Guide to Supplemental Information, FY20

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MILLENNIUM
CHALLENGE CORPORATION
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While the scorecards are Millennium Challenge Corporation's (MCC'S) primary way of assessing policy performance, MCC and its Board also consult a range of supplementary information to better-understand the broader factors and nuance that may not be captured by the scorecards. While not exhaustive, the following guide illustrates the types of supplemental information that may be taken into consideration when selecting countries for threshold programs, initial compacts, or subsequent compacts. Further details are provided in the annual Selection Criteria and Methodology Report, published each September, and available online.

Compact or Threshold Program Considerations:

1. Scorecard, Politics, and Policy Performance

This section provides insights into scorecard performance, as well as social and political factors that could affect compact or threshold program development/implementation, as well as factors that are of specific concern to the U.S. Government. These may include:

- Conflict
- State failure or fragility
- Elections
- Gender equality
- Trafficking in persons
- Refugees
- Corruption
- Organized crime and narcotics trafficking
- Democratic practices
- Treatment of people with disabilities
- Commitment to policy reform, including within a threshold program

Common Statistical Sources and Definitions:

- **Trafficking in Persons**: State Department's Trafficking in Persons Report
- **Corruption**: Transparency International's Corruption Perceptions Index, the Global Integrity Index, Freedom House's Countries at the Crossroads Report, Economist Intelligence Unit, World Bank, Open Budget Index
- **Refugees**: World Bank
- **Gender Equality**: Women, Business, and the Law, State Department Human Rights Report, Cingranelli-Richards Human Rights Database
- **Treatment of Persons with Disabilities**: State Department Human Rights Report, Freedom House's Countries at the Crossroads

2. Economic Performance and Investment Climate

This section provides information on the economic context and current conditions affecting private sector potential, with an eye toward evaluating how transformational a compact can be in attracting private sector investment. It may include analyses of:

- GDP Growth and broader macroeconomic performance
- Foreign direct investment (FDI) trends
- Performance on programs supported by the International Finance Institutions
- Economic composition
- Business competitiveness
- FDI regulations
- Fiscal/monetary policy/stability
- Record of economic growth and poverty reduction

Common Statistical Sources and Definitions:

- **Overall Macroeconomic Performance**: IMF Article IV and related program review documents; *Economist Intelligence Unit* reports
- **Business Regulatory Quality**: International Finance Corporation's Investment Climate and Doing Business Reports and Indicators
- **Firm Surveys:** Firm perceptions of constraints to business (World Economic Forum's Global Competitiveness Report)
- **Net FDI Flows**: Net inflows of Foreign Direct Investment, expressed in $US millions or as a share of GDP (World Bank)
- **GDP Growth**: Real growth in gross domestic product (World Bank, IMF)
- **GDP By Sector**: Gross domestic product (World Bank, CIA Factbook)
- **Debt:** Entire stock of direct government fixed-term contractual obligations to others outstanding on a particular date (World Bank)
- **Inflation**: (International Monetary Fund, World Bank)

3. Poverty Profile and Donor Response

This section provides a snapshot of the level and impact of poverty in a country, as well as information on the nature and volume of donor assistance. It may also examine the role U.S. Government (USG) or total overseas development assistance (ODA) already play in a country. It could include:

- Poverty levels over time
- Human development indicators (child malnutrition, literacy, life expectancy)
- USG aid or ODA levels over time
- Sectors receiving the most ODA funds
- Any special initiatives implemented in the country (i.e. PEPFAR, Feed the Future, Global Health)
- Examining the country's own poverty reduction strategy plans and reports

Common Statistical Sources and Definitions:

- **Poverty level**: The percentage of people earning less than $3.10 per day (World Bank)
- **Child Malnutrition**: Weight for age in children under 5 (World Bank)
- **Literacy**: Percentage of adult population able to read (World Bank)

Additional Considerations for Subsequent Compacts:

As described in the annual Selection Criteria and Methodology Report published each September, the Board looks at three additional factors to assess performance of any previous (or current) compact in countries being considered for a subsequent compact:

- Successful implementation of the previous compact
- Improved scorecard policy performance
- A commitment to further sectoral reform.

The following section outlines the type of information provided to MCC's Board in these three areas.

I. Successful implementation of the previous compact

1. Partnership during implementation of previous compact

Information is provided on the implementation of the previous compact, including the degree to which the country has demonstrated a commitment and capacity to achieve program results, and/or evidence of a country's ability to deliver on key policy reforms. Further detail is provided in the Guide to the Compact Survey, available online. It may include:

- **Political Will:** Effective execution of policy reform or government action as required by pre-defined conditions precedent and government commitment to take action for successful implementation, e.g. project restructures, addressing poor performance in projects or by the local Millennium Challenge Account (MCA) or government staff.
- **Quality of MCA Management**: Demonstrated capacity across MCA and Implementing Entities to manage programs according to budget and timeline (e.g. quality planning and reporting documents: work plans, procurement and financial plans, and alignment between them; ability to identify and manage risks).
- **Information in the box below**:

Current compact: Start date—End date	**$Amount**
% Disbursed to date:	$Amount

Current compact: Start date—End date	**$Amount**
% Contract value signed:	$Amount
Re-Scoping: Description of any major reduction or addition of activities and/or adjustment of end of compact targets or financing.	
MCC Resources: Resources required to support program implementation, including MCC staff time, travel and due diligence resources, and senior management attention. Attention from senior management was more heavily weighted as a proxy for degree of challenge.	

2. Progress toward results

Information is provided about the achievement of results commensurate with compact maturity, including:

- **Input Indicators:** Indicators that measure the financial, human, and material resources used for a compact activity. For example, disbursements, procurements, etc.
- **Output Indicators:** Indicators that directly measure compact project level activities. They describe and quantify the goods and services produced directly by the implementation of a compact activity. For example, kilometers repaired, farmers trained, etc.
- **Outcome Indicators:** Indicators that measure the intermediate (medium-term) effects of a compact activity and are directly related to the output indicators. For example, road traffic volume, hectares under cultivation, etc.
- **Information in the box below**:

Sample indicator	**% compact target met thru MM/YYYY**	**Probability of achieving end of compact target**
Project 1 (xx% of $amount disbursed)		
Relevant indicator	%	Low
Relevant indicator	%	High
Project 2 (xx% of $amount disbursed)		
Relevant indicator	%	High
Relevant indicator	%	Medium
Project 3 (xx% of $amount disbursed)		
Relevant indicator	%	Low

3. Performance to Standards

Information is provided on:

- The degree to which the country has implemented the compact in accordance with MCC's core policies and standards
- The country's capacity to manage compact implementation without unaddressed violations of MCC's policies on fraud and corruption, procurement, gender, and environmental and social impact.
- The MCA and government's commitment to MCC's focus on rigorous impact evaluation.

II. Improved scorecard policy performance

Information is provided on:

- The overall scorecard pass/fail rate over time, what this suggests about underlying policy performance, as well as an examination of the underlying reasons;
- The progress over time on policy areas measured by both hard-hurdle indicators—Control of Corruption and Democratic Rights—including an examination of the underlying reasons; and
- Other indicator trajectories as deemed relevant by the Board.

III. A commitment to further sectoral reform

Information is provided on:

- Assessing the country's delivery of policy reform during the previous compact;
- Assessing expectations of the country's ability and willingness to continue embarking on sector policy reform in a subsequent compact;
- Examining both other sources of information that describe the nature of the opportunity to reduce poverty and generate growth and the relative success of the previous compact overall; and
- Finally, considering how well funding can be leveraged for impact, given its experience in the previous compact.

Additional Considerations for Countries where Concurrent Compacts Might be Contemplated:

As described in the annual Selection Criteria and Methodology Report published each September, MCC is authorized to enter into one additional concurrent compact with a country if one or both of the compacts with the country is for the purpose of regional economic integration, increased regional trade, or cross-border collaborations. In these cases, the Board will make a determination regarding whether the country

is making "considerable and demonstrable progress in implementing the terms of the existing Compact and supplementary agreements thereto." The type of information provided to MCC's Board in this area is consistent with Part I of the "Additional Considerations for Subsequent Compacts" section above.

In addition, the Board will examine additional supplemental data and information related to:

- The current state of the country's political and economic integration with its region and neighbors;
- Impediments to further integration with its region and neighbors; and
- The potential gains from investing at a regional level, including illustrative potential sector opportunities.

The sources for the above additional considerations are similar to those described in the preceding sections.

Additional Considerations for Countries with a High Probability of Transitioning to UMIC Status:

As described in the annual Selection Criteria and Methodology Report published each September, the Board looks at four additional factors if a candidate country with a high probability of transitioning to UMIC status is under consideration for selection. Specifically, additional supplemental information is provided on:

- Whether the country faces significant challenges accessing other sources of development financing (such as international capital, domestic resources, and other donor assistance) and, if so, examining if MCC grant financing would be an appropriate tool.
- Whether the nature of poverty in the country (for example, high inequality or poverty headcount ratios relative to peer countries) presents a clear and strategic opportunity for MCC to assist the country in reducing such poverty through investments that spur economic growth.
- Whether the country demonstrates particularly strong policy performance, including policies and actions that demonstrate a clear priority on poverty reduction.
- Whether MCC can reasonably expect that the country would contribute a significant amount of funding to the compact.

The sources for the above additional considerations are similar to those described in the preceding sections.