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MCC Threshold Program Lessons Learned

Introduction

The Threshold Program, authorized under section 616 of the Millennium Challenge Act of 2003 (as amended), is intended to help candidate countries become eligible for an MCC Compact. Using the incentive of a potential MCC Compact, the Threshold Program is meant to encourage partner countries to design and undertake a challenging reform program.

The first generation of individual country programs was designed to be short-term and provide countries with an opportunity to improve performance on MCC's eligibility indicators through broad-based policy and institutional reforms. Design efforts for these early programs focused on rapid deployment of substantial technical and financial resources to generate ambitious results within a two-year window. Staff in the field worked aggressively to program substantial amounts of democracy and governance funding with few past models to which to refer for guidance.

To assess whether the Threshold Program was achieving its policy and program objectives, MCC conducted a year-long review that analyzed the current portfolio, consulted a broad range of external stakeholders, and gathered input from USAID, which typically works in partnership with MCC to implement the Threshold Program. MCC has also completed independent program evaluations of the threshold programs in Malawi and Zambia and an impact evaluation of the program in Burkina Faso.

The findings from the review and these evaluations contributed to the development of a body of Threshold Program "lessons learned" that will be applied to future MCC threshold programs. MCC will continue consultations and will provide further detail on how these lessons will be applied.

The Threshold Program has proved to be a useful tool for engaging non-eligible countries in constructive policy dialogues. Using a country threshold program to improve performance on MCC's eligibility indicators within a narrow time frame, however, has not been effective in most cases. The Threshold Program has expanded and strengthened the U.S. Government's dialogue with threshold country partners and has created an opportunity for MCC to support country-driven institutional reforms using the incentive of potential Compact eligibility.

Past Threshold Programs have produced significant achievements, including a streamlined business registration process that helped lower the number of days to register a business from 39 to five in Albania; improved vaccination rates in Peru; and a newly formed anti-corruption unit that has tried and convicted three high-profile cases in Uganda. The program is also a valuable tool for providing information to MCC's Board of Directors regarding a country's commitment to reform and the prospects of partnership through an MCC Compact.

By employing broad technical expertise from across the U.S. Government, MCC has been able to bring together the relative strengths of MCC, USAID, and other U.S. Government counterparts in a strong partnership for economic growth in its Threshold Program countries. MCC plans to continue to strengthen these partnerships in future threshold programs.

Lessons Learned

In response to the year-long review and the first set of evaluations, MCC has drawn the following key lessons that will be applied to the Threshold Program going forward:

Lesson one: Link threshold programs to indicators and goals that are actionable and measurable within a relatively short period of time.

While MCC eligibility indicators are useful for comparing peer countries' performance on a range of policy measures for the purposes of selecting partner countries, they are generally ill-suited for the task of measuring the impact of threshold programs. Because several of the eligibility indicators measure institutional performance broadly within an area of governance (for example, rule of law), and because programmatic interventions are necessarily focused in scope, these indicator scores reflect performance well beyond a threshold program's interventions. As a result, it is often difficult to attribute changes in the eligibility indicators to program interventions or to measure progress in a timely manner. Future threshold programs will assist countries in becoming Compact-eligible by focusing on country-specific policy reforms linked to impediments to growth. Progress will be assessed against measurable metrics that partner governments can act upon within well-specified time frames. This will serve to strengthen the logic underpinning the Threshold Program and to more closely align it with MCC's goal of creating policy environments conducive to reducing poverty through growth.

Lesson two: Deepen diagnostic and feasibility analysis and identify the connection of activities to outputs, outcomes and impacts during program preparation.

As a first step, where appropriate, MCC will carry out diagnostics of binding policy and institutional constraints to growth. These diagnostics will focus program design on reforms in key sectors. Feasibility of proposed activities will then be examined and will include an assessment of the related political economy. Finally, a clear program logic linking activities to outputs, outcomes and impacts will be articulated during the design phase.

MCC will devote increased resources and time to the preparation of threshold programs and will rely more heavily on in-house experts to develop programs. This strengthened due diligence process will allow MCC to more systematically analyze links between activities and expected impacts, and to calculate and weigh risks explicitly before approving a program. As a result, future country partners will benefit from good program design and realistic expectations of results.

Lesson three: Be more selective when determining program interventions and establish a consultative process to tailor focus areas.

A more structured approach to program development will contribute to a more narrow focus on policy and institutional reforms relevant to growth. These reforms will be concentrated in areas in which governments are inclined to undertake reforms due to favorable political support and sufficient technical capacity. More narrowly-defined programs will facilitate oversight and management. A broader consultative process will also serve as an additional measure of feasibility and help ensure that the reforms sought by the Threshold Program will have the necessary degree of country ownership and political support to be truly sustainable.

Lesson four: Establish outcome-level goals that are appropriate for the timeframe.

Threshold Programs often support policy and institutional reforms that require a gestation period before tangible results can be captured. In the first generation of programs, short timelines meant that external factors – such as vacancies in key host-country government agencies, normal political turnover, or lack of buy-in from new government leaders – could cause critical delays in implementation. In more recent threshold programs, MCC has integrated targets that are achievable in the two or three-year program time frame and reflect the partner country's capacity and the anticipated gestation period. The process for setting higher-level targets, i.e., results emanating from trainings or the establishment of an anti-corruption unit, will continue to improve as due diligence efforts are expanded.

Lesson five: Identify champions of reform at multiple levels, including the leaders of institutions targeted for reforms, and build in safeguards.

When a threshold program targets a risky reform, political support must exist at multiple levels, ranging from the ministerial level to the leaders of a department or agency where the reform is specifically targeted. In addition to this support, attention must be focused on appropriate programmatic sequencing, particularly when enabling legislation is a precondition for the reform. When legislative action or the support of relevant leaders is uncertain, an interim assessment can help determine whether or not MCC assistance should continue. Recent programs, such as the Kyrgyz Republic's threshold program, built in conditions so that program assistance would be released only when reform objectives had been met. MCC will continue to increase its focus on integrating such conditions in future threshold programs.

Lesson six: Build in sustainability assurances during program design and early implementation.

Recent threshold programs are working closely with government counterparts to plan and allocate budgets for post-program sustainability plans. For example, an intervention focused on information technology requires that a partner government allocate funding and staff to operate the system and conduct troubleshooting during and after the threshold program. In the Liberia threshold program, funding for some renovation activities and equipment purchases is contingent upon the development of five-year maintenance and sustainability plan by each recipient community as part of the education component.

Lesson seven: Increase oversight and monitoring and evaluation of projects to increase prospects for success and ensure learning during and after program implementation.

The first generation of MCC threshold programs focused on anti-corruption and rule of law reforms – an area that suffers from a dearth of evidence on best practices, the lack of which amplifies the need for strong monitoring and impact evaluation. However, for the first generation of country threshold programs, baselines for later comparison and attribution of program results were generally not established. More recently, efforts have been made to better integrate stronger monitoring and evaluation (M&E) practices into Threshold Programs, including the design and implementation of impact evaluations. For instance, the Rwanda threshold program randomized the civic engagement and local government capacity-building activities to improve conditions for a rigorous impact evaluation.

MCC's Threshold Program has recently made strides forward by integrating independent program monitoring in new threshold programs, as well as publishing three independent evaluations; two program evaluations are also underway. MCC will continue to strengthen its monitoring and evaluation and will use the growing body of evidence-based data to continue learning and improving future threshold programs.