



MCC's Independent Evaluations

Income impact is the capstone of the Millennium Challenge Corporation's "continuum of results" framework. Independent evaluations are the most rigorous means of measuring that impact and at the heart of MCC's commitment to accountability, learning, transparency, and evidence-based decision making. Independent evaluations, which are conducted by third-party independent experts, help answer three fundamental questions:

- ★ Was MCC's investment implemented according to plan? This is key to *transparency*.
- ★ What are the changes in income for program participants that are attributable to MCC's investment? This is key to *accountability*.
- ★ Why did or didn't the planned investments lead to changes in income? This is key to *learning*.

Independent evaluations are built on monitoring systems established by each partner country's Millennium Challenge Account (MCA), the organization responsible for implementing the compact. These systems track and report on key input, output and outcome indicators during compact implementation. It is common in the development community to focus on inputs (such as funds dedicated to farmer training), outputs (such as the number of farmers trained) and increasingly on some intermediate outcomes (such as adoption rate of improved cultivation techniques).

MCC takes evaluation one step further to determine if a link can be made between these indicators and the ultimate impacts of increased farm and household incomes. Evaluations test the assumptions underlying the program logic and are the primary mechanisms for measuring whether or not that link occurred. Evaluations enhance MCC's understanding of what worked, what didn't and why.

MCC uses teams of independent professional researchers to carry out its evaluations. These teams are selected through a competitive process and include experienced and respected specialists. MCC's use of independent professionals is intended to ensure that the evaluations represent an unbiased assessment of the activities being studied.

Evaluations measure results and hold MCC and MCAs accountable for results and learning. MCC is committed to transparency and publishing findings from every evaluation, as well as each evaluation's methodology and primary data collected to allow the broader development community to learn from its experience.

PROGRAM LOGIC

Program logic describes how an investment is expected to reduce poverty through economic growth. It lays out the chain of events by which a given program is expected to lead to increased household income. For example, in a farmer training program, trained farmers may learn why improved soil management practices increase crop yield, adopt those practices and experience increased yields, raise their farm income, and ultimately raise their household income. In a rural roads program, individuals using the road may reduce travel times on the road, reduce travel costs to markets and other social services, increase profitability from farm income, and ultimately raise their household income. The program logic provides the foundation for project design, economic analysis and evaluation questions.

Impact evaluations and performance evaluations

Impact evaluations are the most rigorous form of evaluations because they make it possible to know whether the observed impacts were caused specifically by an MCC investment or, alternatively, are the result of external factors that affected program participants and non-participants, like increased market prices for agricultural goods, national policy changes or favorable weather conditions. Impact evaluations compare what happened with the MCC investment to what would have happened without it, through the use of a counterfactual.

Performance evaluations are a valuable tool for estimating the contribution of MCC investments to changes in trends on outcomes, including farm and household income. Performance evaluations are less rigorous and cannot attribute causal impact to MCC investments because they do not use a counterfactual. However, they are useful to compare changes in the situation before and after MCC's investment and provide details on how an investment might have contributed to changes in beneficiary income, how it might have contributed to changes in outcomes and why.

There are several critical factors that MCC considers when deciding to invest in an impact or a performance evaluation:

- ★ **Learning potential:** For programs where the assumptions underlying the project logic are based on limited evidence, there is a strong case for an impact evaluation. A rigorous impact evaluation tests assumptions about a project's effectiveness and contributes substantially to MCC's future decision-making, as well as the global evidence base.
- ★ **Feasibility:** The feasibility of designing and implementing a strong impact evaluation is based on how well the evaluators are able to estimate a counterfactual and how feasible it is to maintain that counterfactual through the duration of the evaluation period.
- ★ **Strong stakeholder commitment:** Identifying a control group and ensuring adherence to an impact evaluation design require significant commitment and collaboration by sector staff, program implementers and evaluators, both within MCC and among partner countries.
- ★ **Appropriate timing:** The evaluation timeline must be informed by the project logic, particularly with regard to assumptions about how long it will take for expected impacts to occur. By collecting data too early, evaluations may underestimate the impacts on outcomes of interest or miss important lessons.
- ★ **Proper coordination:** Evaluations require close coordination with program implementation. Program designers, implementers and evaluators must work together to understand and define the program logic, estimate how long expected impacts are likely to take to accrue and identify what is most important to learn about how the program works. This is particularly true for impact evaluations, which require coordination and commitment among various stakeholders to estimate a counterfactual.

Incorporating evaluations—particularly impact evaluations—into program operations is not easy, but this is a challenge that MCC embraces to ensure accountability for results and to improve learning on what works. This commitment to evaluation helps distinguish MCC in the international development community.

THE COUNTERFACTUAL

An impact evaluation is defined by the ability to estimate the counterfactual, what would have happened to the same group of program participants if they had not received MCC's assistance. The most rigorous method for estimating the counterfactual to measure attributable program impacts is through randomized control trials. In many programs, there are financial and/or logistical constraints to providing all eligible individuals or groups with an intervention. Random selection (such as through a lottery) is a fair and transparent way to select which eligible individuals or groups should receive the intervention first.

Because randomized control trials randomly select individuals that will and will not be exposed to program benefits, evaluators can compare the groups to measure their impacts. This use of a statistically identical control group creates the greatest opportunity for learning what works and for measuring program impacts.

When a randomized control trial is not feasible, MCC may use other methods to construct a credible comparison group, such as a propensity score matching, difference in differences or regression discontinuity .

Contribution of MCC's evaluations to development

MCC invests significant time and financial resources into its evaluation portfolio. These investments are providing significant value for money as we test assumptions about what works, improve evidence-based decision-making, and contribute to global best practices. MCC is committed to independent evaluations to:

- ★ **Test assumptions about what works:** All MCC programs are selected, designed and implemented using certain assumptions about how the inputs and expected outputs will lead to poverty reduction through economic growth. Evaluations can be structured to evaluate the effectiveness of different inputs. For example, starter kits are traditionally used as inputs for agriculture programs, but little is known about what content will maximize the change in farmer behavior. Evaluations should also be structured to assess intermediate outcomes to understand why we see what we see. Evaluations—specifically impact evaluations—allow MCC to test whether or not the assumptions underlying the project logic hold and why.
- ★ **Improve evidence-based decision-making:** The results of evaluations strengthen and improve future program design and decision-making. In addition, MCC and MCAs may also be able to make necessary course corrections during implementation based on learning from evaluations.
- ★ **Contribute to global best practices:** MCC evaluations are expected to contribute to the global understanding of what works in the development field. MCC makes the results of its evaluations publicly available to be used by other donors, partner countries, researchers, and non-governmental organizations.