Practice series. This brief summarizes the lessons captured in the paper, available at www.mcc.gov/principlesintopractice

monitoring and evaluation (M&E) plans to track program performance against specific implementation targets that act as drivers of income gains.

4. *Did investments achieve the projected impact?* MCC uses independent impact evaluations to understand the impact of MCC investments on local incomes.
5. *What did we learn to help us improve our investments and better achieve our goals?* Information collected in M&E reports and impact evaluations can be used to understand what implementation approaches work best in development, revise current implementation plans, and inform future project design.

Ten Lessons: What MCC has learned putting its “focus on results” principle into practice

Lesson 1

Transparency is a big part of accountability for results.

Transparency is at the heart of accountability. MCC makes information available along the full cycle of country engagement, from country selection through implementation to results. M&E reports and evaluations will likely show that some programs are off track, or did not meet their goals, so being transparent can be risky. By projecting future impacts and transparently measuring against these set targets, MCC opens itself for increased scrutiny. The risk, however, is worth it in terms of accountability, generating meaningful lessons, and achieving better results.

Lesson 2

“Results” mean different things at different times in the project cycle.

MCC results exist along a continuum—from policy changes countries may make to become compact-eligible, to interim outputs and outcomes as compacts mature, to post-compact increases in incomes. The results that MCC is most interested in seeing—and being able to attribute to its support—are increased incomes among beneficiaries of MCC investments. Even before incomes begin to rise, MCC expects that programs will show tangible results during implementation and tracks interim benchmarks toward income goals. MCC uses independent impact evaluations to verify income gains attributable to MCC investments. Qualitative results, like policy reforms, are also an important part of the results story in every MCC Compact; reforms can help unlock the full potential of MCC programs and improve the broader conditions for continued growth and investment.

Lesson 3

“Beneficiaries” mean different things for different investments.

Beneficiaries vary based on the type of investment. They can include specific population groups, such as farmers targeted by rural development programs, or wider populations benefiting from broad regional or national investments like rehabilitated roads or reforms in the financial sector. For targeted projects, not all program *participants* are necessarily program *beneficiaries*. In 2009 MCC revised its definition of “beneficiaries” to mean those people who experience better standards of living through higher real incomes as a result of the project. This approach to distinguishing between “participants” and “beneficiaries,” a practice uncommon among donors, was adopted as a result of MCC’s early implementation experience. The definition is now better aligned with MCC’s overall objective of reducing poverty through economic growth.

Lesson 4

Impact evaluations allow MCC to keep its eyes on the “results” prize.

MCC funds independent impact evaluations to answer the fundamental question of whether an investment achieved its intended impact—to raise incomes for program beneficiaries in a cost-effective manner. An agriculture program, for example, might report large income increases among the farmers who received training, meeting the targets set in the M&E plan. An outside observer, however, would not know if these gains were *caused* by the program or by some other unrelated factor, such as early and ample rains that benefited *all* farmers. The results of an impact evaluation can determine whether it was the program itself or external factors that led to income gains. These evaluations are only conducted upon program completion and generally take a year to execute. While M&E plans help identify early results during implementation, and signal whether programs are on track to meet their goals, it is important to wait for impact evaluations to confirm income gains attributable to MCC investments.

Lesson 5

Detailed project design in the early years produces better results in the long-term.

MCC and its partner country governments and citizens are eager for results. Having something to show for the allocation of scarce development resources is a fundamental part of accountability. However, there can be tradeoffs associated with moving too quickly, and expectations to show early progress can make it more difficult to achieve the desired result of significant long-term impact. This was especially clear in MCC’s early years, when the need to sign compacts in a timely manner to launch important investments and be accountable for efficient mobilization of scarce development dollars was at odds with the desire to dedicate sufficient time for detailed project preparation work essential to smooth implementation (such as feasibility and design studies and environmental and social impact assessment). There will always be a natural tension between these aims, and the right balance will vary by compact, depending on country conditions, program specifications, and the broader budget environment.

Lesson 6

Planning for results goes hand-in-hand with program design, but even the best-laid plans can change.

MCC economists and sector specialists work closely together from the earliest phase of compact development to ensure that economic analysis, evaluation approaches and program design inform each other, and that they all feed into M&E plans. MCC, with its country partners, invests considerable time and resources in the preparatory stages to develop a program with sound economic logic and feasible implementation schedules. MCC has learned that despite these efforts, there are countless ways in which plans can change during implementation. M&E data can help signal when and how implementation approaches should be revised. Projects can also change in response to external factors, such as changing costs for program inputs. This can require MCC and MCAs to make adjustments to project scope based on constrained resources. In some cases, these adjustments may mean that projects generate fewer beneficiaries than initially intended, or yield lower returns in terms of income gains. In such cases, MCC and partner countries work together to identify solutions that best adhere to the original compact objectives.

Lesson 7

Robust economic analysis, M&E and impact evaluation take resources.

Conducting the economic analysis, planning, ongoing monitoring, and impact evaluations of MCC programs requires dedication of significant resources in terms of time, staff and money. Early economic analysis takes time in compact development. While MCC and partner countries have many results to show during implementation and upon program completion, it can take a full year (or more) after program completion to gather final impact evaluation results. This time is essential for understanding the full impact of MCC investments. Managing economic analysis, monitoring and evaluation requires qualified staff, both for MCC and its country partners. On average, about 2 percent of compact amounts (\$141 million of MCC's current portfolio) is dedicated to M&E activities; in addition, MCC funds contractors carrying out independent impact evaluations, which MCC anticipates will be an additional estimated one to two percent of project budgets over time.

Lesson 8

Data quality is the cornerstone of robust focus on results.

At its core, reporting on results is about data—capturing it, vetting it, reporting it publicly, and putting it into context to tell a story about MCC investments. This puts a high premium on data quality. Ultimately, data quality depends on a lot of individual people collecting or reporting data under demanding conditions, often in countries that do not have extensive experience in this area. MCC takes a number of measures to help ensure data quality, such as data quality audits, training for local survey firms, and conducting baseline and follow-up surveys with the same households whenever possible.

Lesson 9

MCC is helping to change the evaluation culture in partner countries.

MCC's approach to robust and transparent monitoring and evaluation is helping change mindsets among some country partners. In countries where decisions about who participates in development programs can be opaque or driven by politics, it can be refreshing to see transparent, random selection of program participants. For example, the impact evaluation methodology for the Benin Compact land project included a lottery system for random, transparent selection of 300 villages to participate in developing plans documenting household rural property rights, to be compared against villages that were not selected to participate. Even in the villages not selected, people reported being very pleased with the first-ever completely transparent selection process.

Lesson 10

Back to transparency—results are not always good news.

A commitment to impact evaluations means that MCC wants to know whether or not investments achieve their intended aims; a commitment to transparency means that MCC will make it public even when they do not. This practice is an important part of accountability, and also of learning. Indeed, MCC's management of learning, transparency, and revising its own approach in the face of challenges and mixed results will be an important part of its success.