MCC undertook a wide range of activities in its due diligence, including five key aspects of the Madagascar, Cape Verde, and Honduras proposals: (1) countries’ consultation with local groups in developing compact proposals, (2) projects’ coherence with compact goals, (3) environmental and social impacts, (4) institutional and financial sustainability, and (5) impact on economic growth and poverty reduction. MCC based its assessments on an evolving set of criteria: early, general guidance to the countries followed by later, more specific guidance. MCC’s analyses of the projects’ economic impact were limited in that some of the assumptions and data used may not reflect country conditions. As a result, the projects selected on the basis of the analyses may not achieve compact goals. In the two countries we visited, Madagascar and Cape Verde, MCC conducted the analyses with limited country participation, which resulted in countries’ having little understanding of the process.

MCC and the three countries have made progress in establishing compact country structures for oversight and management, procurement, fiscal accountability, and monitoring and evaluation, although some of these structures are not yet complete. The oversight structures allow for country management with MCC review, but some organizations were not fully staffed for months after the compacts entered into force. Madagascar and Cape Verde have implemented fiscal accountability structures for MCC-funded projects, and established procurement structures with effective characteristics; however, these structures are still largely untested and some are still under development. Finally, MCC and the countries have established monitoring and evaluation frameworks to track and account for program results. However, limitations in the baseline data collected, linkage to economic analyses, methods of addressing uncertainty associated with program results, and the timely design of randomized controlled trials may constrain MCC’s ability to monitor and evaluate program results.