



**MILLENNIUM
CHALLENGE
CORPORATION**

REDUCING POVERTY THROUGH GROWTH

December 30, 2008

Outline for a Threshold Country Plan

COVER PAGE: Please include the date, name of country and the name and title of the government official formally submitting the Threshold Country Plan.

SECTION I (due on or before April 17, 2009): This section provides a general overview of the areas for reform identified by the Threshold Country Plan.

A. Policy Reform Strategy – This part should provide a broadly-stated description of the country's reform strategy and how the activities proposed in the Threshold Country Plan will support that strategy. A well-designed Policy Reform Strategy will provide the basis for development of the Threshold Country Plan and should summarize the country's plan for where it would like to be in two years' time and how a Threshold Program fits into that plan. This part should outline the country's overall strategy for reform, identify the MCC indicator(s) chosen for program focus, describe how the Threshold Country Plan fits into the country's national strategy, and note how the proposed activities are coordinated with other donor efforts.

An example of a Policy Reform Strategy follows:

We will reduce poverty through economic growth by creating conditions conducive to business development and direct foreign investment, namely by reducing corruption and improving the rule of law. To accomplish this, we will implement a national strategy to improve our ability to investigate and prosecute corrupt officials. To support this strategy, we seek MCC Threshold Program assistance for policy reforms within the Ruling Justly and Economic Freedom categories; specifically, Control of Corruption and Fiscal Policy. In the past three years, the Government passed legislation to control corruption, energized an Anti-Corruption Bureau, prosecuted 27 officials suspected of corruption, promoted transparency in public finance, and created ombudsmen in each ministry. Two donors are funding the training of police and financial investigators who will combat corruption. MCC Threshold Program assistance will complement ongoing donor efforts by financing the establishment of an anti-corruption unit in the prosecutor's office; funding technical assistance for the publication of court decisions and courtroom monitoring of cases; and providing for civil society and media oversight of government anti-corruption efforts.

We believe a linkage also exists between corruption and weak performance on our fiscal policy indicator. Through our interventions, including the new VAT tax implementation, and improving tax administration, we expect to improve this indicator as well. These interventions will support

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ongoing efforts undertaken in the development of our Poverty Reduction Strategy Program as endorsed by other donors.

(Suggested length: One page)

B. Indicator Focus – This part should provide a more in-depth review of the indicator(s) that the country intends to focus on in its Threshold Country Plan and the sector(s) within that indicator that the country has chosen to address.

The selection of the relevant indicator(s) should be based on the Scorecard and Indicator Analysis which MCC and the United States Embassy country team will provide to the country's representatives. This part should include a statement explaining why the country chose to focus on particular sectors, the types of activities the country would like MCC to fund, why these activities have been selected (including how they are linked to the Indicator Analysis), how these activities fit within the government's overall reform plans in this sector, the positive effect the country expects to get from the Threshold Program and how the Threshold Program will improve the country's prospects for eligibility for MCC Compact funding.

Some examples of points that might be included in the indicator focus:

Corruption Example:

- 1. Describe in detail the nature of corruption issues indigenous to the country, based on relevant information, such as the Indicator Analysis, strategic planning documents, and local surveys.*
- 2. Describe what has been done to date to address this problem (i.e., Anti-Corruption Strategy developed; Anti-Corruption Commission established; World Bank loans taken out for technical assistance on reform of procurement systems and laws; etc.)*
- 3. Describe what can be accelerated with Threshold Program support and any evidence or experience demonstrating that proposed activities will have the anticipated impact. Describe possible activities, which might include development of oversight functions in the legislative and executive branches, training of investigators, prosecutors and judges, development of court tracking systems to improve transparency, development of transparent accounting and budget systems, enhancing the capabilities of independent media to uncover cases of corruption.*

Girls' Primary Education Completion Rate Example:

- 1. Describe in detail the problems facing girl students in the country, such as lack of access, inadequate or unequal education facilities, family poverty, poorly trained or too few teachers, or an inadequate curriculum.*
- 2. Describe what has been done to date to address this problem (i.e., increased country budget for education; targeted World Bank loans; revised teacher-training methods)*
- 3. Describe possible activities, which might include programs to hire and train teachers, purchase textbooks, pay school fees, build or expand school facilities, or develop adequate curricula.*

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Note: In the examples above, it will be important to explain in general terms how the country is using its own resources to combat these problems, as well as what other donors are doing for the country in these sectors.

(Suggested length: Two or three pages)

SECTION II (due on or before July 17, 2009);

This section expands upon material provided in Section I.

C. Program Activities, Monitoring and Evaluation: This part should outline the country's plan for monitoring and evaluation and should include the country's Performance Benchmark Chart (as described below).

1) Monitoring and Evaluation: Conducting quality monitoring and evaluation (M&E) is necessary to ensure a focus on results, one of the MCC's three key principles. Integrating M&E at an early stage in program design boosts the effectiveness, accountability, and transparency of development assistance. In developing a Threshold Country Plan, a country must define clear objectives and benchmarks to measure progress, and must include a plan to measure program results.

Monitoring primarily allows program implementers to identify opportunities for mid-course corrections and therefore improve the ultimate impact of programs. Project evaluation is a complementary activity that focuses on measuring the program's broader outcomes and success in achieving its goals, both during and after activities terminate. Evaluations will also seek to identify the extent to which such success can be attributed to threshold program activities. M&E will be conducted throughout the life of a threshold program, from concept through implementation and beyond. M&E includes the following three stages.

(A) **For every threshold country, M&E begins with the Indicator Analysis.** The Indicator Analysis indicates which policies and actions may have affected a country's failing scores on the eligibility indicators that form the basis of MCC's selection criteria. Using this information, countries can determine which policy areas to target. It is also useful to take into account assessments by other donors.

(B) **Threshold countries present to MCC a Threshold Country Plan that includes a Performance Benchmarks Chart.** The Performance Benchmarks Chart (example below) describes the causal links between program activities, outcomes and eligibility indicators, and establishes measures for tracking program performance.

(C) **MCC may conduct an independent evaluation of the threshold program.** Evaluations before or after completion of the program may examine the success of MCC-supported activities and identify the extent to which intended outcomes resulted from the threshold program.

2) Performance Benchmarks Chart - As mentioned above, this is a critical element of the Threshold Country Plan which communicates how proposed activities are linked to the eligibility indicators targeted for improved performance. The Performance Benchmarks Chart encourages program designers to strategically choose program activities by linking them directly to program goals.

The activities should ultimately seek to address weaknesses identified by the eligibility indicators during the two-year life of the program. *Rather than selecting program activities and then identifying results to be achieved, however, it is critical that measurable results be determined first, and then program activities identified to achieve them.*

Example: Creating Measurable Results

Intended Result: Reduce inefficiencies and corruption in public procurement

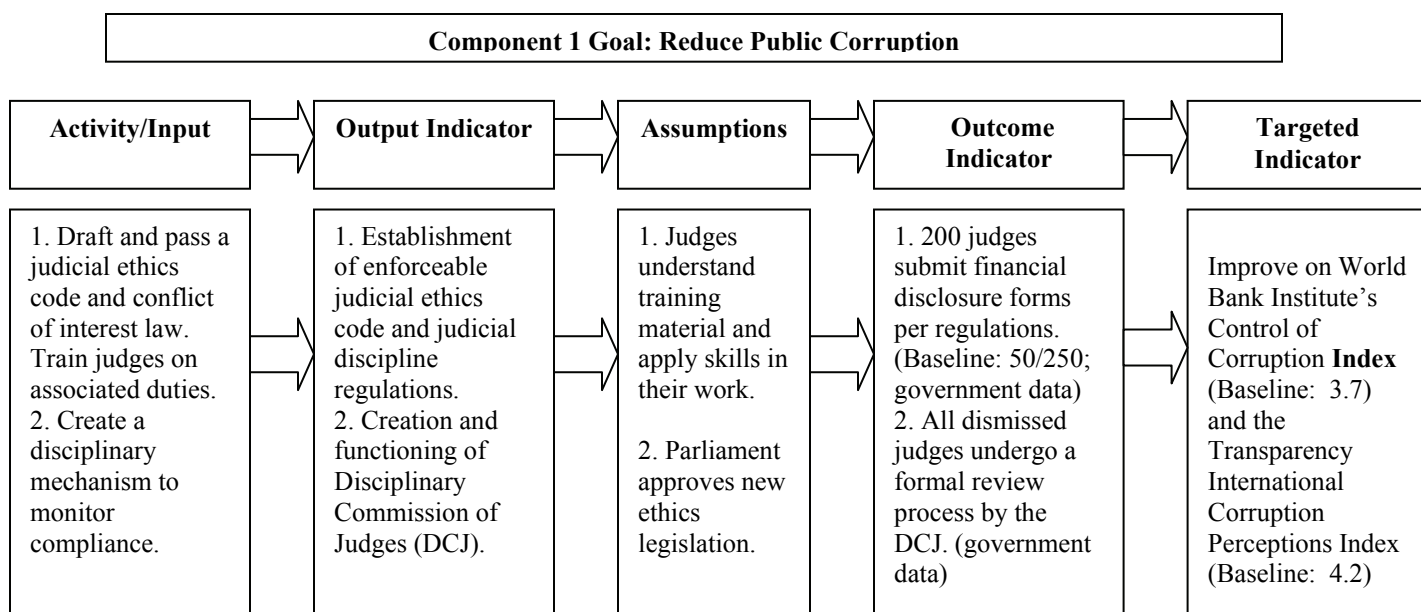
Input/Activity: Train staff; modify procurement regulations to reduce unnecessary steps

Output: 200 audit and procurement staff trained; regulations amended

Outcome: 2 superfluous procurement steps removed

Targeted Indicator: World Bank Institute Government Effectiveness indicator improves

1. In designing the program, the first step is to ask, what are the desired results?
2. After determining the goals, the next question is to identify the input (support or activities) necessary to achieve these goals.
3. After determining which activities will best lead to the intended results, demonstrate how these results will lead to measurable results that can be captured by output and outcome indicators. (Extended descriptions of outputs and outcomes appear below.)
4. Finally, and most importantly, assumptions, past trends or baselines, and data sources for the outcome indicators must be identified in the performance benchmarks chart – see example below:



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MCC requests that the country give considerable thought to designing output and outcome indicators. Indicators should be:

- specific,
- measurable,
- ambitious but realistic,
- practical (in terms of data availability and data collection costs), and
- relevant to a defined time period.

More information on specific terms and how to create a Performance Benchmarks Chart is provided below:

(A) Inputs (or activities) are the proposed threshold program activities. This list should include the primary activities that MCC is requested to support.

For example, if the Indicator Analysis identifies judicial corruption as a significant issue with potential for reform in a two-year period, a country may request MCC support to establish and roll out a case randomization system to contribute to increased efficiency and effectiveness of the judiciary. In such a case, the inputs may be: (1) procurement and establishment of a case randomization system and (2) training of 500 provincial court staff in using the system.

(B) Output indicators directly measure program activities. They are a short-term, immediate measure of the goods or services provided by a program.

Following the above example of the case randomization system, an output indicator may be that: (1) the case randomization system was established and (2) 300 provincial court staff were trained.

(C) Outcome indicators directly measure the intermediate (medium- to long-term) effects of an activity. The outcome indicator should demonstrate the result of both inputs and outputs; in many cases, several inputs and outputs will lead to the same outcome.

Following the judicial corruption example, an outcome indicator for the case randomization and training activities may be that the average time to assign and adjudicate cases will be reduced by 10 weeks (data source: administrative court data; baseline: average of 9 months for assignment and adjudication during 2004-2006).

(D) Targeted indicators are an excellent place to identify program goals with the help of the Indicator Analysis. The Indicator Analysis assesses the country's performance on areas that underlie MCC's indicators and provides potential areas to prioritize in the Threshold Country Plan. Several of the

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indicators MCC uses are constructed as indexes of a number of subcomponents, and focusing on what the individual components measure may help clarify how the country is being measured and also strengthen the links between the indicator and the proposed activity. For instance, the indicators provided by the World Bank Institute's World Governance Indicators are indexes of up to 33 subsources; reviewing what these individual subsources take into account in their assessment of governance for a particular country may help provide a more detailed diagnostic (note: some subsources are not publicly available).

The following are examples of targeted indicators:

Increase the prosecution and conviction of corrupt officials score (data source: Freedom House, *Countries at the Crossroads*);

Reduce undocumented extra payments or bribes connected with getting favorable judicial results (data source: Global Competitiveness Report – a subsource of the Ruling Justly indicators provided by the World Bank Institute).

(E) **Assumptions** integral to connecting inputs, outputs and outcomes should be identified. If the potential roadblocks to program success are clear, the program can better anticipate and overcome, where possible, external events that could negatively impact the program.

For example, assumptions may include the following: systems will be procured in a timely manner; judges will adhere to the requirements of randomizing case selection; staff will understand and correctly apply the instructions delivered in training; vaccines will be made available; or the parliament will pass a budget.

(F) **Data sources, baselines and targets** are integral to tracking progress on the threshold program. The Threshold Country Plan should not only identify why proposed activities will lead to reform but also *how such reforms will be measured*. Doing this requires that existing baseline data are identified, as in the examples above. **After identifying the baseline and its source, the Threshold Country Plan must specify the measurable outcomes that will result from MCC-sponsored activities.**

For example, if the baseline number of audits in the Ministry of Public Works is 10 in the year 2006-2007, a target for 2008-2009 may be 35 high-quality audits tracked by the Auditor's Office within the Ministry of Public Works.

Outcome indicators rely upon existing data on past trends and data must be collected through the life of the threshold program. If an indicator measures data that are not available, that indicator is not useful. For example, if the outcome indicator is a 5 percent increase in prosecutions, the following

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information should be provided: (1) data source: district court administrative data and (2) baseline: 3,550 prosecutions in 2006-2007 at the district level.

While a country should describe proposed inputs, outputs, and outcomes in the narrative portion of Section II, it should demonstrate the information in its Performance Benchmark Chart, which should be formatted to include the six columns of information mentioned above. See the following link for a sample chart: <http://www.mcc.gov/countrytools/threshold/guidance-2007-threshold-perfbenchmarks.pdf>.

(Suggested length: 10 to 15 pages)

D. Sustainability – The intent of the MCC Threshold Program is to have an impact that lasts far beyond the typical two-year period of a threshold program. Therefore, this part should describe the government’s commitment to sustaining the program and explain how the initiatives to be undertaken will be sustained beyond the term of the threshold program. This could include commitment for continued maintenance of a program through an increased line-item in the agency’s budget, the purchase of necessary commodities, or the hiring of additional staff, for example.

(Suggested length: One or two pages)

E. Management Team and Implementing Partner(s) – While a U.S. government agency or implementing organization will be responsible for managing threshold program funding and the activities, the country partner is actively involved and responsible for the policy implementation. This part of Section II should provide the names, titles and responsibilities of all relevant members of the country’s team that will manage both the design and implementation of the Threshold Country Plan. This part should describe, for example, which government officials or organizations will be accountable for proposed policy reforms. It should also suggest the types of implementing partners -- companies, nonprofit organizations or other entities (not the specific names of partners, which will be selected through competitive procurement processes) – that will be using MCC resources to achieve the desired outcomes. If relevant, an organization chart could be included. MCC Threshold Program assistance will not fund salaries or office rent for the government’s management team.

(Suggested length: One or two pages)

F. Donor Coordination and Country Consultation – MCC requests that country consult with civil society and other relevant stakeholders as it designs its proposal. This part of the Threshold Country Plan should include a description of how the country has consulted with civil society, the private sector, academia, and donors in developing the Threshold Country Plan, including a description of specific donor activities if other donors are working in the same area as the threshold program.

With regard to donor coordination, where other donors are working in the same areas as those proposed in the Threshold Country Plan, those efforts should be incorporated in the description of the proposed program activities above. The threshold program may supplement or enhance

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existing initiatives or may be an entirely new undertaking. In either case, it is important to outline the consultative process within the country and the degree to which the threshold program will be coordinated with other donor efforts. A table that summarizes other donor activities in these areas should be included (see <http://www.mcc.gov/countrytools/threshold/guidance-2007-threshold-sampledonor database.xls> for a model).

(Suggested length: One or two pages)

G. Final Budget – A detailed budget will be developed by the lead U.S. government administering agency (which will be identified by MCC after submission of Section I) in consultation with MCC and the country. All funding needs should be accounted for and carefully explained in this budget. MCC's Threshold Program generally will not fund ongoing operating costs, such as salaries, rent or operating costs of equipment; the purchase of items such as vehicles and furniture; or the construction of buildings.

(Suggested length: Two to three pages)