

Measuring Impact: Lessons from the MCC for the Broader Impact Evaluation Community

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CGD Notes

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One organization that has taken the need for impact evaluation seriously is the Millennium Challenge Corporation, an independent U.S. foreign aid agency that provides large-scale grants to some of the world's poorest countries. Since it began operating in 2005, the MCC has commissioned independent researchers to conduct some 25 studies to assess the impact that can be attributed to its programs. All these studies collect baseline data and use methods to contrast how beneficiaries fare relative to what would have been expected without the program—a standard of evidence that is still not common among bilateral development agencies and one which USAID is only just beginning to embrace.¹

The first of the MCC programs came to a close this fiscal year, and in the next year the impact evaluations associated with them will begin to be published.² While the MCC also publishes input and output measures throughout implementation, only impact evaluations can really show if the programs have achieved their goals. This means that Congress receives news about the success or failure of programs that were designed years ago while making budget decisions about programs being designed and implemented today.

1. USAID's new evaluation policy, approved in 2011, can be found at www.usaid.gov/evaluation/USAID_EVALUATION_POLICY.pdf.

2. MCC programs have been completed in Honduras (September 2010), Cape Verde (October 2010), Georgia and Vanuatu (April 2011), and Nicaragua (May 2011).

The way politicians respond to the new wave of evaluations will set a precedent, either one that values transparency and encourages aid agencies to be public about what they are learning from their programs or one that punishes transparency and encourages agencies to hide findings or simply cease commissioning these critical sources of information.

The MCC and Impact Evaluation: What Has Happened So Far?

Impact evaluations are key to the MCC model of action and learning, with about half of all activities slated for rigorous impact studies.³ Eight impact evaluations commenced in the MCC's first two years, with completion expected in 2011 or later. Currently, the MCC has 25 impact evaluations listed on its site. They use a variety of methods to attribute changes in outcomes to specific programs. Twelve of them use random assignment methods to establish comparison groups, while the remainder use non-randomized approaches such as difference-in-difference, matching, and regression discontinuity.⁴ Results from these evaluations will help determine which development strategies work and which do not.

Equally important to the rigor of the studies is how they are interpreted and used. One of the first MCC evaluations looked at a school program in Burkina Faso and found that the program significantly increased school enrollment and test scores for both

3. Sarah T. Lucas, *Principles into Practice: Focus on Results* (Washington DC: Millennium Challenge Corporation, 2011), www.mcc.gov/documents/reports/paper-2011001052001-principles-results.pdf.

4. For explanations of these approaches, see Paul J. Gertler et al., *Impact Evaluation in Practice* (Washington DC: World Bank, 2010).

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boys and girls.⁵ These results are useful for designing school programs in other places but will also be used to judge whether the MCC's program "succeeded" in the sense of achieving their goals.

Ironically, the systematic assessment of MCC programs may expose them to unfairly high standards of judgment relative to other programs that are less rigorously assessed. This may already be happening. A GAO report that acknowledges successes in recently concluded programs in Cape Verde and Honduras raises questions about sustainability in its very first sentence.⁶

The Risk: Praise or Political Fallout?

This kind of questioning is likely to increase during the next fiscal year as the first impact evaluations are published. Development is a difficult and risky endeavor, and these studies are likely to reveal a mix of good and bad results. While the true measure of MCC's approach should look at its entire portfolio, it will be years before enough of these studies are available to assess whether the MCC approach as a whole is effective.

5. Dan Levy, et al., "Impact Evaluation of Burkina Faso's BRIGHT Program: Final Report" (Washington DC: Mathematica Policy Research, Inc., 2009).

6. GAO, "Millennium Challenge Corporation Compacts in Cape Verde and Honduras Achieved Reduced Targets," Report to Congressional Committees, GAO-112-728 (Washington DC, 2011).

This is particularly important in light of the political debates in the U.S. Congress which fluctuate inconsistently between calls for rewarding results and those for cutting budgets. As it stands, the MCC is already facing budget constraints and cannot fund all of its potential projects. Originally, the Bush administration intended the MCC to have an annual program of \$5 billion; however, the highest allocation so far was \$1.75 billion in FY2007. Recently, Congress cut \$380 million from the MCC's \$1.28 billion FY2011 request.

The way the U.S. government responds to publication of the MCC's impact evaluations will show whether the United States is willing to stand behind its call for openness and transparency, even if some of the evidence is unfavorable.

The outcome of this process will affect more than the future of the MCC. If MCC is penalized for its rigorous assessments and efforts to do better, other U.S. agencies may decide that the work of independent impact evaluation is not worth the risk. The effectiveness of development programs will benefit most if Congress praises the MCC for being open and transparent about its results and views this as an opportunity to learn what works rather than an excuse to cut spending.