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UNITED STATES OF AMERICA

# Policy for Monitoring and Evaluation of Compacts and Threshold Programs

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**Policy for Monitoring and Evaluation of Compacts and Threshold Programs**

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## **1. PURPOSE**

A focus on results is one of the core principles on which the Millennium Challenge Corporation (MCC) was founded and an important aspect of this focus is the monitoring and evaluation (M&E) of Compact and threshold programs and their results. M&E helps to boost the effectiveness, accountability, and transparency of MCC's development assistance. In the short-term, it improves management decision making and, over the long-term, it contributes to better design of development projects at MCC and more broadly. To that end, this policy sets forth the requirements for monitoring and evaluation of MCC Compacts and threshold programs. Additional information that facilitates practical application of these requirements will be made available through a series of guidance papers and toolkits.

## **2. SCOPE**

From and after the effective date of this policy, this policy will govern the monitoring and evaluation of (i) all Compacts, initial M&E Plans, and revisions to M&E Plans, provided that any M&E Plans and any revisions to M&E Plans that were approved by MCC prior to the effective date of this policy do not have to comply with this policy until their next revision; and (ii) all Threshold Program Agreements signed after the effective date.

## **3. AUTHORITIES**

MCC's operations are governed by U.S. law and MCC's own policies and procedures. MCC has adopted the various policies and guidelines listed below in Section 3.2 to comply with its statutory mandate and to ensure basic accountability from the governments of countries receiving MCC assistance.

### **3.1 Acts**

- a. Section 609(b)(1)(C) of the Millennium Challenge Act of 2003, as amended

### **3.2 Related MCC Policies and Procedures**

- a. Guidelines for Economic and Beneficiary Analysis of a Compact Proposal
- b. Compact Workplan Guidance
- c. Guidance on Quarterly MCA Disbursement Request and Reporting Package
- d. Program Procurement Guidelines
- e. Interim Activity Review Guidance

- f. Guidelines for Post-Compact Assessment Reports (forthcoming)
- g. Gender Policy
- h. Guidelines for Public Use Data (forthcoming)
- i. Guidance on the Outline for a Threshold Country Plan (Threshold)
- j. Guidance on Performance Benchmark Charts (Threshold)
- k. Guidance on Results Reporting Tables (Threshold)
- l. Threshold Final Report Guidance (Threshold)

#### **4. KEY DEFINITIONS**

*Accountable Entity* – The entity designated by the government of the country receiving assistance from the Millennium Challenge Account to oversee and manage implementation of the Compact program on behalf of the government.

*Activity* – Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to produce specific outputs. Typically, multiple Activities make up one Project and work together to meet the Project’s Objective.

*Baseline* – The situation prior to a development intervention, against which progress can be assessed or comparisons made.

*Beneficiary* – An individual who realizes improved standards of living, primarily through higher income, as a result of economic gains generated by an MCC-funded Project.

*Compact* – The agreement known as Millennium Challenge Compact, entered into between the United States of America, acting through the Millennium Challenge Corporation, and the government of the country receiving assistance from the Millennium Challenge Account pursuant to which MCC provides such assistance to the country.

*Common Indicator* – Indicators that MCC uses to aggregate results across countries within certain sectors and report externally to key stakeholders.

*Counterfactual* – The situation or condition which hypothetically would have occurred for individuals or groups had there been no MCC Program.

*Economic Rate of Return* – Micro-economic growth analysis that measures the expected increases in household incomes or the value-added of individual firms and compares them to the cost of creating those increases in income. The economic rate of return is expressed in percentage terms, and represents the interest rate at which the discounted net benefits equal the discounted costs.

*Eligibility Indicators* – Policy indicators developed by third party institutions used in MCC’s annual country selection process for Threshold and Compact Programs.

*Entry into Force* – The point in time when a Compact comes into full force and effect and its term begins.

*Evaluation* – The systematic and objective assessment of an on-going or completed program, its design, implementation and results.

*Final Evaluation* – Evaluation conducted at the end of the period of implementation of the intervention.

*Goal* – The ultimate purpose of a development intervention. For Compacts, the goal is always poverty reduction through economic growth.

*Goal Indicator* – Indicators that measure the economic growth and poverty reduction changes that occur during or after implementation of the program.

*Impact* – The expected result of a Compact on beneficiaries. The impact for MCC Compacts is poverty reduction through economic growth.

*Impact Evaluation* – A study that measures the changes in individual, household or community income and other aspects of well-being that result from a particular project or program. The distinctive feature of an Impact Evaluation is the use of a counterfactual, which identifies what would have happened to the beneficiaries absent the project or program.

*Indicator* – Quantitative or qualitative variable that provides a simple and reliable means to measure achievement of a development intervention.

*Indicator Analysis* – Additional information on the policies and actions that may have affected a country's standing on the eligibility indicators used in the annual MCC country selection process.

*Input* – The financial, human, and material resources used for the development intervention.

*Management Information System* – A system designed to collect, process, store, and disseminate data to assist in the management of programs.

*MCC Threshold Program* – The MCC program authorized by Section 616 of the Millennium Challenge Act of 2003, as amended, pursuant to which MCC provides assistance to a qualifying country for the purpose of assisting such country to become eligible for a Compact.

*Millennium Challenge Account* – The account which receives funds appropriated by Congress to carry out the Millennium Challenge Act of 2003, as amended.

*Mid-Course Evaluation* – A study performed during the period of implementation of the intervention.

*Monitoring* – A continuous function that uses the systematic collection of data on specified indicators to provide indications of progress toward final program objectives and achievement of intermediate results along the way.

*Objective* – The likely or achieved intermediate or long-term effects of an intervention's outputs.

*Objective Indicator* – Indicators that measure the intermediate (long-term) effects of an Activity or set of Activities and are directly related to the Output Indicators.

*Outcome* – The likely or achieved intermediate- or medium-term effects of an intervention's Outputs.

*Outcome Indicator* – Indicators that measure the intermediate (medium-term) effects of an Activity or set of Activities and are directly related to the Output Indicators.



*Output* – The direct result of a Project Activity. The goods or services produced by the implementation of an Activity.

*Output Indicator* – Indicators that directly measure Project Activities. They describe and quantify the goods and services produced directly by the implementation of an Activity.

*Participant* – An individual who takes part in an MCC-funded Project.

*Performance Benchmarks Chart* – A diagram that explains how activities link to the eligibility indicators that a threshold program targets.

*Process Milestone Indicator* – Indicators that measure progress toward the completion of Project Activities. They are a precursor to the achievement of Project Outputs and a way to ensure the work plan is proceeding on time to sufficiently guarantee that outcomes will be met as projected.

*Program* – A group of Projects implemented together to achieve a goal.

*Program Logic* – A diagram that shows how each Activity’s outputs lead to the expected outcomes, objectives, and goal of a Compact.

*Project* – A group of Activities implemented together to achieve an objective.

*Result* – The output, outcome or impact of a development intervention.

*Results Reporting Table* – The table of indicators reported to MCC on a quarterly basis by each threshold program.

*Target* – The expected result for a particular indicator to be met by a certain point in time.

*Targeted Indicator* – The eligibility indicators or eligibility indicator sub-components that a threshold program activity intends to effect.

*Threshold Program Agreement* - The agreement signed by the threshold country and the United States that specifies the terms and conditions for the implementation of a threshold program. When USAID administers a threshold program, the agreement is typically called a Strategic Objective Grant Agreement, Strategic Objective Agreement or a Development Assistance Agreement and is often referred to as a “SOAG.”

## 5. POLICY FOR COMPACTS

### 5.0 Introduction

Monitoring is a continuous function that uses the systematic collection of data on specified indicators to provide indications of progress toward final program objectives and achievement of intermediate results along the way. While good program monitoring is necessary for program management, it is not sufficient. MCC therefore advocates the use of different types of evaluations as a complementary tool to better understand the effectiveness of its programs.

Evaluation refers to the systematic and objective assessment of an on-going or completed program, its design, implementation and results. In particular, MCC is interested in conducting Impact Evaluations whenever it is possible and appropriate. Impact Evaluation is a type of

evaluation that is designed to measure the changes in wellbeing of beneficiaries that are attributable to a particular intervention.

Monitoring and evaluation is integrated into the entire life cycle of a Compact from concept through implementation and beyond. During Compact development, project appraisal and development procedures include defining clear objectives and benchmarks to measure progress over the life of the Compact. Economic Analysis is performed on each project proposal submitted to MCC which includes assessing the economic growth rationale for the investment, calculating an economic rate of return (ERR), and estimating its poverty reduction impacts. M&E is directly linked to the economic analysis since variables from the benefit stream of the ERR are included as key performance indicators and targets in the Monitoring and Evaluation Plan (M&E Plan). Gaps in data availability and data quality that are identified during Compact development also serve as the basis for planning monitoring and evaluation activities and their associated costs for the period of Compact implementation.

After a Compact is signed, the partner country's Accountable Entity (also referred to as MCA) and MCC finalize an M&E Plan that lays out the framework for monitoring and evaluating Compact Activities. The monitoring component of the M&E Plan lays out the framework and process for assessing progress towards the Compact Goal. As such, it identifies indicators, establishes performance targets and details the data collection and reporting plan to track progress against targets on a regular basis. The evaluation component identifies the evaluations that will be conducted, the key evaluation questions and methodologies, and the data collection strategies that will be employed.<sup>1</sup>

## **5.1 Developing Compact Monitoring and Evaluation Plans**

### ***5.1.1 Purpose of the Monitoring and Evaluation Plan***

The M&E Plan is a tool to plan and manage the process of monitoring, evaluating and reporting progress towards achieving Compact results. It is used in conjunction with other tools such as work plans, procurement plans, and financial plans.

The M&E Plan serves the following main functions:

- Explains in detail *how* and *what* the MCC and MCA will a) monitor to determine whether the Projects are on track to achieving their intended results and b) evaluate to estimate the impact, determine cost effectiveness, and assess implementation strategies of Compact interventions;
- Includes all indicators that must be reported to MCC on a regular basis;
- Includes any M&E requirements that the MCA must meet in order to receive disbursements;<sup>2</sup> and

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<sup>1</sup> The M&E Plan does not include all evaluations that are conducted as part of the MCA Program because they do not directly relate to assessing progress toward results or on impacts.

<sup>2</sup> Substantial compliance with the M&E Plan is a condition for approval of each quarterly disbursement request by the country.

- Serves as a communication tool, so that MCA staff and other stakeholders clearly understand the objectives and targets the MCA is responsible for achieving.

### **5.1.2      *The Compact and the M&E Plan***

The process of developing an M&E Plan starts during Compact development where economic analysis is used to help refine the program, its objectives, and expected results. See MCC's *Guidelines for Economic and Beneficiary Analysis of a Compact Proposal* for more information. This analysis provides the foundation for the development of the M&E Plan.

All Compacts include a description of the Monitoring & Evaluation Plan (referred to herein as the Compact M&E Summary<sup>3</sup>) which represents the negotiated legal agreement between the country government and MCC on broad M&E issues. Specifically, the Compact M&E Summary must include:

- A summary of the program logic, including the Goal, Objectives, and expected outcomes;
- A select number of key indicators, drawn from the variables in the economic analysis, at the Goal, Objective, and Outcome level with their definitions, baseline values, and Year 5 targets;
- General requirements for data collection, reporting, and data quality reviews;
- Requirements for the final evaluation, ad hoc evaluations, and special studies;
- The list of Projects that will have rigorous Impact Evaluations and a brief description of the methods that will be used;
- A brief description of other components of the M&E Plan (such as M&E costs and assumptions and risks); and
- Requirements for the implementation of the M&E Plan, including information management and MCA responsibilities.

After the Compact is signed, a full M&E Plan must be developed using the Compact M&E Summary as a basis. The Compact M&E Summary indicators are typically not changed in developing the full M&E Plan. Once completed, the M&E Plan must be approved as described in Section 5.1.9 of this policy.

### **5.1.3      *Responsibility for Developing the M&E Plan***

Primary responsibility for developing the M&E Plan lies with the MCA M&E lead with support and input from MCC's M&E lead. The M&E Plan must be developed in conjunction with key stakeholders, in particular MCC and MCA Project/Activity leaders. While the entire M&E Plan must be developed collaboratively MCC and MCA Project/Activity leaders are expected to take a lead role in identifying indicators at the

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<sup>3</sup> As of the date of this policy, the Compact M&E Summary appears as Annex III to the Compact.



process and output levels that are particularly useful for management and oversight of Activities and Projects.

#### **5.1.4**      *Timing of the Initial M&E Plan*

Specific timing for the finalization of the Compact M&E Plan, which is usually at, or within a few months of, Entry into Force, is established in an agreement entered into with the partner country that is supplemental to the Compact. Usually the MCA M&E staff needs to be in place and Project work plans need to be agreed upon before the initial M&E Plan can be finalized.

#### **5.1.5**      *Types of Indicators*

Indicators are used to measure progress toward the expected results throughout the implementation period. Different types of indicators are needed at different points in time and to trace the Program Logic.

##### **5.1.5.1**      *Indicator Levels*

At MCC, indicators are separated into the following levels:

- **Process Milestone Indicators:** These indicators measure progress toward the completion of Project Activities. They are a precursor to the achievement of Output Indicators and a way to ensure the work plan is proceeding on time to sufficiently guarantee that outcomes will be met as planned. Process Milestone targets are often dates, but do not have to be.
- **Output Indicators:** These indicators directly measure Project Activities. They describe and quantify the goods and services produced directly by the implementation of an Activity.
- **Outcome Indicators and Objective Indicators:** These indicators measure the intermediate (medium- to long-term) effects of an Activity or set of Activities and are directly related to the output indicators. These indicators may or may not be distinct categories (i.e., an Activity may have both outcome and objective indicators, or it may have only objective or only outcome indicators), depending on the level of detail required for adequate monitoring. If anticipated program effects can be clearly separated into medium- and long-term effects, outcome (medium-term) and objective (longer-term) indicators may be defined separately.
- **Goal Indicators:** These indicators measure the economic growth and poverty reduction changes that occur during or after implementation of the program. They may be reported at any time during a Project, but in many cases it may be more logical to measure goal indicators after an Activity has been in place for some time. For MCC Compacts, goal indicators will almost always be a direct measure of income and/or poverty.

### 5.1.5.2 *Common Indicators*

Common indicators are used by MCC to measure progress across Compacts within certain sectors. They allow MCC to aggregate results across countries and report externally to key stakeholders. Common indicators may be specified at all indicator levels (process milestone, output, outcome, objective, and goal). Usually they will be in sectors where MCC is investing significant resources. Each MCA must include the common indicators in their M&E Plan when the indicators are relevant to that country's Compact Activities.

### 5.1.6 *Criteria for Selecting Indicators*<sup>4</sup>

Indicators in the Compact and M&E Plan should strive to meet the following criteria:

**Direct:** An indicator should measure as closely as possible the result it is intended to measure.

**Unambiguous:** The definition of the indicators should be operationally precise and there should be no ambiguity about what is being measured or how to interpret the results.

**Adequate:** Taken as a group, indicators should sufficiently measure the result in question. Developers of the M&E Plan should strive for the minimum number of indicators sufficient to measure the result.

**Practical:** An indicator is practical if data can be obtained in a timely way and at a reasonable cost.

**Useful:** Indicators selected for inclusion in the M&E Plan must be useful for MCC management and oversight of the Compact. Where appropriate, MCC should ensure that standard MCC indicators are included in the M&E Plan to permit MCC monitoring across countries.

Lower-level indicators (Process Milestone and Output) come from and are consistent with Project and Activity work plans. These indicators are useful for Project and Activity level management and help to track implementation progress. Higher-level indicators (Goal, Objective and Outcome) are typically but not exclusively drawn from the benefit streams in the economic rate of return analysis and help to demonstrate Compact results over time.

The M&E Plan indicators must be kept to the minimum necessary for MCC management and oversight of the Compact. MCAs are welcome to monitor additional indicators at the Activity level for their own management and communication purposes but these need not be included in the M&E Plan nor reported to MCC, unless requested by an MCC sector lead. MCAs should be cautious about supplementing the M&E Plan with too many other

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<sup>4</sup> Some of these criteria are drawn from USAID's Performance Monitoring and Evaluation TIPS, 1996, Number 6 and USAID ADS 203, 9-1-2008 version.

indicators that might overburden the MCA's M&E staff or might not be realistic in light of M&E resources.

### **5.1.7 *Establishing Baselines and Targets***

Every indicator selected must have a baseline. An indicator's baseline should be established prior to the start of the corresponding Activity.

Indicators in the M&E Plan must include annual targets whenever possible and appropriate. For indicators derived from the economic analysis, targets should be set based on the economic rate of return model. Quarterly targets are not required by MCC; however, the MCA may choose to set quarterly targets for internal management purposes, but should avoid imposing too many targets that might impede Project implementation. Even though quarterly targets are not required, quarterly reporting of progress against annual targets is required by MCC, as documented in the M&E Plan.

### **5.1.8 *Contents of an M&E Plan***

The M&E Plan must contain the following elements, in any order:

- Overview of the Compact and its Objectives
  - Program Logic
  - Expected Impact
  - Program Beneficiaries (disaggregated by gender, age and other socio-economic characteristics to the extent possible with available data)
- Monitoring Component
  - Summary of Monitoring Strategy
  - Indicator Documentation Table (includes all indicators at all levels and specifies at least the following: precise definition, timing and frequency of data collection, data source, and responsible entity)
  - Table of Indicator Baselines and Targets (contains all indicators, unit of measurement, baselines and targets)
  - Disaggregation of Data (identifies the indicators that will be reported on disaggregated by gender, age and income)
  - Data Quality Reviews (identifies the scope, timing and frequency of reviews)
  - Standard Reporting Requirements
  - Linking Disbursements to Performance
- Evaluation Component
  - Detailed Impact Evaluation Plan (identifies specific evaluations that will be carried out including key questions, methodologies, data collection plan and timing of key analytical reports)
  - Other Evaluations and Special Studies
- Economic Analysis, Assumptions and Risks
- Implementation and Management of M&E
  - Responsibilities
  - MCA's Management Information System for M&E

- Review and Revision of the M&E Plan
- M&E Budget
- Changes to the Original M&E Plan (only applies after an M&E Plan has been modified)

Additional optional elements include but are not limited to:

- Coordination of M&E Data Gathering
- Consultative Process and Communications
- Institutional Strengthening for M&E
- M&E Staff Scopes of Work and Responsibilities

### **5.1.9 Approval of the Initial M&E Plan**

The M&E Plan must be formally approved by MCC. In addition, the M&E Plan sent for MCC approval must be in English. Prior to its submission to MCC, the initial M&E Plan must be approved by the MCA Board of Directors.

## **5.2 Modifying Monitoring and Evaluation Plans**

M&E Plans will be revised as needed during the life of the Compact to adjust to changes in the Program's design and to incorporate lessons learned for improved performance monitoring and measurement. The M&E Plan may be modified or amended without amending the Compact. However, any such modification or amendment of the M&E Plan must be approved by MCC in writing and must be otherwise consistent with the requirements of the Compact and any relevant Supplemental Agreements. For more information on approvals of modifications, see Section 5.2.7.

### **5.2.1 Modifying Indicators**

Indicators in the M&E Plan can be modified in 3 ways:

- A new indicator may be added
- An existing indicator may be removed
- A descriptive quality of an existing indicator may be changed such as the definition, source, frequency, etc.

An indicator may be added only for the following reasons:<sup>5</sup>

- Change to the Program, Project or Activity scope that result in a new indicator being relevant
- Recalculation of the ERR such that a new indicator is now relevant (i.e., a new benefit stream has been added)
- Existing indicators do not sufficiently meet the "adequacy" criteria for indicators (i.e., taken together, the existing indicators are insufficient to adequately measure progress towards results)

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<sup>5</sup> This applies to indicators added to the initial M&E Plan that were not included in the Compact M&E Summary.

- MCC requires that a new indicator be used for measurement across all Projects of a certain type
- The unit of measurement of an indicator is changed

All new or changed indicators should comply with the Criteria for Selecting Indicators found in Section 5.1.6.

An indicator may be removed only for the following reasons:

- Changes to the Program, Project or Activity scope that render the indicator irrelevant
- Recalculation of the ERR such that the original indicator is no longer relevant (i.e., no longer in the benefit stream or assumptions)
- The cost of collecting the data for the indicator outweighs its usefulness (cost in terms of time and/or money)
- The indicator's quality is determined to be poorer than initially thought when the indicator was selected for inclusion in the plan

### 5.2.2 *Modifying Baselines*

Baselines may only be modified under the following circumstances:

- New, credible information emerges, such as new survey data that is determined by MCC to be untainted by any Project Activities
- Changes to the Program, Project or Activity scope
- Corrections to erroneous data

### 5.2.3 *Modifying Targets*

Targets for Process Milestone Indicators may be modified when the Compact workplan is "baselined" during the annual work planning process or after a Project re-scoping as described in MCC's *Compact Workplan Guidance*.

Targets for Goal, Objective, Outcome and Output indicators will be modified only as follows:

- For interim targets, modifications are permitted as long as the end of Compact target does not change.
- For end of Compact targets, modifications are permitted as follows:
  - For indicators linked to the ERR model, the modified targets will be analyzed to assess whether they maintain the integrity of the original ERR. If the new ERR is below the Compact hurdle rate<sup>6</sup>, then the target change will be considered a major change and will require additional MCC approval.
  - For indicators that are not linked to the ERR, their targets may only be modified under the following circumstances:
    - Changes in baseline

<sup>6</sup> Except in the case of an MCC-approved re-scoping where a different hurdle rate has been accepted and approved by MCC as part of the re-scoping.

- Changes to the Program, Project or Activity scope
- Occurrence of exogenous factors.<sup>7</sup>

#### **5.2.4 Other Modifications**

Other sections of the M&E Plan besides indicators, baselines and targets will be updated over time as needed. These types of modifications include, but are not limited to changes to Beneficiary numbers after a Project re-scoping, a change in responsibilities for data collection, or modifications to an evaluation plan.

#### **5.2.5 Timing and Frequency of Modifications**

There is no pre-determined schedule for modifying M&E Plans. However, in some cases, MCC may condition disbursement of Compact funding on M&E Plans being kept up-to-date. Many countries choose to review the M&E Plan annually during the annual work planning process.

#### **5.2.6 Documenting Modifications**

Justification for deleting an indicator, modifying an indicator baseline or target, modifying Beneficiary information or major adjustments to the evaluation plan must be adequately documented as an annex to the revised M&E Plan by MCA.

#### **5.2.7 Approval of M&E Plan Modifications**

All M&E Plan modifications must be submitted to MCC for formal approval. Before requesting MCC approval, changes to the M&E Plan must be sent to the MCA Board of Directors for approval if they are considered substantial, as determined by MCA.

### **5.3 Reporting Performance Against the M&E Plan**

MCAs must report to MCC on indicators in the M&E Plan on a quarterly basis using the Indicator Tracking Table (ITT). No changes to indicators, baselines or targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on reporting is contained in MCC's *Guidance on Quarterly MCA Disbursement Request and Reporting Package*. MCAs may choose to monitor additional indicators for their own management purposes. Reporting against these indicators to MCC is not required, unless requested by an MCC sector lead.

### **5.4 Data Quality and Data Quality Review**

#### **5.4.1 Purpose of a Data Quality Review**

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<sup>7</sup> An exogenous factor is an autonomous factor that is external to the MCC and country government/MCA's control. Some examples include natural disasters and political turmoil.

M&E data is an important source of information on progress towards the achievement of Compact results and supports decision making by program managers. Ensuring that the underlying data are of good quality is essential to maintain a high level of confidence in the decisions that are made using the data.

Data Quality Reviews (DQR) are a mechanism by which the a) quality of data, b) data collection instruments, c) survey sampling methodology, d) data collection procedures, e) data entry, storage and retrieval processes, f) data manipulation and analyses and g) data dissemination are reviewed and analyzed in order to determine the utility, objectivity, and integrity of performance information gathered.

#### 5.4.2 *Data Quality Standards*

MCAs should seek to ensure that M&E indicators meet the standards described in Section 5.1.6 and that the data used to measure those indicators meet the following standards.<sup>8</sup>

**Validity:** Data are valid to the extent that they clearly, directly and adequately represent the result that was intended to be measured. Measurement errors, unrepresentative sampling and simple transcription errors may adversely affect data validity. Data should be periodically tested to ensure that no error creates significant bias.

**Reliability:** Data should reflect stable and consistent data collection processes and analysis methods over time. Project managers should be confident that progress toward performance targets reflects real changes rather than variations in data collection methods. Reliability can be affected by questionable validity as well as by changes in data collection processes.

**Timeliness:** Data should be available with enough frequency and should be sufficiently current to inform management decision-making. Effective management decisions depend upon regular collection of up-to-date performance information.

**Precision:** Data should be sufficiently accurate to present a fair picture of performance and enable project managers to make confident decisions. The expected change being measured should be greater than the margin of error. Measurement error results primarily from weakness in design of a data collection instrument, inadequate controls for bias in responses or reporting; or inadequately trained or supervised enumerators.

**Integrity:** Data that are collected, analyzed and reported should have a mechanism in place to reduce the possibility that data are subject to erroneous or intentional alteration.

#### 5.4.3 *Conducting a Data Quality Review*

MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the Program or Project in review. The MCA is responsible for

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<sup>8</sup> These definitions are drawn from USAID ADS 203, 9-1-2008 version.

selecting, awarding and administering DQR contracts in accordance with MCC's *Program Procurement Guidelines*.

The DQR should review data relative to the standards laid out in Section 5.4.2 of this policy. The M&E Plan will specify which data from the Plan will be included in the review and when. Depending on the data, the review could take place ex-ante, simultaneously, or after the data has already been reported.

The frequency and timing of data quality reviews will be set forth in the M&E Plan. DQRs should be timed to occur before or early enough in the Compact term that meaningful remedial measures (if any) may be taken depending on the results of the review. MCC may request a DQR at any time.

The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

#### **5.4.4 Documentation and Follow-up**

The reviews will be thoroughly documented in a report that will describe any weaknesses found in the a) data collection instruments, b) data sampling and/or collection methods, c) handling and processing of data by responsible entities, or d) reporting procedures. The report should also make recommendations for remedying those weaknesses where possible. Where a remedy is not technically possible or cost-effective, the report should identify replacement indicators or data sources that would be more accurate and efficient.

MCA's comments on the data quality review, including which recommendations will be implemented, will be attached to the final data quality review report. The final report and MCA comments must be approved by MCC.

The MCA will make a summary of the DQR final reports and the MCA comments publicly available on its website. MCAs are responsible for ensuring that MCC-approved recommendations of DQRs are followed through and implemented.

## **5.5 Evaluation**

While good program monitoring is essential for program management, it is not sufficient. Programs must also undergo evaluations in order to better understand the effectiveness of the program.

### **5.5.1 Mid-Course Evaluations**

The term "Mid-Course Evaluations" is meant to include a wide range of possible evaluations and assessments, including interim activity reviews, mid-term reviews, mid-term evaluations, ad hoc evaluations, special studies and process evaluations.<sup>9</sup>

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<sup>9</sup> Not all of these evaluations will appear in the M&E Plan because they do not directly relate to impacts or assessing progress toward results.



Mid-Course Evaluations are not required for all Projects. However, MCC may decide to conduct such evaluations as necessary. MCAs may also consider conducting Mid-Course Evaluations to review progress during implementation, compile lessons learned, and provide a qualitative context for interpreting monitoring data. Mid-Course Evaluations can be used to improve the effectiveness and efficiency of implementation during the life of the Compact.

Depending on the type of Mid-Course Evaluation, it may be performed by a third party procured by either MCC or MCA or carried out directly by MCC or MCA staff.

### 5.5.2 *Final Evaluations*

Every Project in a Compact must undergo a comprehensive, independent evaluation after completion or termination. MCC's *Guidelines for Post-Compact Assessment Reports* (forthcoming) will elaborate the scope, timing and roles and responsibilities of MCC and MCA in carrying out this evaluative activity.<sup>10</sup>

### 5.5.3 *Impact Evaluations*

MCC is committed to conducting independent Impact Evaluations of its programs as an integral part of its focus on results. These rigorous assessments of impact often enhance the design of programs, provide critical information regarding the performance of specific activities, and contribute to a broader understanding of development effectiveness.

Technical feasibility is a prerequisite for all Impact Evaluations, but there are other important considerations taken into account when MCC selects Projects to evaluate. In order of importance, the criteria are:

1. **Learning potential:** The ability of MCC or others to apply the results of the Impact Evaluations to future funding decisions or project designs.
2. **Need for Evidence:** When the quantity and quality of evidence justifying a Project is low, MCC or other donors may nonetheless decide to fund the Activity based on plausible and positive anecdotal evidence, but will include as part of the Project design a rigorous Impact Evaluation to test assumptions about its effectiveness.
3. **Feasibility:** The practical considerations of implementing a particular Impact Evaluation design. The Impact Evaluation method used should ensure reliable results and have broad country and institutional support, and there should be a strong probability that the data will be applied to future design and funding decisions.

## 5.6 M&E and Gender

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<sup>10</sup> The Post Completion Assessment will focus on many facets of the Compact Program and therefore will not be the sole responsibility of the M&E team nor will it be principally described in the M&E Plan.



As gender inequality can be a constraint to economic growth and poverty reduction, and gender issues can be a determining factor in the effectiveness of an intervention, relevant gender considerations should be incorporated into the M&E Plan and M&E activities as part of the effort to track results. The M&E Plan must specify which indicators will be disaggregated by sex. Specifically, indicators that quantify Participants and Beneficiaries (e.g., number of farmers trained, number of farmers adopting new technology) should be sex-disaggregated to provide information about the number of men and women being served by an Activity.

Effort should also be made to provide sex-disaggregated data on outcomes, to demonstrate whether men and women are achieving similar levels of results, or whether there are noticeable differences which should be investigated. The M&E Plan should specify which Impact Evaluations will be designed to include sex-disaggregated analysis of outcomes.

Particular attention should be paid to Activities whose gender assessments during either Compact development or implementation have highlighted concerns.

## 5.7 M&E and Transparency

MCC is committed to transparency and making information available to the public. MCAs are required to post their M&E Plan on their respective websites after they have been approved by MCC. In addition, MCC regularly publishes information on results on its website and MCAs must do the same.

MCC is committed to publicly sharing datasets whose gathering was supported by MCC. Such data sharing is meant to ensure potential replication of evaluations assessing the impact of MCC's Projects and to inform future data-gathering and research efforts. For more information see MCC's *Guidelines for Public Use Data* (forthcoming).

## 6. POLICY FOR THRESHOLD PROGRAMS

### 6.0 Introduction

As with the Compact Program, monitoring and evaluation are integrated into the MCC Threshold Program from program development to completion. During the development of a threshold country plan, MCC gives the government of the threshold country an Indicator Analysis<sup>11</sup> that provides additional information on the policies and actions that may have affected the country's standing on the MCC eligibility indicators. Although the Indicator Analysis is primarily a diagnostic tool, it provides direction for the design of program activities and corresponding performance measures as part of the threshold country plan.

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<sup>11</sup> The Indicator Analysis (IA) analyzes the data for the eligibility indicators used in MCC's annual selection process. The data for the eligibility indicators are provided by third party indicator institutions. The IA focuses on those eligibility indicators for which a threshold country partner is performing below the median. More information on MCC eligibility criteria can be found at [www.mcc.gov](http://www.mcc.gov).

After a Threshold Program Agreement is signed, MCC works with the threshold country government and the US Government agency administering the program (typically USAID) to finalize the program benchmarks and indicators that will be reported to MCC. A final program assessment is then completed by the program administrator within six months of program completion. In addition, MCC conducts a final program evaluation of each threshold program.

## **6.1 The Threshold Country Plan and the Performance Benchmarks Chart**

The process of identifying performance indicators starts during development of the threshold country plan (TCP). The TCP includes a performance benchmarks chart (PBC) to identify the logic connecting program activities to both outcomes and the targeted eligibility indicators.

The process of developing both the TCP and the PBC is guided by the Indicator Analysis. MCC also provides specific guidance for developing a PBC (see *Guidance on the Outline for a Threshold Country Plan*). The threshold country government develops the PBC and MCC provides comments before the PBC is finalized.

## **6.2 The Results Reporting Table**

Once a Threshold Program Agreement is signed, a results reporting table (RRT) is developed by the US Government agency administering the program and the country counterpart to track progress on performance indicators. The RRT includes a subset of the output and outcome indicators devised during TCP development.

The RRT serves the following main functions:

1. Explains *how* MCC program managers will monitor the various threshold programs to determine whether they are on track to achieve their intended results.
2. Includes all indicators that must be reported to MCC on a regular basis.
3. Serves as a guide for threshold program implementation and management, so that all stakeholders clearly understand the program objectives and targets.

The RRT must be developed in consultation with key stakeholders, in particular MCC and the program administrator. While the RRT should be developed collaboratively, MCC and the program administrator are expected to take a lead role in identifying indicators that will be useful for management and oversight functions.

The RRT must be finalized within six months after implementation of the threshold program begins. However, the exact timing for each component may vary since implementers may begin at different times.

## **6.3 Indicators**

The PBC and RRT may include milestone, input, output, and outcome indicators. See Section 5.1.5 of this policy for a description of indicator categories and terms. In addition, they may include targeted indicators which are either the eligibility indicators or the eligibility indicator sub-components.

The indicators included in the RRT should meet the five indicator criteria included in Section 5.1.6 above – direct, unambiguous, adequate, practical and useful.

Every indicator selected must have both a baseline and an end of program target. Quarterly targets must also be included unless data are not available regularly.

#### **6.4 Approval and Modification of the Results Reporting Table**

The RRT must be approved by relevant M&E and program staff of MCC. Any modifications to RRT indicators must be approved by MCC.

#### **6.5 Data Quality Review**

Ensuring that the underlying data are of good quality is essential to maintain a high level of confidence in the decisions that are made on the basis of the data. At a minimum, the data quality review identifies data limitations or weaknesses which will improve management’s ability to use the data accurately and in an appropriate fashion. Threshold program indicators must undergo a data quality review (DQR) during the first year of the program to assess the quality and integrity of the data. The US Government agency administering the program should contract with an independent firm to perform the DQR to ensure its objectivity.

The indicators included in the RRT are analyzed according to the five data quality criteria included in 5.4.2 above – validity, reliability, timeliness, precision and integrity.

#### **6.6 Final Evaluations and Completion Reports**

MCC and the US Government agency administrator conduct evaluations and assessments to better understand the effectiveness of the program.

Each threshold program must undergo an independent evaluation by MCC after completion. Such evaluations may be done individually or for more than one threshold program at a time. At a minimum, the evaluation must:

- (i) Identify the program outputs and outcomes;
- (ii) Assess the efficiency and effectiveness of the threshold program;
- (iii) Provide lessons learned that may be applied to similar projects;
- (iv) Assess the likelihood that results will be sustained over time.

MCC may also pursue an Impact Evaluation that is technically feasible and meets the criteria described in 5.5.3 above – learning potential, need for evidence and feasibility.

Finally, the program administrator must submit a final report to MCC within six months after completion of a threshold program. The final report must address program results, sustainability of program accomplishments, and lessons learned as instructed by the threshold final report guidance (available upon request to MCC). The program administrator may further require that



threshold program implementers or an independent entity evaluate specific threshold activities or the threshold program, in its entirety.

## **7. AMENDMENTS**

7.1 This policy may be amended by MCC from time to time. Such amendments shall apply to the MCA or threshold program with prior notice.

## **8. EFFECTIVE DATE**

8.1 This policy shall become effective on the day it is approved and supersedes all previous versions (including the "Guidelines for Monitoring and Evaluation Plans," Serial ID Codes DCI-2007-55.1, DCD-2009-1.1(29) and DCD-2009-2.1(29)).