

**The London School of Economics and Political Science**

*Brokering Development Policy Change: The Parallel Pursuit  
of Millennium Challenge Account Resources and Reform*

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Department of the London School of Economics for the  
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## **Declaration**

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## **Statement of conjoint work**

I confirm that Chapter 5 was jointly co-authored with Mr. Zachary Rice and I contributed 60% of this work.

## Abstract

A small body of mostly anecdotal evidence suggests that governments have undertaken legal, policy, institutional, and regulatory reforms to enhance their chances of becoming eligible for assistance from the Millennium Challenge Corporation (MCC). But we know little about the strength and scope of the so-called "MCC Effect"—in particular, why it seems to exert varying levels of influence across time, space, and policy domains. I collect two novel sources of data on the MCC Effect in order to explain the conditions under which the MCC eligibility standards have influenced the reform efforts of developing country governments. Through formal coding of archival data, I construct a database of more than 14,000 country-policy-domain-year observations that measures whether and how governments change their policy behavior in order to achieve or maintain MCC eligibility. I then employ logit, rare event logit, and three-level random intercept modeling techniques as well as propensity score matching methods to explain the policy responses and non-responses of governments to the MCC eligibility criteria. I also draw on data from a first-of-its-kind survey of 640 development policymakers and practitioners in 100 low income and lower-middle income countries to "ground truth" inferences drawn from analysis of the archival data.

My findings suggest that a range of factors influence the probability that a government will pursue reform activities in response to the MCC eligibility criteria. However, the central contribution of this thesis is the theoretical and empirical argument that the network positions of change management teams shape whether, when, and how externally inspired reforms get adopted and implemented. In this regard, I call attention an underappreciated factor that shapes the adoption and implementation of externally-influenced reforms: the presence of a policymaking team that has sufficient autonomy to introduce disruptive changes to the status quo, but also sufficient embeddedness to overcome domestic political opposition.

## Preface

I was part of the initial team that helped establish the MCC. As a member of the Policy and International Relations Department, which administers the agency's annual competition for funding, I had a front row seat to the policy reform dialogue between the USG and senior policymakers from nearly 120 low income and lower-middle income countries. My duties at the MCC included documenting the responses and non-responses of developing country governments to the Millennium Challenge Account (MCA) eligibility criteria. As such, I spent thousands of hours between 2005 and 2010, taking detailed notes in meetings with finance and planning ministers; reviewing letters of interest, disinterest, and opposition from senior officials in MCA candidate countries; reading cables from U.S. Embassy staff responsible for engaging developing country officials on MCA eligibility issues; collecting information from USAID, MCC, and US Embassy staff with country-specific responsibilities; and scouring MCA-related media coverage in candidate, threshold, and compact countries. My observations from this insider's perch inspired the data collection project and analysis that reside at the center of this thesis.

In anticipation of the fact that my period of service at the MCC would open up the analysis in this thesis to special scrutiny, I assembled a twelve-person team to systematically collect and independently code as much data as possible from public sources. I also employed transparent and replicable procedures to analyze these data. I recognize that there is a tradeoff between having access to insider knowledge about "how things really work" and the ability to definitively refute criticisms of bias. Thus, I have taken great pains to ensure that the evidence presented in this thesis is collected and analyzed in an even-handed manner, but I cannot categorically rule out the possibility that my experiences at the MCC have colored my views about the MCC's influence or lack of influence vis-à-vis specific countries.

I make no apologies that I allowed my period of public service to directly inform and influence my scholarship. I view my experiences and observations at the MCC as one of the principal virtues of this thesis. First, it informed my theoretical development work and guided my selection of hypotheses. Second, it made it vastly easier to trace causal processes within individual country cases. Third, it afforded me an extraordinary opportunity to assemble a comprehensive body of evidence about how countries formulated policy responses to the

MCA eligibility incentive between 2004 and 2010. Without access to this evidence, I would not have conceived of the MCC Effect coding scheme described in Chapter 3 or the MCA Stakeholder Survey described in Chapter 5, which underpin my empirical analysis. Nor would this analysis have been possible if I had not crossed the policy-academy divide, which remains controversial within the international relations discipline (Nye 2009; Krasner 2009a; Keohane 2009; Parks and Stern 2013).

When one sets out to write an ambitious thesis like this one, debts are inevitably accumulated. First and foremost, I am hugely indebted to my thesis adviser, Jeff Chwieroth, for the intellectual guidance and mentorship that he has provided since 2010. I also owe a tremendous debt of gratitude to a team of research assistants at the College of William & Mary, including Robert Mosolgo, Lauren Hoy, Alyse Prawde, Katherine McGinnis, Salil Singhal, Nakul Kadaba, James Page, Justin Anderson, Austin Strange, Suzanne Reed, Joe Lahouchuc and Anca Cretu. They spent thousands of hours collecting, collating, synthesizing, and coding the information used to construct the dataset introduced in Chapter 3. The analysis in Chapters 3 and 4 would not have been possible without their assistance.

The 2012 MCA Stakeholder Survey described in Chapter 5 was also a team effort. First and foremost, I thank my colleague and co-author, Zachary Rice, who helped design and oversee implementation of the survey. I also thank Ashley Napier, Jake Douglas, Greg Kirwin, Taylor Wilson, Arvin Alaigh, Paul Burgess, Waly Faye, Sarah Mellman, Loïc Tchoukriel-Thébaud, Salvi Magilirane, Dimelza Gonzales-Flores, Henrique Passos Neto, and Sarah Parks for their outstanding research and translation assistance.

I am also grateful to a team of expert advisers who provided feedback on the design and content of the survey questionnaire. This team included Julia Maciel, the former Minister of Planning of Paraguay; Mishkat Al Moumin, Iraq's former Minister of the Environment; Victor Borges, the former Minister of Foreign Affairs of Cape Verde; Luis Cosenza, the former Minister of the Presidency of Honduras; John Evans, the former U.S. Ambassador to Armenia; Lucrecia Palacios, the former Director of the Policy Indicators Department in the Technical Secretariat of the Presidency of El Salvador, and Said Abdou Salime, the former Secretary General of the Ministry of Economy and Commerce of the Comoros. I also received valuable feedback on the survey questionnaire from several current and former staff and faculty at the Center for Global Development, the London School of Economics and

Political Science, and the World Bank, including Sheila Herrling, David Wheeler, Sarah Jane Staats, Casey Dunning, Sarah Rose, Jeff Chwieroth, and Steve Knack.

This thesis was also made possible by the generous financial and in-kind support that I received from the Smith Richardson Foundation, the John Templeton Foundation, the Research Committee of the World Bank's Development Economics Vice-Presidency (DEC), the London School of Economics and Political Science, and the Institute for the Theory and Practice of International Relations at the College of William & Mary.

Finally, it must be acknowledged that in the absence of an MCC leadership team committed to evidence-based policymaking, this thesis would have never come to fruition. The MCC afforded me the time, space, and intellectual freedom to document the responses and non-responses of developing country governments without any agenda other than the pursuit of knowledge that might inform future policy and programming decisions. In particular, I would like to thank John Danilovich, Paul Applegarth, Daniel Yohannes, Rodney Bent, Maureen Harrington, Sherri Kraham, Alicia Phillips Mandaville, Tom Kelly, Sheila Herrling, and Bruce Overton for their patience, support, and encouragement. While there are pockets of inefficiency and incompetence within the U.S. government, the MCC is surely not one of those places. I found the staff at the MCC to be thoughtful, methodical, hard-working, and deeply motivated by their mission of reducing poverty through the pursuit of economic growth.

My hope is that the findings presented in this thesis will instigate discussion, debate, and introspection among decision-makers at the MCC and other development finance institutions about how existing development policy instruments can be retooled for greater long-run impact.

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# Chapter 1: The Case for Independent Evaluation of a U.S. Foreign Aid Policy Experiment

## Introduction

Over the last fifteen years, an unusual coalition of foreign aid optimists—including Jeffrey Sachs, Bono, Angelina Jolie, Oprah, Pope Benedict XVI, and the Dalai Lama—has coalesced around the idea that the direct provision of financial resources from developed countries to developing countries will "make poverty history" (Easterly 2006; Busby 2010). Donor agency officials, developing country leaders, and non-governmental organizations have reinforced this message by calling for a "big push" in overseas development assistance to meet the Millennium Development Goals (MDGs) (Moss and Subramanian 2005).

Notwithstanding the high level of priority that contemporary development policy assigns to foreign assistance, the last sixty years of experience suggest a complex and sobering picture of the relationship between aid and development. Industrialized countries have transferred approximately \$5.5 trillion in assistance to the developing world since 1960, yet fewer than 15 countries have transitioned out of poverty during the post-World War II era (Berthélemy 2006; Tierney et al. 2011). The few countries that have "made poverty history"—Botswana, Cape Verde, South Korea, Mauritius, Taiwan, among others—generally did not do so by managing large infusions of aid. Rather, they escaped poverty by sustaining high levels of economic growth through export-oriented development strategies, adopting efficiency-enhancing structural reforms, and patiently investing in the creation of strong state institutions (Rodrik et al. 2003; Criscuolo and Palmade 2008; Bräutigam et al. 2008).

Recognizing the limitations of aid, a "minority tradition" has gradually taken hold among development scholars and policymakers. This tradition is premised on this assumption that external actors can make a more substantial development contribution by creating *incentives* and *social pressures* for countries to establish endogenously functional systems and institutions, which do not require continued external support (Schimmelfennig and Sedelmeier 2004; Kelley 2004a, 2004b; Jacoby 2006; Stone 2004; Kilby 2009; Krasner 2009a; Pop-Eleches 2009; Unsworth 2009). Members of this school of thought take the view that development is fundamentally about transforming policies, practices, systems, and institutions, and while the direct provision of financial assistance can support the reform

process, resources are rarely the binding constraint to reform (Grindle and Thomas 1991; Grindle 2004a; Pritchett et al. 2010; Das et al. 2011). Since political resistance from ruling elites is usually the main obstacle that stands in the way of successful reform implementation (Lewis 1996; Acemoglu and Robinson 2000; van de Walle 2001), financial inducements are considered to be useful to the extent that they change the domestic political calculus of reform—for example, by altering the incentives of developing country leaders or shoring up the bargaining power of domestic reformers (Jacoby 2006; Pop-Eleches 2009; Krasner 2009a). Financial sanctions and moral suasion tools are also considered to be useful to the extent that they increase the reputational costs of resisting reform and deter backsliding (Noland 1997; Sharman 2008, 2009; Pitlik et al. 2010).

This intellectual tradition has emerged in response to the observed behavior of sovereign governments and international organizations (IOs). Multilateral institutions employ a wide range of strategies and policy instruments to spur, strengthen, and solidify reform efforts in developing countries. The World Trade Organization (WTO) uses its accession procedures to encourage countries seeking membership in its organization to adopt trade policy reforms (Sutherland 2008; Tang and Wei 2008). The Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) make the provision of large-scale debt relief conditional upon the implementation of macroeconomic and public financial management reforms (World Bank 2012a). The World Bank, the Asian Development Bank, the African Development Bank, the Inter-American Development Bank, the Caribbean Development Bank, the International Fund for Agricultural Development, and the Global Environment Facility have created performance-based resource allocation formulae, which expand the resource envelope made available to governments that reform their policies and institutions (Dollar and Levin 2006; ADB 2005; Hout 2007; de Janvry and Dethier 2012). The European Commission has also developed a variety of policy instruments—the Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+), the European Neighborhood Policy Instrument (ENPI), the ENPI Governance Facility, the Governance Incentive Tranche (GIT), Economic Partnership Agreements (EPAs), Stabilization and Association Agreements (SAAs), and various performance-based budget support schemes<sup>1</sup>—to encourage more efficient service delivery and accountable governance

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<sup>1</sup> One example of a performance-based budget support scheme is the so-called "MDG Contract." EuropeAid provides MDG Contracts—budget support commitments lasting 6 years—to countries with a strong record of

in developing countries (Kelley 2006; Borrmann and Busse 2007; Saase 2008; Kleeman 2010; Zimelis 2011; Molenaers and Nijs 2011; Savedoff 2011).

Eager to jump on the resources-for-reform bandwagon, Western governments have developed their own tools of policy influence. The U.S. Government (USG) has introduced aid and trade policy instruments that reward countries for meeting eligibility conditions, such as the adoption of liberal economic policies and the administration of free, fair, and regular elections (Radelet 2006; USTR 2008; Johnson and Zajonc 2006; Öhler et al. 2012). The United Kingdom's Department for International Development (DFID) has modified the way it implements conditionality contracts, shifting from a mostly policy-based to a mostly outcome-based approach (Watkins 2010; DFID 2011; Birdsall and Perakis 2012). Australia's bilateral aid agency has even experimented with a form of inter-jurisdictional competition at the sub-national level—by modulating the amount of development funding that is made available to provinces within partner countries based on performance and demonstrated commitment to rule-based governance and reform (AUSAID 2006).

Additionally, sovereign governments and IOs have begun to make more extensive use of moral suasion tools to advance their development objectives. The World Bank publishes a flagship *Doing Business* (DB) report each year, which provides guidance on which countries are most successfully implementing business regulatory reforms, and shines a spotlight on the fastest-reforming governments through its “Reformers’ Club” (Johnson and Zajonc 2006; IEG 2008a; Schueth 2011). The US State Department also publishes an annual Trafficking in Persons (TIP) report that benchmarks the degree to which governments around the world comply with the minimum anti-human trafficking standards (Cho et al. 2014; Kelley and Simmons 2013). Active participation in the Extractive Industries Transparency Initiative (EITI) has similarly become a global litmus test for governments that substantially rely on revenue from the oil, gas and mining payments; resource-rich governments that choose not to engage in EITI risk becoming a pariah state (Ölcer 2009; Pitlik et al. 2010).

A small but growing body of case study and statistical evidence suggests that these types of external pressures can influence domestic policy behavior. Judith Kelley’s study of EU

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public financial management, donor coordination, progress tracking vis-à-vis the Millennium Development Goals (MDG), and MDG target achievement (EC 2008; Savedoff 2011).

membership conditionality demonstrates that “[external] incentives are a key causal factor in policy change” and “incentive-based methods such as membership conditionality are the primary factors in changing behavior” (Kelley 2004a: 438, 452). Sharman (2008) calls attention to the outsized policy influence of the Financial Action Task Force (FATF), an inter-governmental body that names and shames countries taking insufficient action to combat money laundering. Radelet (2007) considers the incentive effect of the U.S. Government's Millennium Challenge Account (MCA) a “major success story,” noting that Washington “has created the incentives for potential recipients to more carefully track the data and introduce the policy changes needed to meet the requirements” and “[t]here are examples from all around the world of the incentive effect of the MCA [country] selection process.”<sup>2</sup> Similarly, Sutherland (2008: 126) argues that “[n]owhere is the WTO's power to transform nations more evident than in its accession process.... The fundamental value of WTO membership—and the negotiations that precede it—is an opportunity to establish an agenda and identify priorities for the candidate countries.”<sup>3</sup>

The notion that external incentives, socialization mechanisms, and financial sanctions can spur, solidify, or sustain reform efforts also enjoys support among policymakers from developed and developing countries. Consider an excerpt from a leaked cable that the U.S. Ambassador to Guyana sent to Foggy Bottom in June 2006, urging the U.S. State Department to use Inter-American Development Bank (IDB) debt forgiveness and MCA eligibility as external levers for reform: “I recently learned that the IDB is planning to forgive the debt owed by its five poorest members—including almost a half billion dollars that Guyana owes. I cannot stress enough the unique opportunity this gives us to induce meaningful reform in a country that has obstinately resisted it for years. A chance like this won't come around again soon.... Guyana is anxious to secure debt relief from the IDB. ... Guyana is also a Millennium Challenge Corporation (MCC) threshold candidate. President Jagdeo considers both IDB

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<sup>2</sup> Siegle (2007) cites evidence that “[e]fforts to score highly enough on the [Millennium Challenge Account] performance criteria has sparked a flurry of reformist activity.”

<sup>3</sup> Elaborating on this point, Sutherland (2008: 126) notes that “at a certain point political leaders understand that fundamental change is necessary, or unavoidable, at that it cannot be achieved without support from the outside. They need a catalyst; the WTO provides it. Change often means confronting vested interests, reducing the role of the state, reforming institutions, and taking on corruption. ...Policymakers can loudly decry the [WTO's] rules when it suits them politically, but this system provides the support for doing the right thing when the political to do the right thing exists.”



debt forgiveness and MCC funding absolutely vital. We can use these as leverage to influence Guyana's leaders ... to do what they should" (Bullen 2006).<sup>4</sup>

If one accepts the claims of policymakers at face value, conditional contracts are not the only instruments that instigate behavioral change in developing countries; moral suasion tools also exert influence. Consider anti-money laundering efforts in Nigeria. In 1999, Olusegun Obasanjo was elected as the President of Nigeria on an anti-corruption platform, but his administration demonstrated little interest in cracking down on graft and bribery during the first few years of its tenure. 2001 marked an important turning point: the OECD-based FATF placed Nigeria on a blacklist of countries that had taken insufficient action to combat money laundering and terrorist financing. The Obasanjo administration responded by creating an Economic and Financial Crimes Commission (EFCC), staffing it with 1600 law enforcement professionals, and granting it broad legal authority to combat public sector corruption, money laundering, and illicit financial flows supporting terrorist networks. According to Nuhu Ribadu, the former head of the EFCC, "[t]he work of the EFCC would not have been possible without the Financial Action Task Force, which de facto forced Nigeria to develop new anti-money laundering laws and spurred the creation of the EFCC. ... The effort we made at the EFCC was a marriage of two forces: pressure from outside and the force from within. The international community deployed the instruments of the Financial Action Task Force to trigger necessary reforms, which provided us the platform to build a strong local program to clean up our financial institutions and prosecute those who sought to undermine them" (Ribadu 2009).<sup>5</sup>

However, in spite of the evidence that extrinsic incentives can instigate legal, policy, regulatory, and institutional reforms under certain circumstances, the development research community remains broadly skeptical of the wisdom of external actors "meddling" in the internal affairs of sovereign developing country governments. Indeed, if there is one thing

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<sup>4</sup> Similarly, in 2009, a USAID official informed the author that the MCA eligibility standards had a significant influence on the Albanian authorities: "The [MCC] Compact prospect does indeed operate as an incentive in Albania, where the United States already has a great deal of influence and leverage, just as the prospect of 'losing' a Compact is a serious public concern. US support—whether for NATO candidacy or MCC compact candidacy—matters here. Politicians and media pay attention to the MCC scorecard, which provides annual fodder for opposition attacks" (Author Interview with USAID Albania Official 2009).

<sup>5</sup> Between 2003 and 2007, the EFCC secured more than 275 corruption convictions and recovered \$5 billion in stolen assets. The EFCC also helped Nigeria remove itself from the FATF blacklist (Ribadu 2010).



that unites scholars of economics, international relations, international organizations, foreign policy, and comparative politics who study development policy and practice, it is that they bristle at the most intrusive forms of conditionality from the Bretton Woods institutions (Collier 1997; Cruz-Saco and Mesa-Lago 1998; Huber and Stephens 2000; Collingwood 2003; Boughton and Mourmouras 2004; Momani 2005a; Kohl and Farthing 2006).

Thus, one might say that an appropriate metaphor for the conditionality literature is a ship adrift in a sea of countervailing winds and waves. On one hand, there is some limited evidence that external actors can help steer developing countries towards more efficient, equitable, and sensible policies and practices. On the other hand, many scholars worry that the tools influence employed by donors and international organizations may have unintended negative consequences and potentially do more harm than good. One of the principal reasons for this intellectual schizophrenia is that the existing literature does not provide consistent guidance about *the conditions under which* these policy instruments are most influential or effective.<sup>6</sup> Nor does the literature have much to say about which tools have the most reform-inducing and -sustaining influence and why.

In this thesis, I will seek to answer these questions by evaluating the influence of one particular policy instrument designed to spur and sustain the reform efforts in developing countries—the USG's Millennium Challenge Account (MCA).

## **1.1 The Creation and Mandate of the Millennium Challenge Account**

On March 14, 2002, President George W. Bush delivered a speech at the Inter-American Development Bank, outlining his administration's approach towards international development policy and unveiling a new mechanism for channeling U.S. foreign assistance to developing countries called the Millennium Challenge Account (MCA). Bush argued that "[w]hen nations refuse to enact sound policies, progress against poverty is nearly impossible. In these situations, more aid money can actually be counterproductive, because it subsidizes

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<sup>6</sup> Rogerson (2005: 550-551) argues that this syndrome also plagues development practitioners: "the aid industry remains completely schizophrenic about conditionality. [Donors have] a deep-seated need to have multiple lock-in devices that either give us the power to rescind [long-term aid partnerships] at any time, or allow us to believe that we have it. It does not really matter whether these are framed as 'disbursement conditions' or 'eligibility criteria'. Most donor agencies use a belt-and-braces mixture of both."

bad policies, delays reform, and crowds out private investment.” Calling for “a new compact ... defined by ... accountability for both rich and poor nations alike,” he pledged a \$5 billion annual increase in U.S development assistance and promised to establish “a set of clear and concrete and objective criteria” to “reward nations that root out corruption, respect human rights, and adhere to the rule of law... invest in better health care, better schools and broader immunization... [and] have more open markets and sustainable budget policies, nations where people can start and operate a small business without running the gauntlets of bureaucracy and bribery” (Office of the White House 2002).

In the following year, a bipartisan coalition in the U.S. Congress authorized the creation of a new federal agency—the Millennium Challenge Corporation (MCC)—to administer the MCA.<sup>7</sup> The MCC is required by law to choose partner countries based on their demonstrated commitment to good governance. To this end, the agency publishes “country scorecards” that track the performance of nearly 120 developing countries on indicators produced by independent third-party institutions.<sup>8</sup> The U.S. Government's (USG) decision to make access to MCA funding conditional upon a country's performance on these third-party measures of performance created both a reward and an incentive for governments that rule justly, invest in their people, and promote economic freedom (Radelet 2006; Johnson and Zajonc 2006; Hook 2008).<sup>9</sup>

Scholars, policy analysts, and legislative overseers generally agree that the MCC has *rewarded* developing countries that possess reasonably sound policies and institutions with generous financial assistance (Fox and Rieffel 2008; Herrling, Kinder, and Radelet 2009; Kerry and Lugar 2010). However, MCC's impact as an *incentive* for reform remains under-researched and dimly understood. A growing body of evidence suggests that governments have implemented legal, policy, institutional, and regulatory reforms to enhance their chances

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<sup>7</sup> On the origins of the MCA and the MCC, see Cronin 2006; Hook 2008; and Krasner 2009a, 2009b.

<sup>8</sup> From FY2004 to FY2007, the MCC used 16 eligibility indicators. In 2012, the MCC expanded the number of eligibility indicators to 20, to include additional assessments of child health, credit access, and gender equality in economic life (MCC 2011a).

<sup>9</sup> The recent introduction of a “Democratic Rights Hard Hurdle” has placed additional emphasis on the protection of civil liberties and political rights (MCC 2011a; Dunning 2011, 2012; Yohannes 2012). As Dunning (2011) explains, “[t]he MCC adopted a hard hurdle for democratic rights, requiring a country to pass either Political Rights or Civil Liberties to pass the indicators test. These two indicators will also now be judged with an absolute threshold rather than a median. To pass these indicators, a country must score above 17 for Political Rights and 25 for Civil Liberties.”

of becoming eligible for MCC assistance (Dugger 2006, 2007; Lucas 2006; Johnson and Zajonc 2006; Newton et al. 2007; Siegle 2007; Phillips 2007; Brown et al. 2008; Gerson 2007; Schaefer and Kim 2008; Radelet 2007; World Bank 2005, 2007; Öhler et al. 2012; Dreher et al. 2012; The Economist 2013a, 2013b). But we know little about the strength and scope of MCC's "incentive effect"—in particular, why it seems to exert different levels of influence across countries, policy domains, and time. The primary objective of this thesis is to account for this variation.

I collect two novel sources of data on the MCC Effect in order to explain the conditions under which the MCA eligibility standards have influenced the reform efforts of developing country governments. Through formal coding of archival data, I construct a database of more than 14,000 country-policy-domain-year observations that measures whether and how governments change their policy behavior in order to achieve or maintain MCA eligibility. I then employ logit, rare event logit, three-level random intercept, and propensity score matching modeling techniques to explain the policy responses and non-responses of governments to the MCA eligibility criteria. I also present and analyze data from a first-of-its-kind survey of 640 development policymakers and practitioners from 100 low income and lower-middle income countries to "ground truth" inferences drawn from analysis of the archival data.

My empirical findings suggest that a range of factors—including, but not limited to, regime type, reliance on foreign aid revenue, the chief executive's political commitment to MCA-related reforms, the scope for reform in a particular policy domain, the provision of reform assistance, the determinacy of MCA policy conditions, the perceived credibility of USG policy conditions, and the level of priority assigned by the USG to individual policy conditions—influence the probability that a government will pursue reform activities in response to the MCA eligibility criteria. However, the central contribution of this thesis is the theoretical and empirical argument that the network positions of change management teams in developing countries shape whether, when, and how externally inspired reforms get adopted and implemented. In this regard, I call attention to an important, but underappreciated factor that shapes the adoption and implementation of externally influenced reforms in developing countries: the presence of a policymaking team that has sufficient autonomy to introduce disruptive changes to the status quo, but also sufficient embeddedness to overcome domestic political opposition. This empirical finding flies in the

face of the conventional wisdom—held by constructivist and rationalist scholars alike—that there is a positive, monotonic relationship between the autonomy of change management teams from domestic political and social forces and the state’s ability to facilitate status quo-altering reform (Waterbury 1989; Kahler 1992; Nelson 1993; Van de Walle 2001; Chwieroth 2007; Weymouth and Macpherson 2012).

I do not argue that the presence of such a team is either a necessary or sufficient condition for the MCA eligibility criteria to instigate a reform response. However, the logic, evidence and argumentation presented in this thesis suggests that (a) teams with “embedded autonomy” are more likely to initiate and shepherd to successful completion externally inspired reforms; (b) existing theoretical work in IR, IPE, and comparative political economy does not provide an adequate explanation for why teams with these unique attributes are more successful at executing status quo-altering reforms; and (c) further empirical inquiry is needed to understand the causal mechanism—or mechanisms—through which change management teams introduce and implement difficult policy, legal, regulatory, and institutional reforms

In order to illustrate the MCC Effect variation that I will seek to explain in this thesis, consider the widely divergent policy responses of two countries to the MCA eligibility criteria: Yemen and Armenia. Yemen was selected as eligible for MCA threshold assistance in 2004. According to a U.S. Embassy cable made available through Wikileaks, Yemen's then Minister of Planning "[Ahmed] Sofan, his subordinates, and several interlocutors [saw] MCC threshold [eligibility] as a way to encourage the [government] to make what they characterize as long overdue reforms" (Khoury 2005). The U.S. Embassy in Sana'a also reported in October 2005 that "[m]any of Yemen's key reformers have pinned their reputations on the MCC" (Krajeski 2005). However, in November 2005, the USG suspended Yemen from the program for slippage on 9 of its 17 policy indicators, including Control of Corruption, Trade Policy, and Fiscal Policy. Yemeni President Ali Abdullah Saleh was reportedly "very upset" by the suspension (Phillips 2007) and responded to the USG decision by downplaying corruption within his own government (Sultan 2006).

But the local donor community in Sana'a rallied around the MCA suspension, and Saleh eventually reversed course in February 2006, announcing a cabinet shuffle that eliminated ministers viewed as corrupt and ineffective and replacing them with reform-minded

officials.<sup>10</sup> The ROYG also established a "Presidential MCC and National Reform Committee" (see Figure 1.1) and tasked it with the design and implementation of governance reforms that would pave the way for MCA reinstatement (USAID Official 2006; MCC 2007a; Seche 2008). This Committee consisted of a mix of political insiders and technocrats with strong international ties and weak ties to domestic actors and networks (Seche 2008).

With support and oversight from the Committee, the Yemeni authorities passed landmark anticorruption legislation, sanctioned and prosecuted dozens of corrupt judges, removed the President from the Supreme Judicial Council, and cracked down on government payments to "ghost workers" (MOPIC 2006; Krajieski 2006a, 2006b; MCC 2007a). The USG responded by reinstating Yemen's MCA eligibility (Phillips 2007). Yemen's Ministry of Planning and International Cooperation later attributed the government's reform drive to the MCC suspension, noting that the authorities' desire to meet the MCA eligibility standards "helped pave the way for the current reform momentum" (MOPIC 2006: 1).<sup>11</sup> The Wall Street Journal, the World Bank, and many other independent observers also commended the MCC for its role in spurring reforms in Yemen (Phillips 2007; NDI 2005; Monasterski 2007).<sup>12</sup> Even the head of the *MCA Monitor*, a non-governmental watchdog group, gave the U.S. government program "full credit" for the reforms adopted by the Yemeni government (Phillips 2007: A6; also see Herrling 2007).

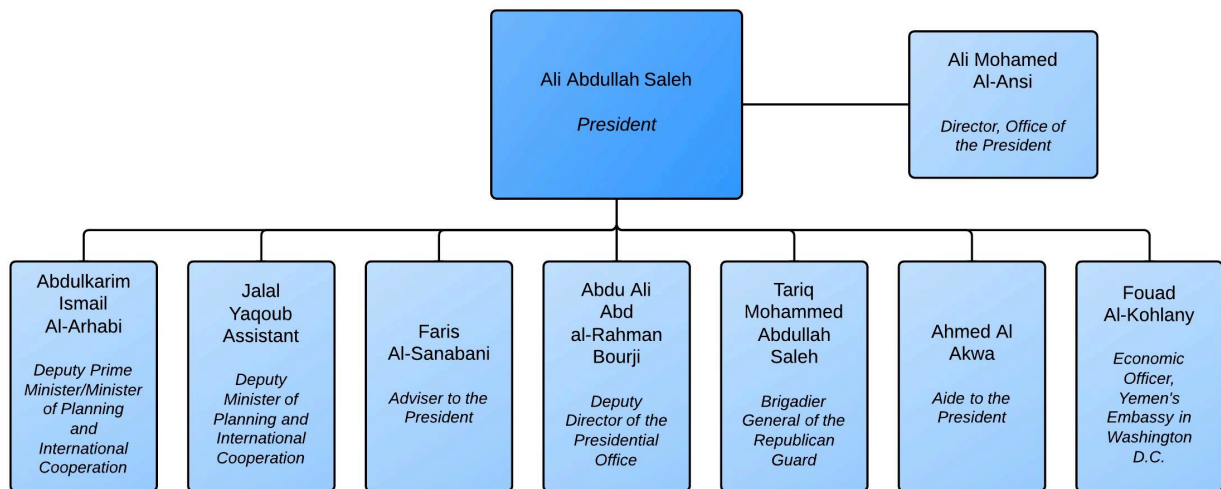
### **Figure 1.1: Structure of the ROYG's Presidential MCC and National Reform Committee**

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<sup>10</sup> Donors made an effort to "speak with one voice" to the ROYG (Krajieski 2006a, 2006b). At roughly the same time that MCC announced Yemen's suspension from the MCC Threshold Program, the World Bank announced that it was cutting funding to Yemen from \$420 million to \$280 million due to concerns about governance. The World Bank also made clear that if the ROYG implemented the governance measures outlined in a February 2006 reform strategy, it could expect its World Bank funding to increase considerably (Krajieski 2006a, 2006b; Phillips 2011).

<sup>11</sup> A USAID Yemen staff member reported to the author that the prospect of MCA recertification had strengthened the Yemeni government's resolve to implement policy and institutional changes that had been repeatedly postponed (USAID Official 2007). Phillips (2011: 14) also points out that "[a]t the time Yemen's [MCA] re-admission was seen as a considerable victory for reformers within the government, who had worked to lay the foundations for more robust anti-corruption legislation."

<sup>12</sup> However, as I discuss at greater length in the coming chapter, the MCC's influence vis-à-vis the ROYG waned significantly after October 2007 when Jamal al-Badawi, the al-Qaeda member responsible for the USS Cole bombing, was freed from house arrest and the USG immediately suspended the ROYG's eligibility for MCA funding (Phillips 2011).



*Source: Author's correspondence with a senior ROYG official, 15 April 2006*

Armenia provides an interesting comparative case of limited external influence. The MCC Board of Directors deemed Armenia "Compact-eligible" in May 2004, roughly 30 days month after the authorities launched a violent crackdown on peaceful demonstrators protesting a fraudulent 2003 presidential election (Hyde 2007; Human Rights Watch 2009). This decision to grant Armenia eligibility under a cloud of controversy foreshadowed a tumultuous nine-year relationship. In November 2005, the Government of Armenia (GOA) held a constitutional referendum, and international election monitors charged that the referendum was plagued by fraud, mismanagement, and opposition mistreatment. The MCC responded by demanding that the Armenian authorities take "corrective steps" (Danilovich 2005). The Armenian authorities made modest modifications to the electoral code, but largely ignored external pressure from the MCC, EU, NATO, OSCE, and the Council of Europe (Nichol 2006; Smith 2012). Then, in February 2008, the GOA held a presidential election. The vote was again marred by allegations of fraud. The government resorted to violence in to quell opposition protests. 10 people were killed; more than 200 were injured; and, during a 20-day state of emergency, the government arrested approximately 100 members of the opposition (Human Rights Watch 2009; Freedom House 2011; Smith 2012). The MCC responded by signaling its concerns to the Armenia authorities and halting the contracting process for a major road works project. The GOA reacted with its own announcement: it would use \$16.8 million of its own resources to proceed with the road works project. On June 10th, 2009, the MCC decided to cut its losses and suspend \$67 million in infrastructure funding to Armenia due to "actions by the [GOA] that are inconsistent with MCC principles



promoting democratic governance" (MCC 2009a).<sup>13</sup> Soon thereafter, the Armenian authorities turned to Iran and Russia for financial support. An advisor to Armenia's Minister of Economy reported to the press that "the possibility of asking for funding from Iran and Russia was debated internally as soon as the [MCC] made its June 10 decision [to suspend funding]" (Grigoryan 2009).<sup>14</sup>

These divergent outcomes in Yemen and Armenia call attention to the fact that the MCA eligibility standards can have widely varying effects across space, time, and policy domains. Yet few attempts have been made to explain the strength and scope of the so-called MCC Effect.

There are, to be sure, many boosters for the MCC's incentive-based aid allocation model.<sup>15</sup> U.S. Senators and Congressmen celebrate the fact that governments in developing countries are apparently undertaking political, social, economic reforms to improve their odds of achieving or maintaining eligibility for assistance from the Millennium Challenge Corporation (MCC). Jim Kolbe, a former Congressman (R-Arizona) and chair of the Foreign Operations Export Financing and Related Agencies Subcommittee, testified in April 2008 that "Ambassadors lined up at my office when I was chairman of the subcommittee saying what do we have to do in order to qualify for [MCC assistance]. So I think [MCC] is doing exactly what we wanted it to do" (Kolbe 2008). Christopher H. Smith, a Republican Congressman from New Jersey gives the MCC high marks for "the incentive provided ... to the recipient country's government to focus on and respond to the needs of the poor segment

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<sup>13</sup> Notwithstanding the MCC's general lack of influence vis-à-vis the Armenian authorities, there is some evidence that some senior GOA officials sought to use the MCA eligibility standards to advance domestic reforms (Nichol 2006; Öhler et al. 2012). In 2004, Armenia's Foreign Minister, Vartan Oskanian, reported to *The Washington Post* that "inclusion in the Millennium [Challenge Account] program had made the country 'more focused' on governance, democracy, rule of law and human rights" (Kessler 2004: A17). In 2005, after MCC issued a warning to the GOA regarding democratic reform slippage, Oskanian went on national television and warned that "w[e] are now in a situation where any step away from democratization and a repeat of electoral fraud would have an economic cost. And I can name that cost: 235 million dollars" (Danielyan 2005). Additionally, since the June 2009 suspension, the Prime Minister and several other senior GOA officials have sought to use MCA eligibility criteria as an anti-corruption reform rationale (Grigoryan 2011; Stepanian 2013).

<sup>14</sup> A 2012 International Crisis Group (ICG) report notes that GOA has proven adept at playing Western and non-Western donors off of each other in order to resist external pressures for democratic reform: "External actors can have only a limited effect in bringing change to Armenia.... Armenia plays on the perception that it can always turn back towards Russia if [U.S. and EU] conditions are set that it considers too stringent" (ICG 2012: 14).

<sup>15</sup> Although the MCA was a signature foreign policy initiative of the George W. Bush administration, the Obama administration has rallied behind it and given it a prominent place in the current USG global development strategy (USAID 2010).

of their population" (U.S. GPO 2007: 4). In 2010, Senate Foreign Relations Committee Chairman John Kerry (D-Massachusetts) and ranking Republican Richard Lugar argued that "the core principles upon which the MCC was founded—competitive selection of countries based on policy performance across independent and transparent indicators, country ownership of compact design and development, and country-led implementation of compacts—have allowed MCC to become a development leader" (Kerry and Lugar 2010).<sup>16</sup> The MCC's incentive-based model also enjoys strong support within the U.S. business community and NGO community (IGD 2008; McClymont 2003; Oxfam America 2011).<sup>17</sup>

Additionally, there are independent observers who believe that tying U.S. assistance to performance on the MCA eligibility indicators has a reform-inducing or -sustaining effect. Jennifer Windsor, the Executive Director of Freedom House, argues that MCC "play[s] an important role in changing the political calculus of those blocking democracy while encouraging democratic activists. In certain cases, it can tip the balance in favor of democracy" (Carnegie Endowment for International Peace 2007).<sup>18</sup> Nathaniel Heller, the Managing Director of Global Integrity, has indicated that "[w]hether people like it or not, countries are, in practice, responding to what has been coined the MCC effect ... and they are undertaking reforms, sometimes some of the tough ones" (Keleman 2008). Brett Schaefer and Anthony Kim of the Heritage Foundation report that "the MCC has created a remarkable competition to reform ... among countries looking to qualify for grants. It has catalyzed important policy changes in nations like Benin, Madagascar and Lesotho" (Schaefer and Kim 2008). The World Bank's 2007 *Celebrating Reform* report also singles out the MCA eligibility standards as a catalyst for reform: "When the United States' Millennium Challenge

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<sup>16</sup> Former U.S. Senate Majority Leader Bill Frist has described the "MCC Effect" as "the biggest bargain in foreign aid." He points out that "[t]he MCC model can even produce change before any money is spent. We're finding that governments are undertaking important reforms in an effort to qualify for MCC assistance—or to keep policy performance on track in order to qualify for a second five-year MCC Compact" (Frist 2008).

<sup>17</sup> In a 2008 letter to the Senate Foreign Relations Committee, a coalition of more than 150 non-governmental humanitarian and development organizations came to the MCC's defense during a period of budgetary uncertainty: "The MCC, has had some historic successes via [the] 'MCA effect.' In Tanzania, the work of USAID in strengthening the media and procurement under the MCC threshold program exposed corruption, resulting in the unprecedented resignation of the country's prime minister.... The 'MCA effect' works because countries get the message that if they do their part to help their own people, the U.S. will be their partner" (InterAction 2008).

<sup>18</sup> Freedom House (2009) also reports that "many foreign governments have engaged in a dialogue with [our organization] to discuss our analysis, particularly steps they could take to improve their standing within the context of the Millennium Challenge Account."



Account (MCA) made eligibility for funding dependent on the ease of business startup, countries from Burkina Faso to El Salvador to Georgia to Malawi started reforms" (World Bank 2007: 3).

But there are also MCC Effect skeptics. Brown and Tirnauer (2009: 4) point out that "there are some who believe [MCA-inspired] reforms are shallow or transitory and do not reflect fundamental and long-lived change." Others contend that inconsistent application of the MCC's suspension and termination policy undermines the credibility of USG conditionality (Main and Johnston 2009; Phillips 2011; Öhler 2012).<sup>19</sup> Still others make the case that the MCC's legislative inability to engage in concurrent Compacts with a single country "kills the incentive for good performance by the partner country because it creates doubt about the U.S. commitment to the support the country's long-term development effort" (Rieffel and Fox 2008: 31). A final group of critics argues that, while the MCA eligibility standards may induce domestic reforms, they steer developing countries toward an ill-conceived "one-size-fits-all" model of development (Arruñada 2007; Chhotray and Hume 2007; Goldsmith 2011; Booth 2011; Krever 2013).<sup>20</sup>

In short, a great deal of ink has been spilled in order to defend or challenge the strength and scope of the so-called MCC Effect, but neither policymakers nor scholars have a solid grasp on the influence of this USG reform promotion tool. In absolute terms, we do not understand the strength or the scope of the MCA eligibility incentive's influence—that is, the number of countries and policy domains in those countries where the MCA eligibility standards instigated or reinforced specific policy decisions or actions that would not have otherwise occurred. Nor do we know much about variation over time in the policy influence of the MCA eligibility standards.

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<sup>19</sup> Runde et al. (2011) argues that lower-than-expected appropriations from the U.S. Congress could also undermine the "MCC Effect." Relatedly, Rieffel and Fox (2008) and Geertson (2010) argue that the MCA eligibility indicators are relatively blunt policy monitoring instruments that, when mechanistically applied, can lead in appropriate USG policy and resource allocation decisions and reform-dampening effects in developing countries.

<sup>20</sup> The same criticism has been made of multilateral agencies. Rodrik (2008: 100) argues that "institutional reform promoted by multilateral organizations such as the World Bank, the International Monetary Fund, or the World Trade Organization (WTO) is heavily biased towards a best-practice model. It presumes it is possible to determine a unique set of appropriate institutional arrangements ex ante, and views convergence toward those arrangements as inherently desirable."

The dearth of reliable data on the policy influence of the MCA eligibility standards reflects a larger problem that plagues the literature on external tools of conditionality and socialization. Virtually all research on the influence of external reform incentives is hobbled by the absence of reliable measures of the actual phenomenon of interest: how governments respond to external pressures. Existing studies either rely on de jure indicators of state participation in resources-for-reform agreements (e.g. signing an international agreement, formal participation in an international initiative) or reform outcome measures that indirectly proxy for policy behavior and implementation (e.g. inflation control, democratization).<sup>21</sup> In this thesis, I take a substantially different methodological approach. Through process-tracing of 118 country cases, I build a dependent variable "from the ground up" that attempts to directly measure the empirical phenomenon of interest: whether, when, and how governments formulate and implement domestic policy responses *to reap the external rewards of MCA eligibility*.

Drawing inspiration from the approach described in Kelley (2004b: 23), I develop a dependent variable that measures "policy behavior and implementation" and employ detailed case studies and process tracing to "reveal the timing of events and action ... [and] the motives and attitudes of actors." However, the approach taken in this thesis differs from Kelley (2004b) in that she uses process-tracing methods to measure *the compatibility of a state's policy behavior and implementation with international standards*, whereas I use process-tracing methods to identify whether or not there is compelling evidence that the prospect of MCA eligibility motivated a specific policy response. I then divide each country case into "policy domain-year" sub-cases, resulting in nearly 14,000 total observations. The size and scope of my dataset—118 countries, 7 years, and 17 policy domains—provides a strong basis for a general empirical test of competing theoretical explanations.<sup>22</sup> I

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<sup>21</sup> In the absence of reliable information about the policy preferences and actions of senior government decision-makers, many scholars resort to a so-called "revealed preferences" approach in which outcomes measures are used to make inferences about the nature of government policy preferences (Lake and Powell 1999). This approach suffers from a key shortcoming: exogenous factors often influence outcome measures. Consider the challenge of measuring a government's fiscal policy orientation. Many economists and political scientists use a country's fiscal balance as a percentage of GDP as a proxy for the government's fiscal policy orientation. However, natural disasters, debt relief, changing global economic conditions, and one-off oil, gas, and mining payments can have a dramatic impact on a country's fiscal balance and these exogenous influences say almost nothing meaningful about the government's underlying fiscal policy preferences.

<sup>22</sup> Kelley (2004b) also draws on a substantially smaller sample: 64 observations related to ethnic minority policy in EU candidate countries.

complement analysis of this formally coded dataset of archival information with a large-n survey of leading decision-makers in 100 MCA “target” countries.

In *relative* terms, researchers and policy practitioners are also ill-equipped to assess the policy influence the MCA eligibility standards. The MCA costs U.S. taxpayers billions of dollars, and the USG has access to many other incentives, sanctions, and socialization tools to influence the domestic policies and practices of developing countries (Savedoff 2011). Therefore, it is reasonable to ask what type of "return on investment" the MCA eligibility incentive provides.<sup>23</sup> Does it offer taxpayers good value-for-money as a policy instrument for spurring and sustaining reform efforts in the developing world? How much influence do the MCA eligibility criteria exert compared to other financial incentives and moral suasion tools? By surveying senior development policymakers and practitioners in 100 low income and lower-middle income countries and their USG counterparts, I will offer new evidence that sheds light on these questions.

The need for independent evaluation of the MCA's policy influence is both compelling and overdue. The central objective of this thesis is to couple systematic, large-n data collection and analysis with careful archival, case study, and survey evidence to provide a holistic evaluation of the MCC's influence on reform efforts in developing countries. Cherry-picked cases that support the positions of MCC Effect apologists and critics may be useful for op-eds and speeches, but they are not useful for the advancement of social science or the design of evidence-based policy.

## **1.2 When Do External Incentives Incentivize Domestic Policy Change? Insights From Previous Research**

More than a decade ago, Davis (2000: 312) correctly observed that "[p]ositive incentives ... are among the most understudied if frequently employed tools of international statecraft." However, it is also true that theories of international relations (IR) and international political economy (IPE) provide some guidance about the conditions under which external incentives and pressures influence domestic policy decisions. Existing theories of external influence

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<sup>23</sup> Of course, it is very important to remember that the MCA was primarily conceived as an investment of U.S. taxpayer dollars that would yield significant economic growth and poverty reduction returns. The MCC's impact on reform is often characterized as an ancillary benefit of the MCC's performance-based aid allocation model.

have generated a range of testable hypotheses about why reform promotion tools exert varying levels of influence across countries, time, and policy domains. Social constructivists argue that the likelihood of reform hinges on the ability of external actors to find and work with developing country officials who share a common set of causal and principled beliefs about policy (Chwieroth 2007, 2009; Weymouth and Macpherson 2012). Rationalists maintain that the prospects for reform are strongest when international actors successfully align external incentives with domestic interests (Bueno de Mesquita et al. 2003; Smith and Vreeland 2006). For example, senior officials from a developing country's finance ministry or central bank might make macroeconomic policy commitments to the IMF to send a credibility signal to investors and creditors, insulate themselves from the political fallout from domestically unpopular reforms, or strengthen their bargaining power vis-à-vis domestic actors who favor the status quo (Vreeland 2003).<sup>24</sup> A final group of scholars from the realist tradition emphasize the importance of coercive power, predicting that the probability of reform will correlate positively with a developing country's level of economic and political dependence on wealthy countries and international organizations (Hirschman 1945; Baldwin 1985; Krasner 1978, 1985; Haggard 1995; Martin 1992; Shadlen 2008).

IR and IPE theories also suggest several reasons why the material incentive of MCA funding might have a *limited* impact on domestic reform efforts. For rationalists, the credibility of conditionality is a central concern. Donor agencies and international organization face a variety of political, economic, and organizational pressures—rewarding allies and punishing enemies, satisfying the demands of shareholders or domestic interest groups, and "pushing money out the door" to achieve professional prestige and budget maximization goals—that can undermine the credibility of their commitment to enforce conditionality contracts with developing countries (Keohane and Levy 1996; Thacker 1999; Stone 2002; Kelley 2004b; and Kilby 2009).

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<sup>24</sup> Another group of rationalists argue that donors and international organization can increase the power of their external incentives by supporting domestic reformers in the non-governmental sector (Krasner 2009a; Jacoby 2006). For example, Diamond (2008: 47) notes that MCA eligibility "is showing promise as a tool that civil-society actors ... can use to campaign for governance reforms and as an incentive for corrupt governments in need of more aid to reform their ways." Krasner (2009a: 27) points out that donors and international organizations can "change internal opportunity sets by deploying aid in ways that alter the strength of groups within a target polity by, for instance, supporting NGOs, promoting land reform to create a class of individual with an interest in protecting their property rights, providing more education for girls, or enhancing the effectiveness of legislators."

Social constructivists express a different concern: that global diffusion processes may diminish the effectiveness of external instruments of policy influence (Levi-Faur and Vigoda-Gadot 2006; Meseguer and Gilardi 2009; Brooks 2005, 2007; Brune et al. 2004; Henisz et al. 2005). Weyland (2006: 4) summarizes this concern: “normative appeal and the quest for international legitimacy prompt the emulation of foreign innovations. To look good in the eyes of global public opinion, decision-makers want to be modern and up-to-date and therefore imitate new policy models. They are determined to avoid the stigma of being backward and therefore try hard to keep up with the latest trend. On a deeper level, they are influenced by new international norms that redefine proper state action. An innovation raises the standards of appropriate behavior, and decision-makers urgently try to catch up to this new benchmark.” Therefore, rather than making a rational calculation of whether a particular type of reform serves their own interests or the national interest, decision-makers in developing countries may take “cognitive shortcuts” and look to their neighbors and other relevant peers to identify the most “modern” and “appropriate” types of reform.<sup>25</sup>

Political scientists and economists who study the comparative political economy of reform also tend to be less sanguine about the influence of external reform pressures. They generally take the view that IOs and donor agencies are relatively impotent and any external pressures they might bring to bear have little direct influence on the policy-making processes of developing countries (Mosley 1987; Nelson 1996; Ranis and Mahmood 1992; Ranis 1996; Rodrik 1996; Remmer 1998; Callaghy 1986; Easterly et al. 2006). Hunter and Brown (2000: 115) claim that "powerful domestic forces tend to override World Bank directives." In a far-reaching study of Latin American health care and pension reforms during the 1980s and 1990s, Weyland (2006: 11) concludes that “[w]hile external pressures undoubtedly influence domestic decision making, they are usually not the driving force behind social policy reforms....”<sup>26</sup> Scholars from this camp usually argue that domestic factors, such as social cohesion, state capacity, the quality and reform orientation of the political leadership, the number and relative alignment of veto players, and the ideological cohesion of the

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<sup>25</sup> For example, Simmons (2000) finds evidence of an “international policy diffusion” effect in the case of IMF Article VIII, which requires governments “keep their current account free from restriction.” Her empirical results suggest that government compliance with IMF Article VIII is to some extent a function of the number of other countries in the world and in one’s region that are also Article VIII-compliant.

<sup>26</sup> He argues that the “multiplicity of ‘veto players’ and the resulting need for political negotiations make it difficult for external actors that lack democratic legitimation to exert much influence” (Weyland 2006: 10).

government explain most of the empirical variation in the timing, speed, nature, and magnitude of reforms undertaken in the developing world (Tsebelis 2002; Joyce 2006; Alesina and Drazen 1999; Desmet et al. 2009; Easterly et al. 2006).

These very different perspectives on the influence of donor agencies and international organizations illustrate the need for research that can help scholars and policymakers distinguish between anecdotes and systematic empirical evidence. In this thesis, I will introduce a new dataset that measures the MCC's policy influence across the entire universe of MCA candidate countries, seventeen policy domains, and seven years. I will then use this comprehensive dataset to draw inferences about whether, to what extent, when, and how the MCA eligibility standards have influenced the reform efforts of developing countries. I will also present new survey evidence to "ground truth" these claims and illuminate several of the causal mechanisms through which the MCC Effect seems to operate.

### **1.3 Defining and Measuring Policy Influence**

Of course, it is also important to recognize that the MCC's policy influence does not merely consist of the degree to which the MCA eligibility criteria directly catalyze or sustain reform efforts in developing countries. While donors and IOs can exert influence through a variety of carrots, sticks, and social pressures, the actual provision of financial resources can also influence the design and implementation of reforms in developing countries (IEG 2008b). A small but growing body of evidence suggests that MCC Compact and Threshold programming has had a demonstrable effect on reform efforts in developing countries (Crone 2008; Geertson 2010; Hollyer and Wantchekon 2011; Elbow et al. 2012). I will therefore control for this potentially confounding variable in my analysis.

Additionally, any policy evaluation must tackle the challenging issue of the time horizon used to measure success. Many reforms, regardless of their provenance, are unevenly implemented, gradually unwound, or completely abandoned (World Bank 2012a). For instance, if one was to analyze the MCC's role in Yemen's domestic reform process from 2004 to September 2007, it would be reasonable to conclude that Yemen is an MCC Effect success story. Indeed, many independent analysts made this judgment (Phillips 2007; Herrling 2007). However, by simply extending the period of evaluation through the end of calendar year 2007, one would almost certainly arrive at a very different conclusion. The

MCC's policy influence in Yemen declined sharply after the domestic authorities in Sana'a decided to release a prominent member of al-Qaeda member from house arrest in October 2007 and the MCC Board of Directors effectively suspended the government's eligibility for MCA funding.<sup>27</sup> Phillips (2011: 14), who was in direct contact with several key ROYG reformers at the time, reports that "[t]hose in Yemen who had worked toward [MCA] reinstatement were angered by the suspension and felt that the United States had betrayed them by moving the goalposts [for] a problem that was ostensibly unrelated to security objectives. The reformers complained that the suspension only handed ammunition to those [who] were already opposed to reform."<sup>28</sup>

This episode calls attention to the fragility and reversibility of reform gains. But it also highlights the fact that understanding MCC's overall policy influence necessitates a deeper analysis of the degree to which reforms catalyzed by the MCA eligibility criteria are sustained over time. To gain leverage on this issue, I collect and analyze new survey evidence from senior government officials and donor agency representatives in 100 low-income and lower-middle income countries. These survey data are far from perfect, but they do shed some light on the reform sustainability effects of MCA-inspired or -influenced efforts. I also conduct a more in-depth analysis of the sustainability of the MCC Effect in five "country-policy domain" cases.

In this thesis, I also draw a distinction between the *influence* and the *effectiveness* of the MCA eligibility standards as a tool for spurring and sustaining reform in developing countries. Apart from any direct effects that any incentive-based aid program might have, I emphasize the importance of capturing indirect effects and unintended consequences. There are at least three reasons why a holistic evaluation of the MCC's policy impact must take these issues into consideration.

First, the MCA eligibility standards might exert outsized policy influence, but do so at the expense of other important policy issues. That is to say, the MCC could divert a government's attention away from higher priority policy issues or limit a government's policy autonomy in a negative manner (Arruñada 2007; Goldsmith 2011). Given that the MCC uses

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<sup>27</sup> Technically, the MCC put Yemen's Threshold Program "on hold", but the program was never resumed.

<sup>28</sup> I independently confirmed this point with several leading ROYG reformers in 2007.



quantitative indicators from third-party institutions to measure policy performance, it is also possible that the eligibility standards might create incentives for countries to "game the system" by following the letter but not the spirit of the law (Pham 2009; Delevingne 2010). I confronted these concerns during my tenure as an MCC staff member. In 2008, several colleagues and I were responsible for informing senior decision-makers in Madagascar's Presidency, Ministry of Finance, Ministry of Health, and Ministry of Education that the government's performance had slipped on two MCA eligibility indicators—Health Expenditures and Primary Education Expenditures. Our Malagasy counterparts responded by calculating exactly how much additional public spending on primary education and health would be necessary to exceed the MCA median benchmark. The domestic authorities did not want to spend any more or any less than what would be necessary to retain MCA eligibility. However, consultations with the IMF, the U.S. Embassy and other local stakeholders revealed that this did not necessarily represent an optimal reallocation of scarce public resources. Thus, one unfortunate and unintended consequence of the MCA eligibility criteria may be that governments respond to perverse incentives to do "just enough, but no better than" the performance standards established by the USG.

Second, if rigorous application of the MCA eligibility criteria imposes significant domestic or external audience costs, it might provoke MCA candidate governments to ally themselves with non-DAC suppliers of development finance. In at least five countries (Armenia, Nicaragua, Bolivia, Moldova, and Sri Lanka), policy analysts, journalists, and U.S. diplomats have argued that disciplined application of the MCA eligibility criteria—through warnings, suspensions, and terminations—prompted governments to substitute aid from Venezuela, China, Brazil, Russia, and Iran for U.S. aid (Friedman-Rudovsky 2007; Goldberg 2007; Grigoryan 2009; Perera 2009; Callahan 2009a, 2009b; O'Neill 2009). For example, during the period of time in which Sri Lanka's Ministry of Finance, Ministry of Plan Implementation, and Central Bank engaged in the MCC's Compact development process (2004-2007), a civil conflict between the armed forces and the Liberation Tigers of Tamil Eelam (LTTE) rapidly intensified (Blake 2006). The conflict was accompanied by arbitrary arrests and detention, civilian disappearances, allegations of torture, ethnic discrimination, limits on religious rights, press restrictions, politically motivated killings, and deteriorating economic policies (Blake 2007). Sri Lanka was eventually deemed ineligible for MCA funding in late 2007. Several years later, a senior official from Sri Lanka's Ministry of Foreign Affairs was interviewed and asked to account for the government's changing sources



of aid. He responded that "[t]he Millennium Challenge Account of the U.S. was summarily withdrawn from us. So, [under] the circumstances, either we had to succumb to acknowledge blackmail and compromise with terrorism, or look for other friends, which we did... We shifted our focus from our traditional contacts towards the east, and we were very successful. ... In fact, we hardly felt the pinch of the withdrawal of western development assistance" (Perera 2009). While this outcome may have strengthened the credibility of the MCC's performance-based aid allocation model, it did not seem to have the intended effect of changing the policy behavior of the Sri Lankan authorities. The quality of Sri Lanka's performance on the MCA eligibility indicators continued to degrade from 2007 to 2010 and the Sri Lankan authorities doubled down on cooperation with non-Western development finance institutions (Samath 2008; Denyer 2012a, 2012b)

Third, disciplined enforcement of MCA conditionality contracts may result in unanticipated policy spillover effects, or "blowback." Take for example the Government of Timor-Leste's response to the MCC's decision to "de-select" Timor-Leste for Compact eligibility after the country's performance on the MCA eligibility criteria declined in 2008. According to the then-U.S. Ambassador to Timor-Leste, "President Ramos Horta's reaction was sharply negative. Long a skeptic of the MCC, he again blasted the Compact process as overly bureaucratic and complex, and unresponsive to Timor-Leste's needs. The U.S., he opined, should be straightforwardly generous in its assistance, especially to fragile states such as Timor-Leste, and not require that they reach some sort of policy perfection before delivering aid. ... Additionally, the President said he would propose to the government that it reverse Timor's agreement on Article 98 [an agreement to not surrender U.S. citizens to the International Criminal Court], reconsider the bilateral [status of forces agreement], and review its policy of strong support of U.S. positions on human rights in the UN and other fora. He stated flatly that he would not now consider recognizing Kosovo in response to U.S. advice" (Klemm 2008).

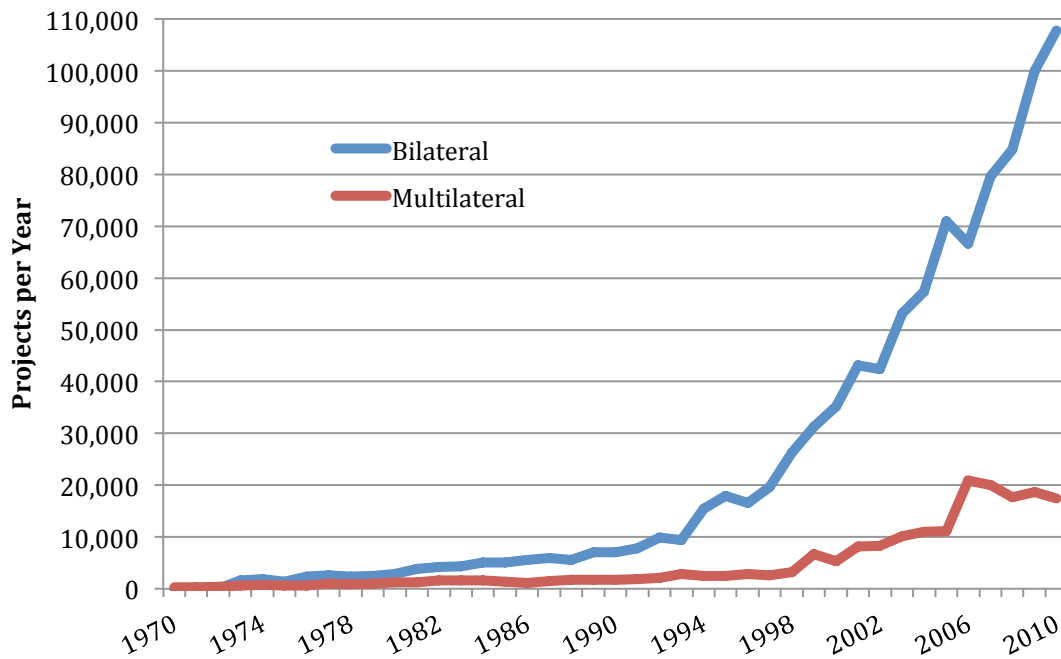
The extent to which application of the MCA eligibility criteria has resulted in these negative unintended consequences is not well understood. I will therefore tackle this problem by undertaking a large survey of 640 development policymakers and practitioners from 100 low income and lower-middle income countries. The survey evidence presented in this thesis provides rare insight into these important but difficult-to-capture effects of the MCA eligibility standards. The principal advantage of collecting survey data from developing

country elites who have engaged the USG on MCA policy and programming issues is that their (current or former) positions make them uniquely qualified to provide reliable information about how external incentives influence internal government decisions and actions (Grindle and Thomas 1991). This information is otherwise very difficult to uncover.

## 1.4 Does Your Position In the Aid Market Determine Your Policy Influence?

The final motivation of this thesis is to gauge the MCC's policy influence relative to other donor agencies and international organizations. This research question holds particular policy relevance in light of major changes in the global development finance architecture (Severino and Ray 2010). Much of the existing IPE literature labors under the presumption that only a small number of institutions—the World Bank, the IMF, the regional development banks, and several bilateral donors—exercise significant policy influence vis-à-vis developing countries. However, over the last two decades, we have witnessed a dramatic increase in the number of new donors entering the "aid market" (Klein and Harford 2005). Figure 1.2 demonstrates that the total number of projects funded each year by bilateral and multilateral donors has skyrocketed.<sup>29</sup>

**Figure 1.2: Proliferation of Aid Projects**



<sup>29</sup> We have also witnessed an explosion in the number of bilateral and multilateral agencies that provide development assistance: from roughly 5 in mid 1940s to 289 in 2008 (Fengler and Kharas 2010; IDA 2008).

In particular, donors outside of the OECD's Development Assistance Committee (DAC) — China, Venezuela, Russia, Iran, Saudi Arabia, and Brazil—have emerged as major sources of development finance<sup>30</sup> and upended conventional norms of development practice (Brainard and Chollet 2007; Bräutigam 2011a, 2011b).<sup>31</sup> These new sources of funding and external pressure are diverse in terms of their values, objectives, and tactics, which in turn has provided developing countries more policy flexibility and negotiating leverage (Oya 2008; Fengler and Kharas 2010; Girod and Walters 2011).

The presence of new development finance actors provokes new research questions, which in turn demand new types of data and forms of empirical analysis. How much funding do "non-traditional" donors provide and to whom? Do the activities of such donors have a substantial influence on the domestic policy behavior of developing countries? If so, how and under what conditions? Many journalists and non-governmental groups assert that non-OECD influence decreases the likelihood of reform (Kurlantzick 2006; Human Rights Watch 2007; Bearak 2010; Worth 2013).<sup>32</sup> Some scholars have advanced the same claim (Pehnelt 2007; Collier 2008; Bermeo 2011). However, it is not entirely obvious why the provision of non-DAC assistance would dampen the prospects for reform. On one hand, if a government substitutes non-DAC aid for traditional OECD-DAC assistance, or uses non-DAC aid to “play donors off each other”, one might expect that government to prove less responsive to external pressures for reform (Corrales et al. 2009; ICG 2009; Pop-Eleches 2009; Brainard and Chollet 2007).<sup>33</sup> On the other hand, increased funding from non-DAC donors could create more policy space for developing countries to design and implement "homegrown"

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<sup>30</sup> Estimates vary widely, but non-traditional donors—outside of the OECD's Development Assistance Committee (DAC)—are believed to provide tens of billions of dollars of assistance to developing countries each year (The Economist 2010; Fengler and Kharas 2010; IDA 2008).

<sup>31</sup> In a leaked State Department cable, the former U.S. Ambassador to China Jon Huntsman noted that "China's fast, efficient, 'no strings attached' bilateral approach is popular in [Africa], as is the PRC preference for infrastructure over governance projects. ... In addition, African officials believe that competition between donors has had positive consequences for African development, giving the African countries options after several decades of a largely Western development model" (Huntsman 2010).

<sup>32</sup> For example, Lee Habasonda, a democracy activist in Zambia, reported to the New York Times in 2010 that "[t]he Chinese finance the ruling party, so the government is their captive" (Bearak 2010).

<sup>33</sup> Consider the *Christian Science Monitor's* profile of the late Ethiopian Prime Minister Meles Zenawi: "Regarded as shrewd even by his most vitriolic critics, Meles positioned the country expertly, allowing it to develop according to his unique [policy] prescriptions, while being supported by diverse allies. ... \$3 billion of Western aid poured in for food aid, health facilities, and schools every year, while Chinese loans paid for infrastructure such as hydropower dams and a railway network" (Davison 2012).

measures that have a better chance of full implementation (Oya 2008; Whitfield and Fraser 2010; Moss 2012; Andrews et al. 2012).

Answering these questions requires credible data on non-DAC aid flows. And herein lies another major empirical challenge: many of the largest non-DAC donors—such as China, Russia, Iran, and Venezuela—have chosen not to publish information about the overseas aid activities. The absence of such data leaves researchers in a quandary. While there are reasons to believe that non-DAC donors may exercise significant influence vis-à-vis developing countries, scholars cannot subject hypotheses to empirical scrutiny without detailed information about the spatial and temporal distribution of non-DAC aid flows. I rectify this problem by collecting and analyzing project-level aid information with a novel media-based methodology (Strange et al. 2013). Specifically, I will analyze new data on Chinese development finance to sub-Saharan Africa in order to test the hypothesis that as competition in the aid market increases, developing country governments have greater scope to “play donors off of each other” and expend less effort on meeting the policy and institutional reform requirements of any individual donor (Pop-Eleches 2009; Brainard and Chollet 2007).

## **1.5 Confronting the Causal Inference Challenge**

Notwithstanding the use of systematic, transparent, and replicable procedures to collect, code and analyze new source of data on government responses or non-responses to the MCA eligibility criteria, this study faces the same basic causal inference challenge that influence all research based on observational data: one cannot simultaneously observe a given country in the "treatment state" and the "control" state; therefore, it is not possible to directly estimate the average causal effect of tying performance on the MCA eligibility indicators to a financial incentive (Morgan and Winship 2007). When assignment to the treatment group is not random but instead correlates with the outcome variable of interest, one faces an endogeneity problem: that an unobserved confounding factor—or set of factors—may impede our ability to directly isolate the exogenous (causal) component of the treatment variable. Therefore, in order to accurately estimate the average causal effect of a treatment variable with observational data, one must be certain that an unobserved process did not systematically assign some types of countries to the treatment group and other types of countries to the control group.

The easiest way to estimate the reform-inducing impact of attaching a financial incentive to performance on the MCA eligibility indicators would be to organize a controlled experiment. First, one would define the cohort of target countries. Second, one would randomly assign half of the target countries to the "treatment" group and the other half to the "control" group. Countries in the treatment group would be informed that one's ability to access MCA Compact funding is conditional upon their performance on the MCA eligibility indicators. Countries in the control group would receive a placebo: without making any mention of a financial incentive, one would inform these countries that their performance on the MCA eligibility indicators would be monitored by the USG. After allowing for some time for the treatment to take effect, one would calculate the difference between the average reform outcome in the treatment group and the control group. This difference would represent the "treatment effect" of linking the MCA eligibility indicators to a financial reward.

The problem, of course, is that sovereign governments and international organizations almost never design or apply the tools of statecraft in this way. The U.S. Government is not exceptional in this regard. Neither the U.S. executive branch nor the legislative branch asked the MCC to randomly assign the MCA resources-for-reform offer to some developing countries and not to others. Instead, the MCC's authorizing legislation directed it to pursue blanket application of the "treatment" to all low income and lower-middle income countries.

Scholars and policymakers who are interested in explaining *when* and *why* we observe the "MCC Effect" face an additional causal inference problem: governments in developing countries may use the MCA eligibility standards to either justify or insulate themselves from the consequences of reforms that they would have pursued in the absence of any external pressure (Vreeland 2003; Chwieroth 2007, 2009; Kelley 2012). This self-selection bias—the fact that an unobserved factor or set of factors may influence a government's propensity to engage in MCA-related reform activities—makes it difficult to isolate the impact of my causal variables of interest. Therefore, a rigorous approach to the study of the MCA's policy influence requires at least one of three causal inference strategies: (a) measuring otherwise unobservable factors that could influence MCA-inspired reform activities; (b) pursuing instrumental variables estimation, which isolates covariation between the causal variable of interest and the dependent variable by using exogenous variation in an instrumental variable; and/or (c) implementing propensity score matching techniques, which estimate an average treatment effect by strategic sub-sampling of treatment cases and control cases with an eye

towards achieving covariate balance between the two groups. I will pursue (a) and (c), but not (b) because of the difficulty of identifying a strong instrument. Specifically, I will generate new measures of the achievability of MCA eligibility, the provision of reform assistance to the domestic authorities, and the chief executive's political commitment to undertake costly and difficult reforms related to the MCA eligibility criteria. These measures are then employed in large-*n* empirical analysis in order to reduce the influence of unobserved confounding variables by effectively rendering them "observed." I will also employ propensity score matching techniques in order to isolate the causal impact of the embedded autonomy of change management teams.

Finally, in addition to employing methods that make it possible to draw causal inferences about the *influence* of the MCA policy instrument, this study will confront the challenge of identifying the causal *processes* through which the MCA policy instrument influences reform activities in developing countries. I will use archival research, process-tracing methods, and survey evidence to shed light on these causal mechanisms. The use of these alternative methods and data sources will, to some extent, mitigate the bias that results from undertaking large-*n* empirical analysis with "theoretical blinders."

## 1.6 Charting a Course

This thesis has six chapters. In Chapter 2, I will review the existing literature on the domestic and external determinants of reform and identify testable hypotheses that logically follow from these theories. I will explore a range of possible explanations, including social cohesion, domestic institutional structure, democratization, access to unearned income, bargaining power vis-à-vis the USG, the financial significance of the MCA reward, and the achievability of MCA eligibility. I also draw on social network analysis to develop a theory of network brokerage, which suggests that governments can square the circle of achieving status-quo-challenging and politically feasible reform by relying on policymaking teams that have access to both transnational professional, educational, and ideological networks and domestic political networks. This theory leads to the central hypothesis of this thesis: that policymaking teams with high levels of autonomy and low-to-moderate levels of "embeddedness" in domestic political networks will more effectively utilize the MCA eligibility standards to advance their own domestic reform objectives. I argue that effective

change management teams have ties that bind, but not chains that shackle, them to domestic sources of authority and legitimacy.

In Chapter 3, I use formal coding procedures to develop first-of-their-kind measures of whether and how governments in developing countries responded to the MCA eligibility standards by pursuing policy and institutions reforms. These indicators of the MCC Effect vary across countries, time, and policy domains. The underlying data are drawn from official statements and documentation from MCC, USAID, the U.S. Department of State, non-USG donor agencies, international organizations, and developing country governments; media reporting from 118 MCA candidate countries; country case studies undertaken by independent researchers; and my own correspondence with senior developing country and USG officials. In Chapter 4, I employ multilevel modeling methods to explain variation in this dependent variable, and propensity score matching methods to identify the impact of two particular causal variables of interest: the embeddedness and autonomy of change management teams.

In Chapter 5, I present a novel source of survey data from 640 senior USG and developing country officials in 100 countries responsible for engaging each other MCA eligibility issues. After providing a detailed description of the methods used to design and administer the survey, I document broad trends in where the MCA eligibility standards seem to exert the most and least influence across countries and policy areas, and compare these results with the formally coded data from Chapters 3 and 4. Additionally, I use these survey data to answer questions about the influence of the MCA eligibility criteria vis-à-vis other external tools of conditionality and socialization; the sustainability of reforms instigated by the MCA eligibility criteria; the indirect effects and unintended consequences of the MCA eligibility standards; and the most important causal mechanisms through which MCC exerts policy influence.

In the concluding chapter, I review the core empirical findings of this thesis, acknowledge some of the key limitations of the study, and identify productive avenues for future research. One major shortcoming of my thesis – and promising opportunity for future research – is its inability to explain *why* policymaking teams with high levels of autonomy and low-to-moderate levels of embeddedness are systematically more likely to instigate and successfully implement status quo-altering reforms. There are two causal mechanisms that may account



for this empirical pattern: (1) change management teams with these attributes may be more adept at formulating and promoting bridge-building policy *ideas* among domestic political actors who would otherwise impede reform efforts; or (2) change management teams with these attributes may be more effective at forging domestic political coalitions – that is, bringing the *interests* of various domestic political actors more closely into alignment – in support of reform and/or neutralizing opposition from actors whose favor the status quo. While the former argument would support a constructivist interpretation of the evidence, the latter argument would support a rationalist interpretation. If both causal mechanisms are in effect, one could argue that the divide between interest- and idea-based theories is contrived and more theoretical bridge-building is required.

Finally, I consider some of the policy implications for the international development policy community, including: whether, to what extent, and how development finance institutions like the MCC should focus its energies on supporting and cultivating Western-trained and –socialized technocrats in developing countries; how MCC can best support US embassies and USAID missions seeking to engage and support reform-minded government officials in counterpart countries; and why some reforms inspired by external incentives and socialization mechanisms seem to result in *de jure* changes, while others lead to *de facto* changes.<sup>34</sup>

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<sup>34</sup> Appendix A describes the formal coding procedures used to measure whether, when, and in which particular policy domains governments adopted or implemented reforms to achieve or maintain MCA eligibility. Appendix B describes the formal coding procedures used to derive cross-country, time-varying measures of team cohesion and network brokerage. Appendix C reproduces the questions used to survey U.S. and developing country policymakers and practitioners about the perceived relevance, influence, and effectiveness of the MCA eligibility criteria and MCA Compact and Threshold programs. Appendix D identifies the data weighting and aggregations methods employed to analyze data from the 2012 MCA Stakeholder Survey. Appendix E describes a coding scheme used to assess reform sustainability.



## Chapter 2: Network Brokerage: A Theory of Embedded Autonomy to Explain Reform in Developing Countries

### Introduction

Between 2002 and 2010, the Government of Syria—under the leadership of President Bashar Assad—introduced far-reaching economic reforms that substantially reduced the state's level of involvement in the economy, expanded opportunities for private sector competition, and created stronger incentives for foreign investment and external trade (Tabler 2007; Sottimano and Selvik 2008; IMF 2010). The domestic authorities reined in fuel and fertilizer subsidies, liberalized the country's import regime, removed obstacles to private sector competition in the banking and insurance sectors, eased restrictions on foreign investment and foreign currency transactions, and re-opened the Damascus Stock Exchange (The Economist 2011; IMF 2010). Several closely-watched indices of economic freedom and private sector friendliness captured these changes in the direction and pace of the country's economic policy. Syria registered a 41% improvement on the Heritage Foundation's Index of Economic Freedom between 2002 and 2009, and a series of business entry, property registration, and trade facilitation reforms helped the country boost its global ranking on the World Bank's 2009 “Ease of Doing Business” Index (Miller and Holmes 2011; World Bank 2009).

This unexpected and seemingly anomalous surge of reform activity in Syria calls attention to an empirical puzzle that remains largely unresolved in the comparative political economy of reform literature: in the face of intense domestic political opposition, why do some governments manage to successfully undertake status-quo-altering reforms, while others quickly stand down or concede defeat during implementation? Syria's reform drive throws this question into sharp relief because very few political economists would have expected the Assad administration to successfully undertake far-reaching economic policy changes between 2002 and 2010. During the period of interest, the ruling Ba'ath party extolled the virtues of a centrally-planned socialist economy and denounced the ills of free market capitalism (International Crisis Group 2009; Kenner 2010). Research also suggests that economic liberalization measures can erode the political support bases of an authoritarian regime (Hinnebusch 1997; Gutner 2002). What is more, given that many of Syria's largest

economic assets remain in the hands of elites who support the ruling party,<sup>35</sup> many regime insiders did not support the government's efforts to increase private sector competition (Gambill 2001; International Crisis Group 2009).<sup>36</sup>

It is not clear if, prior to embarking upon reform, the Syrian authorities understood the regime legitimacy implications of slashing or eliminating fuel and fertilizer subsidies (Gutner 2002). However, if they did not initially understand the implications, they quickly caught on after the reforms began to take effect. According to the International Crisis Group, "[l]ifting subsidies had the greatest impact on the regime's historical support bases: peasants, blue collar workers, civil servants (including security apparatus employees, generally poorly paid) and members of minority groups living in remote parts of the country. They traditionally had relied on subsidised oil products for heating, cooking and transport; some basic staples such as bread – which is baked in propane-fuelled ovens – also were affected. While the regime eventually took measures to soften the blow, a form of panic initially ensued. Security officials appeared bewildered, struggling both to cope with the effects of rising costs on their own standard of living and to contain risks of civil disorder. Although no serious strife resulted, popular discontent was palpable" (International Crisis Group 2009: 7).

In spite of these long odds, significant economic reform occurred in Syria between 2002 and 2010. In this chapter, I argue that a theory of network brokerage can help us better account for surprisingly successful reform episodes like this one by drawing our attention to the characteristics of policymakers and policymaking teams that possess "exceptional agency." I will argue that effective change managers and change management teams can access and activate domestic sources of authority and legitimacy without being immobilized.

The conventional wisdom among political economists is that interests and institutions determine reform outcomes in developing countries. Interest-based explanations identify the

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<sup>35</sup> For example, President Bashar Assad's cousin, Rami Makhlouf—who is unaffectionately known as "Mr. 10 Percent" for the side payments he demands to complete a business deal—is the country's wealthiest businessman. He not only controls the country's largest mobile phone company, but also a bank, an airline, a construction company, two private television stations, and several free trade zones (Shadid 2011). In 2005, the BBC reported that "no foreign companies can do business in Syria without his consent" (BBC News 2005)

<sup>36</sup> Most analysts agree that the Assad regime's most important political support bases are Sunni merchants and Alawite military officers. According to Gambill (2001), this "military-mercantile complex ... has the most unequivocal and direct stake in preventing substantial economic reforms."

key domestic actors in a polity and assess the willingness and ability of these actors to support or oppose reform. In the standard political economy formulation, the actors who believe they stand to lose from reform understand the distributive consequences of reform and are prepared to organize themselves in opposition to change, while those who stand to benefit from reform face significant collective action problems and demonstrate low levels of political organization. Given that reforms often produce concentrated, near-term costs and diffuse, long-term benefits, many scholars employ interest-based approaches to explain instances of reform failure or persistence of the status quo (Alesina and Drazen 1991; Fernandez and Rodrik 1991; Dewatripont and Roland 1992; Lewis 1996; Acemoglu and Robinson 2000; Rajan 2004; Bueno de Mesquita et al. 2003).

Institution-based approaches suffer from the same fundamental shortcoming: they provide relatively structural and static explanations of reform outcomes, leaving little room for political agency and entrepreneurship.<sup>37</sup> For example, Tsebelis (2002), Vreeland (2003), and Joyce (2006) propose that as the number of veto players in a given domestic polity increases, the prospects for successful reform implementation decline. Alesina and Drazen (1999), Desmet et al. (2009), and Easterly et al. (2006) argue that in institutional settings characterized by low levels of social cohesion—for example, countries with significant asset inequality or ethno-linguistic fragmentation—governments find it more difficult to build a social consensus around the need for reform. Others emphasize institutional strength, or the “sheer capacity of the state apparatus to design and execute a coherent policy program” (Pop-Eleches 2009: 42).<sup>38</sup>

Interest-based and institution-based approaches therefore provide some analytical leverage on the question of the when and why reform occurs in developing countries, but they also tend to “overdetermine failure and underexplain the potential for change” (Grindle 2004a: 8). This theoretical blind spot has motivated a separate body of scholarship on reform that occurs in the face of seemingly insurmountable structural constraints (Schneider 1991; Grindle and

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<sup>37</sup> Gambill (2001), Hinnebusch (1997), Williamson (2004), and Hinnebusch and Schmidt (2008) argue that the slow pace and halting nature of economic policy change in Syria prior to 2002 is broadly consistent with the expectations of interest-based and institution-based theories of political economy. Syrian economic policy in the post-2002 period is much more difficult to reconcile with interest-based and institution-based explanations.

<sup>38</sup> Van de Walle (2001), Corrales (2006), and Booth and Golooba-Mutebi (2009) demonstrate that informal institutions, such as patronage, corruption, and clientelism can also substantially influence opposition to and support for reform.

Thomas 1991; Haggard 1994; Vieux and Petras 1996; Corrales 1997; Domínguez 1997; Centeno and Silva 1998; Williams 2002; Kuteesa et al. 2008; Radelet 2010).

The so-called "reform mongering" literature has developed a set of ad-hoc explanations to account for the importance of visionary political leadership, technocratic policymaking teams, and state autonomy. Scholars from this tradition argue that the probability of reform is higher when the government delegates authority to an insulated, cohesive, technocratic reform team (Waterbury 1989; Nelson 1990b, 1993; Pastor and Wise 1992; Harberger 1993; Williamson 1994; Domínguez 1997; Teichman 1997; Van De Walle 2001; Criscuolo and Palmade 2008). These teams send a credibility signal to external actors and facilitate reform agreements with international organizations and donor agencies (Kahler 1992; Momani 2005b; Woods 2006; Chwioroth 2009; Dreher and Moser 2010). Chwioroth (2009) and Corrales (2006) also argue that these "sympathetic interlocutors" more effectively employ external financial incentives and socialization tools to rally domestic reform efforts and neutralize the anti-reform opposition.

John Williamson's 1994 edited volume entitled *The Political Economy of Policy Reform* remains one of the most influential studies from the "reform mongering" literature. Williamson convened a group of 13 high-ranking developing country technocrats in the early 1990s in an effort to explain cross-national variation in the adoption of Washington Consensus policies. He asked these scholar-practitioners to consider their own first-hand experiences with (attempted) policy reform and subject a common set of hypotheses to scrutiny. Three hypotheses from Williamson's original list of sixteen (reproduced in Table 2.1) received the strongest support: "the need for a strong political base, for visionary leadership, and for a coherent economic team" (Williamson and Haggard 1994: 589). While 11 of the cases represented successful reform episodes, 2 cases represented failed attempts at reform. In each of the successful cases, a technocratic "reform team" was in place. But reform teams were also present in the two unsuccessful cases. Williamson and Haggard (1994) therefore conclude that technocratic change management teams are "a necessary, but insufficient" condition for reform success.

**Table 2.1: Williamson (1994) List of Hypotheses About Reform in Developing Countries**

H1	Crisis is a catalyst for reform.
H2	The external provision of financial support promotes reform.

H3	Autocracies design and implement reforms more effectively than democracies.
H4	Right-wing governments are more likely to undertake reform than left-wing governments.
H5	Reforms are more likely during the post-electoral "honeymoon period."
H6	Strong legislative support is necessary to sustain reforms over time.
H7	Reformers will enjoy greater success when the opposition is disorganized and fragmented.
H8	Broad public support for reform is necessary to overcome resistance from vested interests.
H9	Visionary leadership in the executive branch encourages reform.
H10	Successful reform requires intellectual coherence within the change management team.
H11	Reform is more like when technocrats hold positions of political responsibility.
H12	Reforms enjoy a higher likelihood of success when they are rapidly implemented.
H13	Reform requires stealth.
H14	Reformers will be more successful when they use the media to neutralize the anti-reform opposition.
H15	The government's willingness and ability to compensate the "losers" of reform is an important determinant of successful reform implementation.
H16	Reforms with short-term costs and long-term benefits have a lower overall likelihood of success.

Williamson and Haggard (1994) also uncovered an important finding that has received relatively little attention in the literature: in the cases of attempted, but unsuccessful reform, technocratic reform teams did not enjoy broad support among domestic political actors.<sup>39</sup> Scholars and practitioners generally maintain that the best way to overcome robust domestic political opposition is to shore up the *autonomy* of reform teams. For example, Williamson (1994: 579) emphasizes that measures can be taken to "[strengthen] the political position of the [reform] team vis-à-vis interest groups, competing ministries, the legislature, and even the rest of the executive [branch], to a point where the team was capable of launching and sustaining reforms." Nelson (1993: 436) notes that "[i]n almost all cases of vigorous and sustained reform, political leaders concentrated authority for economic management in 'change teams' and protected those teams from political pressures both from outside and from within the government itself." Wade (1990) and Amsden (1989) find that technocrats in Korea and Taiwan managed to successfully implement industrial policy—without unleashing a frenzy of unproductive rent-seeking activities—because they were insulated from societal pressures. Van De Walle (2001) proposes that "[a]utonomy from societal interests opposed to reform is needed for committed decision makers to conceive of and design reform programs." Waterbury (1989) goes even further. He includes autonomy and political isolation in the very

<sup>39</sup> Johnson (2008) and Grindle (2004a) arrive at similar conclusions.

definition of a reform team. He refers to reform teams as a group of "technocrats with few or no links to the political arena" and notes that "as the brain trust of the political leadership they will be politically isolated and utterly dependent on the head of state" (Waterbury 1989: 119).

In this chapter, I argue that existing scholarship on the influence of technocratic reform teams omits a key variable: the degree to which reformers have ties to domestic political actors and networks that provide local authority and legitimacy (i.e. "embeddedness"). I accept the proposition that a certain level of insulation from day-to-day political and societal pressures is necessary for such teams to identify, formulate, implement, monitor, and institutionalize reform. However, my core argument is that excessive isolation from political and societal pressures is counterproductive. Effective change management teams, I propose, can access and negotiate with domestic political actors who are capable of either constraining or expanding the executive's freedom of action. They have ties that bind, but not chains that shackle, them to veto players and other potential opponents of reform. I assemble a substantial body of evidence in subsequent chapters to support this argument.

However, in this chapter, I have a broader ambition—namely, to introduce a broader theory of network brokerage that draws inspiration from social network analysis. This broader theory yields a number of other testable hypotheses are not exposed to empirical disconfirmation in subsequent chapters because of data limitations and time, space, and resource constraints; however, the set of hypotheses that I present (summarized in Table 2.3) do constitute something akin to a "road map" for researchers who study the domestic and international political economy of reform and want to better understand the logic of social network analysis and some of its observable implications. All of these additional hypotheses rest on one basic proposition: that "network brokers"—individuals who bridge two otherwise unconnected networks or network clusters—possess disproportionate policy influence and are best positioned to help their governments effectively utilize external financial incentives and moral suasion tools in the service of domestic policy objectives.

To illustrate my core argument about the outsized influence of change managers and change management teams with high levels of autonomy and low-to-moderate levels of embeddedness, consider economic policy in post-2002 Syria. Most analysts agree that Abdullah Al-Dardari, the Head of the State Planning Commission from 2003 to 2003 and Deputy Prime Minister of Economic Affairs from 2005 to 2011, was the chief architect of the

government's economic reform agenda and point person for the design, coordination, and implementation of policy and institutional changes that increased private sector competition and limited state involvement in the economy (Corbin 2006; Hamad 2010; Kenner 2010). Al-Dardari also assumed the role of leading advocate for signing a Stabilization and Association Agreement (SSA) with the European Union, which would have provided Syria with generous financial rewards and trade incentives in exchange for domestic economic reforms (Kenner 2010). Some analysts suggest that Al-Dardari was the only technocrat in Syria who possessed the credibility, political independence, and executive authority necessary to mobilize external resources and undertake status-quo-challenging reforms (Slater 2010). This assertion is probably overstated, but it begs the deeper question of why some individual policymakers possess disproportionate policy influence. The reform mongering literature offers one explanation. It proposes that highly effective reformers need to possess substantial autonomy from domestic political influences and unflinching support from the chief executive. Al-Dardari certainly exhibited both of these characteristics. He enjoyed substantial autonomy by virtue of his strong ties to transnational professional and educational networks and his decision not to join the Ba'ath Party (Corbin 2006; Kenner 2010).

Yet it would be misleading to explain Al-Dardari's "exceptional agency" only in terms of his executive authority and autonomy from domestic political influences. Social network analysis (SNA) may provide another important piece of the puzzle. SNA suggests that a position at the interstices of two or more networks gives an individual disproportionate social power—that is, an exceptional ability to alter attitudes, behaviors, interests, and identities (Marsden 1982; Gould and Fernández 1989; Diani 2003; Goddard 2009; Hafner-Burton et al. 2009; Christopoulos and Quaglia 2009; Christopoulos forthcoming; Ingold and Varone 2012). Individuals who connect otherwise unconnected groups are also uniquely capable of developing novel ideas and identifying new opportunities because their network position gives them more "options to select through and synthesize" (Burt 2004: 350).

Al-Dardari exhibited the key attribute of a network broker: he straddled two otherwise unconnected networks. On one hand, he studied economics and international relations at the University of Southern California, the University of Richmond, and the London School of Economics and worked for the Arab Monetary Fund and UNDP, which made him a credible "bridge" to Western governments and international organizations (Corbin 2006). On the other hand, he had some ties to domestic political networks of authority and legitimacy. He was a



trusted adviser of President Assad and worked alongside a wide variety of Syrian government officials as the UNDP's National Director in Syria from 1997 to 2002 and Assistant UNDP Resident Representative from 2003 to 2005 (Briscoe et al. 2012; The Daily Middle East Report 2010). In 2006, the US Embassy in 2006 sent a cable dispatch to Washington, noting that Al-Dardari had exhibited impressive "bureaucratic infighting skills" (Corbin 2006).<sup>40</sup>

My central argument is that brokers—or teams that possess network brokerage characteristics—enable developing country governments to (a) secure reform agreements with IOs and donor agencies, and (b) design context-specific and politically-realistic reforms that have a better chance of successful adoption and implementation. A theory of network brokerage improves our understanding of "how policy and institutional change happens" in two respects. First, while we know that reform is the rule rather than the exception in many developing countries, leading political economy approaches continue to privilege structural explanations that treat individual actors as automatons. Second, while scholars from the reform mongering tradition acknowledge that not all technocrats design and implement reforms with equal dispatch, the underlying sources of effective political entrepreneurship remain poorly understood. I propose that social network analysis (SNA) can help us better understand the phenomenon of "exceptional agency" in developing countries and the conditions under which this agency is effectively employed in the service of domestic reform objectives.

The reform mongering literature has surprisingly little to say about where "reform teams" and "visionary leaders" originate and how they accumulate and exercise power and influence. The literature essentially embraces U.S. Supreme Court Justice Potter Stewart's pornography standard: we know reform teams and visionary leaders when we see them. But the tautology in this argument is deeply problematic: a theoretical explanation is of questionable value if it is only capable of identifying reform teams and visionary leaders *after* they have successfully implemented major policy or institutional change (Goddard 2009).

My objective in this chapter is to introduce a network-based theoretical approach that can help us better understand the underlying determinants of political agency and

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<sup>40</sup> Al-Dardari's family also has experience navigating domestic political economy constraints and opportunities in Syria. His father served as an adviser to Bashar Assad's father, Hafez al-Assad (Francis 2011).

entrepreneurship. I do not offer a fundamentally different account of how agency is employed to initiate, implement, and sustain reforms. Instead, I propose that we need to synthesize and systematize a set of existing arguments into a single, coherent, analytical framework. SNA provides such a framework. It generates a set of consistent theoretical predictions about network brokerage that can be systematically evaluated with empirical evidence.

This rest of this chapter is divided into 4 sections. Section 1 explains how networks (increasingly) shape processes and outcomes in international politics. Section 2 provides readers with a brief overview of SNA and its relevance to IR scholarship. Section 3 introduces the concept of network brokerage and derives a set of falsifiable hypotheses about the ways in which networks influence the content, timing, duration, and sustainability of reform efforts in developing countries. Section 4 concludes.

## 2.1 Understanding The Role of Networks in World Politics

Realism, rational choice institutionalism, and constructivism have enriched our understanding of the conditions under which developing countries respond to external reform pressures (Nolan 1997; Chwieroth 2007; Krasner 2009a). However, in this chapter, I argue that existing theoretical approaches also suffer from an ontological bias: realism, rational choice institutionalism, and constructivism focus on the ascriptive and behavioral characteristics of actors, but largely ignore the relationships *between* these actors. Realism emphasizes material capabilities, which grant strong states coercive influence over weak states. Rational choice institutionalism focuses on interest alignment between developed countries and developing countries, and the willingness and ability of states and international organizations to honor conditionality contracts. Constructivist scholars stress the ways in which international, transnational, and domestic actors use interpretation, communication, persuasion, and socialization to challenge—or build support for—an idea or norm.

Network analysis differs from these approaches in an important way. Whereas most IR theories focus on the beliefs, interests, capabilities, and behaviors of individual actors, social network analysis calls attention to the relationships *between* actors in the international system (Kahler 2009; Hafner-Burton et al. 2009).<sup>41</sup> Social network analysis emphasizes that actors—

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<sup>41</sup> Statistical tools, such as STATA and SAS, have cemented this understanding of world politics by identifying states and other independent, self-contained actors as the relevant objects of analysis.

whether they are states, IOs, corporations, or individuals—are not analytically isolated from each other; they are embedded in social relationships. And an actor's network position can either strengthen or weaken her social power and her ability to exercise agency. Therefore, I argue that network analysis can enhance our understanding of the determinants of effective political agency and entrepreneurship.

Networks are a defining feature of international politics, yet they remain under-studied and poorly-understood (Slaughter 2004; Kahler 2009). States choose to cultivate diplomatic ties and strategic alliances with some actors, but not others, creating a set of dense, overlapping social relationship structures (Maoz 2001; Goddard 2009). States purposefully and inadvertently build social networks through common memberships in inter-governmental organizations and inter-state agreements (Hafner-Burton and Montgomery 2006). States also increasingly rely on informal network-like institutions—that lack formal charters, legal authorities, and organizational capacities—to share information, negotiate agreements, and solve global problems (Gstöhl 2007).<sup>42</sup>

Kahler (2009), Martinez-Diaz and Woods (2009), and Slaughter (2004) argue that transnational networks are changing the very nature of global governance. States have traditionally relied upon treaties and supranational delegation to resolve difficult collective action problems, but these types of formal inter-governmental institutions suffer from several shortcomings: high sovereignty costs, enforcement problems, and difficulty adjusting and responding to new circumstances. Transnational networks, on the other hand, impose low sovereignty costs and often provide flexible solutions to complex, rapidly evolving problems (Slaughter 2004). Risse (2000: 15) notes that "[n]on-hierarchical and networklike international institutions characterized by a high density of mostly informal interactions" discourage interest-based bargaining and more effectively facilitate "reasoned consensus" through logic, evidence, and argumentation. In this regard, networks may facilitate "deeper" forms of international cooperation that do not require strong enforcement mechanisms.

At the same time, transnational networks have important limitations. Membership is generally informal, making it difficult to "lock-in" policy commitments (Kahler 2009).

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<sup>42</sup> Consider for example the Group of Eight (G8), the Group of Twenty (G20), the Major Economies Forum on Energy and Climate (MEF).

Networks lack many of the institutional protections found in formal inter-governmental agreements and supranational organizations, potentially rendering weak states more vulnerable to strong state pressure (Martinez-Diaz and Woods 2009). Insular networks that value ideological conformity can also have a dangerous "echo chamber" effect, blinding decision makers to some of their policy options (Sunstein 2002). Networks can also increase bargaining costs and potential for conflict (Sikkink 2009). Finally, if states value policy consistency, international organizations are generally more reliable than transnational networks (Eilstrup-Sangiovanni 2009).

## **2.2 What is Social Network Analysis (SNA) and Why Should IR Scholars Care?**

Despite frequent use of networks as a conceptual metaphor or heuristic device, few IR scholars have seriously engaged network theory or the empirical tools of SNA.<sup>43</sup> Yet, SNA provides important theoretical insights and empirical methods that can enrich our understanding of world politics. The origins of network theory lie in sociology, anthropology, and psychology (Freeman 2004). Foundational texts include Comte (1853), Durkheim (1893), Simmel (1908/1971), Moreno (1934), Granovetter (1985), and Wellman (1988). The underlying premise of network theory is that social phenomena are not adequately explained by individual actor attributes. The ties between actors are also assumed to shape social outcomes. As Knoke and Kuklinski (1982: 13) put it, "the structure of relations among actors and the location of individual actors in the network have important behavioral, perceptual, and attitudinal consequences for both the individual units and for the system as a whole."

The fundamental building blocks of SNA are simple and intuitive. Social networks consist of nodes and ties (Carrington et al. 2005). Nodes are the actors within networks. Ties are the relationships between the actors. States, for example, possess diplomatic, military, financial, and ideological ties with other international actors. Individuals possess ethnic, religious, racial, educational, ideological, political, and professional ties with other individuals and organizations. The intensity of a given relationship is called tie strength. A variety of "contagions" can flow through network ties, including ideas, emotions, policy positions, and money.

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<sup>43</sup> Notable exceptions include Hafner-Burton et al. 2009; Kahler et al. 2009; Goddard 2009; and Carpenter 2011.

A core postulate of SNA is that an actor's "network position" determines which ideas, opportunities, and resources are available to it. Specifically, the more *central* an actor is in a network, the more social power she commands. This proposition—that network centrality closely corresponds with social power—has broad implications for the study of international politics. Traditional IR theories emphasize political and economic dependence as important sources of power and bargaining leverage. But network analysis calls our attention to a different source of power. Actors with high levels of network centrality have a unique ability to facilitate or deny access to information, opportunities, and resources. A central network position endows actors with social power, or the ability to alter attitudes, behaviors, interests, and identities (Hafner-Burton et al. 2009).

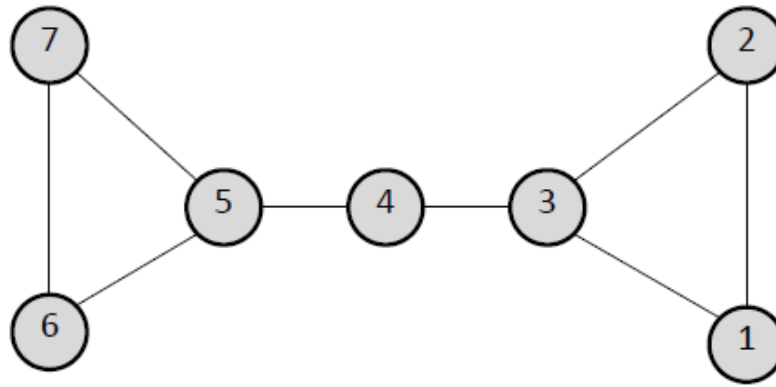
Network centrality can be defined and measured in several different ways (Carrington et al. 2005; Jackson 2008). *Degree centrality* is the sum of an actor's ties with every other actor in the network, while *closeness centrality* is the sum of the path lengths (i.e. distance) between a given actor and every other actor in the network. I focus in this chapter on *betweenness centrality*—that is, the extent to which a network depends on a particular node (or set of nodes) for its connectedness.<sup>44</sup> Figure 2.1 illustrates the basic concept of betweenness centrality.<sup>45</sup> Nodes 3, 4, and 5 possess high levels of betweenness centrality in this network because they bridge two otherwise unconnected clusters. If there was no tie between Nodes 4 and 5 (or Nodes 3 and 4), there would be a "structural hole" in the network (Burt 2004). Node 4 possesses the highest level of betweenness centrality because, in its absence, neither Node 3 nor Node 5 could bridge the two unconnected network clusters. Therefore, by virtue of their location at the interstices of network clusters (or multiple networks), brokers create a shortcut and reduce the average path length for a network (or multiple networks). This unique position endows brokers with disproportionate social power and bargaining leverage (Carrington et al. 2005; Hafner-Burton et al. 2009; Goddard 2009; Westerwinter 2011).

### Figure 2.1: Illustration of Betweenness Centrality

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<sup>44</sup> Other measures, such as eigenvector centrality, flow betweenness centrality, and information centrality, combine the number of connections, the strength of ties, and/or path length (distance) between actors.

<sup>45</sup> This is a reproduction of Figure 2.13 in Jackson (2008).



In the next section of this paper, I argue that SNA sheds important light on the conditions under which technocratic change management teams—and brokers within these teams—effectively marshal external financial incentives and moral suasion tools in the service of domestic policy objectives. I propose that the likelihood, timing, and content of reform depends on the *composition* of a government’s change management team and the *structure* of its network ties. In particular, I propose that the existence of "bridges" or "weak ties" between members of the change management team and domestic sources of authority and legitimacy is a key determinant of whether externally-inspired reforms get successfully adopted and implemented. Political economy scholars have alluded to some of these network attributes and/or provided ad-hoc explanations that employ networks as a metaphor or heuristic device. However, SNA provides a systematic way of evaluating the structure of the overlapping networks in which policymakers and change management teams are enmeshed. It also provides a basis for assessing whether, to what extent, and how network structure influences a policymaking team's ability to effectively utilize external reform pressures to advance domestic policy objectives.

In order to demonstrate the theoretical intuition and added value of SNA, I briefly discuss and visually illustrate the types of network relationships and structures that likely shape the influence of change management teams. I also identify seven specific network brokerage hypotheses that merit empirical examination. A summary of these hypotheses is provided in Table 2.3.

### 2.2.1 Tie Density and Ideational Cohesion Within Technocratic Reform Teams

Networks vary in terms of their size and density. Some are small, tight-knit, and homophilic; others are large, loosely-knit, and heterophilic. Each of these stylized network types has

advantages and disadvantages. Small, tight-knit, homophilic networks are generally characterized by high levels of trust, reciprocity, loyalty, and camaraderie (McPherson et al. 2001; Powell 1998). They tend to facilitate information sharing, teamwork, and "deep cooperation" (Slaughter 2004). Thus, as a general rule, the smaller and more cohesive the network, the higher the level of socialization, network norm compliance, and cooperation.

The description of technocratic reform teams that we find in the existing literature resembles that of a small, tight-knit network. In each of the successful cases of reform documented in Williamson (1994), the change management team was "coherently organized"; all members of the team shared a common set of causal beliefs about economic policy and normative policy priorities. Nelson (1990b: 347) concludes in her 17-country study of macroeconomic stabilization efforts that "the cases of clear failure all traced collapse in large part to deeply divided economic teams." Similarly, Chwioroth (2010: 504) argues that the "Berkeley Mafia," a tight-knit group of University of Indonesia (UI) economists who were appointed to key cabinet posts in New Order Indonesia, exerted outsized policy influence in part because they "shared a common diagnosis of the causes of Indonesia's [economic] deterioration and a belief that market reforms would remedy it." A key reason for this shared diagnosis was that many of the UI economists received their training at the same U.S. university (the University of California at Berkeley).

But team cohesion cuts both ways. It need not always lead to policy or institutional changes that challenge the status quo. Booth and Golooba-Mutebi (2009) conduct an in-depth political economy analysis of Uganda's roads sector and conclude that the existing network of policymakers is a major impediment to road sector reform efforts because its members have a vested interest in the deeply corrupt status quo.<sup>46</sup> They describe the staff of Uganda National Roads Authority (UNRA) as "a tight-knit group, with a dense network of affinities and loyalties arising from common schooling and many years of working together" (Booth and Golooba-Mutebi 2009: 16). They also report that the close ties that exist between UNRA staff and private construction firms and consulting engineers create "powerful pressures in favor of continuity of behavior and against enforcement of any new performance orientation" (Booth and Golooba-Mutebi 2009: 16).

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<sup>46</sup> One could even argue that scholars should dispense with practice of characterizing elite policymaking teams as "reform teams."



Therefore, the *nature* of the ties that bind policymakers deserves attention. Scholars generally agree that transnational professional, educational, and ideological ties will encourage new ideas and policies that challenge the status quo (an issue I address at greater length in the next section). There is also some research that suggests a dense set of ethnic, kinship, inter-marriage, religious, and *domestic* professional and educational ties will have the opposite effect, promoting an insular policymaking environment that discourages status-quo-threatening ideas.<sup>47</sup> However, it is not clear that strong domestic network ties create a status quo bias under all circumstances.<sup>48</sup> Recall that Williamson (1994) found that the reform efforts of many governments faltered or failed because technocratic change management teams did not secure the buy-in of key domestic political actors. This finding implies that some degree of social and political “embeddedness,” which provides access to domestic political actors and networks, can facilitate rather than frustrate reform. Theory does not suggest a precise formulation of this “Goldilocks hypothesis” —that is, how much embeddedness is “just right”. However, it does generally suggest that low-to-moderate levels of embeddedness will facilitate communication, negotiation, and compromise with domestic political actors without resulting in a reversion to the status quo.<sup>49</sup>

Figures 2.2-2.5 provide a set of stylized policymaking team structures that highlight the varying structures and levels of cohesion that may exist between among five leading decision-makers in a developing country government: the Prime Minister, the Minister of Finance, the Minister of Planning, the Minister of Education, and the Ministry of Health.<sup>50</sup>

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<sup>47</sup> Booth and Golooba-Mutebi (2009) report that ties that exist between leading policymakers in Uganda's roads sector are not only based on common educational and professional backgrounds and experiences, but kinship and inter-marriage.

<sup>48</sup> For example, Evans (1992) reports that policymaking elites in Japan's Ministry of International Trade and Industry (MITI) successfully designed and implemented a series of structural reforms that fundamentally altered the country's economic development trajectory. He attributes the exceptional agency of MITI to the “[i]nternal networks, particularly the *gakubatsu*, or ties among classmates at the elite universities from which officials are recruited...” (Evans 1992: 153)

<sup>49</sup> Given that most policymakers in developing countries possess multiple, overlapping network affiliations and these ties likely exert countervailing and mutually-reinforcing effects, future research should consider how different network configurations might influence a policymaking team's capacity to undertake status quo-altering reform.

<sup>50</sup> Later in this study, I will develop measures of policymaking team cohesion across 118 developing countries over a seven year period (2004-2010) in order to examine the strength and nature of ties that exist between leading members of the cabinet. I recognize that change management teams exist at different levels of government. Sometimes they are organized as special units or offices within in particular government ministries or agencies,

Figure 2.5 is a "fully integrated" network: every minister has a direct tie to every other minister. Figure 2.2 is the most fragmented network: out of ten possible ties, only two direct ties exist. Figures 2.3 and 2.4 illustrate intermediate cases, where no member of the network has direct ties to every other member of the network. However, every member of the network does have at least one direct or indirect tie to every other member.

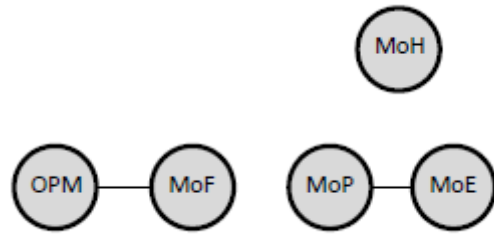
In order to understand the value of measuring and mapping the network ties within a policymaking team, consider the relationship between the Minister of Finance and Minister of Education in a hypothetical developing country. Scholars and practitioners generally characterize this relationship as inherently conflictual (Corrales 2006; Crouch 2005): the Minister of Finance is usually interested in reining in or improving the efficiency of public expenditure, while the Minister of Education typically seeks to increase education spending. Yet, in spite of these seemingly incompatible objectives, cooperation happens all the time (Grindle 2004a). Finance and education ministers commonly work towards common ends, which begs the question: under what conditions do ministers with competing policy objectives resolve their differences and realize mutually-beneficial gains? SNA provides a possible answer. The logic of network theory suggests that coherent decision-making and cooperation is most likely in the scenario represented by Figure 2.5 (where ministers are densely linked by common ties) and least likely in the scenario represented by Figure 2.2 (where ministers are part of a loose-knit network).<sup>51</sup> The logic of SNA also suggests that coherent decision-making and cooperation is more likely in Figure 2.4 than Figure 2.3. While there are no direct ties between the Minister of Finance and Minister of Education in either of these "intermediate" scenarios, there are more indirect channels of influence in Figure 2.4 than in Figure 2.3.

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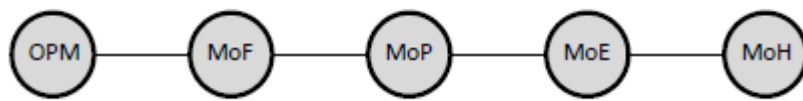
as was the case with Taiwan's Council on United States Aid (CUSA) during the 1950s and 1960s, Botswana's Economic Planning Unit during the 1960s and 1970s, Argentina's Ministry of Economy during the 1990s, and Georgia's Ministry of Reform Coordination during the first decade of the twenty-first century (Haggard and Zheng 2006; Criscuolo 2008). In other cases, change management teams are organized at the cabinet level—for example Nigeria's Presidential Economic Team during the Obasanjo administration, which consisted of the Minister of Finance, the Governor of the Central Bank, the Director of the Budget Office, the Minister of Education, the Executive Chairman of Nigeria's Economic and Financial Crimes Commission, and nearly a dozen other senior executive branch officials (El-Rufai 2009). These different types of teams play different roles in the change management process. Therefore, I will examine both types in Chapter 4.

<sup>51</sup> Although members of the same policymaking team who benefit from a set of strong and dense network ties have a better chance of resolving their differences and achieving positive-sum outcomes, the nature (e.g. transnational vs. domestic) of these ties will also influence policy outcomes.

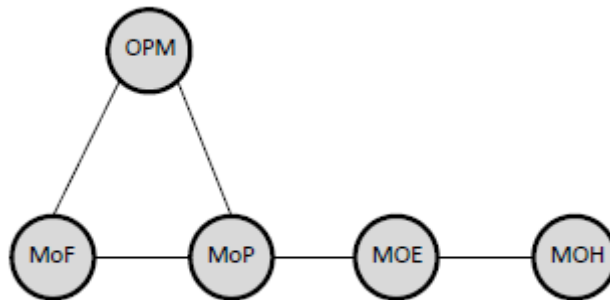
**Figure 2.2: Highly Fragmented Network of Senior Cabinet Officials**



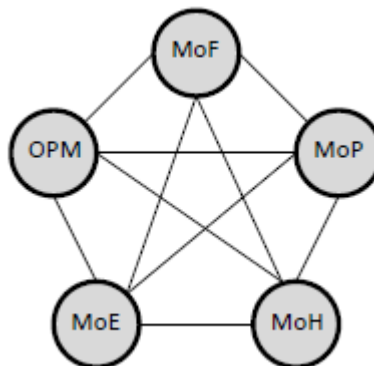
**Figure 2.3: Partially Integrated Network of Senior Cabinet Officials, Version 1**



**Figure 2.4: Partially Integrated Network of Senior Cabinet Officials, Version 2**



**Figure 2.5: Fully Integrated Network of Senior Cabinet Officials**



### *2.2.2 The Strength of Transnational Professional, Educational, and Ideological Ties*

In recent decades, we have witnessed explosive growth in the number, diversity, and reach of transnational professional networks (Martinez-Diaz and Woods 2009). Central bankers, financial regulators, judges, prosecutors, police chiefs, parliamentarians, statisticians, auditors, election commissioners, business and property registrars, anti-corruption officials, and environmental enforcement experts have all developed transnational professional networks. These networks vary in size, cohesion, structure, age, robustness, and exclusivity. Central bankers from developed and developing countries have formed tight-knit transnational networks in which members share a common set of causal and principled beliefs (Johnson 2008). Tax policy and administration officials have similarly "united around a policy agenda that is comprehensible, coherent, and convincing" (Bräutigam et al. 2008: 240). Magistrates and judges, on the other hand, have developed a transnational community of practice that coheres more loosely and requires less ideological conformity (Slaughter 2004). Anti-corruption officials have opted for large professional networks with low barriers to entry and smaller, elite networks that selectively screen and recruit participants.<sup>52</sup> In the area of public financial management, government officials have developed a set of overlapping regional networks, including the Collaborative Africa Budget Reform Initiative (CABRI), the Public Expenditure Management Peer-Assisted Learning Network (PEM PAL), the Central Eastern and South Eastern Europe Senior Budget Officials Network (CESEE), the Forum of Senior Budget Officers of Central AFRITAC Member States, and the Eastern and Southern African Association of Accountant Generals (Matheson 2009).

Transnational professional networks also come in formal and informal varieties. Table 2.2 provides a non-exhaustive list of formal transnational professional networks that exist in 10 policy domains. But there are also strong reasons to believe that informal professional networks play an equally, if not more, important role in international politics (Flores et al. 2013).<sup>53</sup> For example, IO staff members often develop strong ties with each other and with

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<sup>52</sup> The International Association of Anti-Corruption Agencies is an example of the former, while the newly-constituted Corruption Hunters Network is an example of the latter (Davis 2010).

<sup>53</sup> In a detailed account of his tenure as Under Secretary for International Affairs for the U.S. Treasury, John Taylor (2007: 91) describes how a tight-knit, informal network of current and former central bankers was quickly mobilized in 2002 to support Argentina during a period of economic crisis: "I called Arminio Fraga, the central bank governor of Brazil and a former student of mine at Princeton, to see if he could lend a hand. I also spoke to Guillermo Ortiz, the central bank governor of Mexico, who had been a student with me at Stanford

their country counterparts through shared experiences and common socialization processes. Kahler (1992), Weyland (2004), and Momani (2005b) argue that, in many cases, developing country technocrats actually share more in common with their IO colleagues than with their domestic peers. The strength of these informal network ties is confirmed by the frequency with which developing country technocrats return to their former employers (or other IOs) after completing periods of public service in their home countries.<sup>54</sup>

**Table 2.2: List of Transnational Professional Networks**

Functional Area	Network
Monetary Policy and Macroeconomic Management	<ul style="list-style-type: none"> <li>• The Group of 20 Finance Ministers and Central Bank Governors (G20)</li> <li>• Central Bank Governance Forum</li> <li>• The Association of African Central Banks (AACB)</li> <li>• The Latin American Network of Central Banks and Finance Ministries</li> <li>• Pacific Central Banks Working Group</li> <li>• Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)</li> <li>• Council of Governors of Arab Central Banks and Monetary Agencies (COG-ACBMA)</li> </ul>
Health	<ul style="list-style-type: none"> <li>• IADB Education and Human Resources Network</li> <li>• Health Metrics Network (HMN)</li> <li>• Health Evidence Network (HEN)</li> <li>• The Pacific Islands Mental Health Network (PIMHnet)</li> <li>• Global Occupational Health Network (GOHNET)</li> <li>• European Healthcare Fraud and Corruption Network (EHFCN)</li> <li>• The WHO Registry Network</li> <li>• The IAEA/WHO Network of Secondary Standards Dosimetry Laboratories (SSDL Network)</li> <li>• Global HIV/AIDS Initiatives Network</li> <li>• The Health Eight (H8)</li> </ul>

years ago. David Dodge and Carlos Masad, the central bank governors of Canada and Chile, respectively, agreed to help. In this way I put together a team of central bank governors from our hemisphere—all of whom conducted policy with a flexible exchange rate—to advise the Argentine Central Bank."

<sup>54</sup> Consider for example Sri Mulyani Indrawati, who served as Indonesia's Minister of Finance from 2005 to 2010. Prior to joining the Indonesian cabinet, she was as an Executive Director of the IMF, representing a bloc of 12 Southeast Asian countries. Shortly after completing her period of public service in the Yudhoyono administration, she was appointed the Managing Director of the World Bank (2010-present). Other recent examples include Ngozi Okonjo-Iweala (World Bank economist from 1989 to 2003; Minister of Finance in Nigeria from 2003-2006, and Managing Director of the World Bank from 2007 to present); Antoinette Sayeh (World Bank economist from 1988 to 2006, Liberia's Minister of Finance from 2006 to 2008, and Director of the IMF's African Department from 2008 to present); and Gilbert Houngbo (a senior staff member at UNDP from 1998 to 2008, Togo's Prime Minister from 2008 to 2013, and the ILO's Deputy Director General for Field Operations from 2013 to present).

	<ul style="list-style-type: none"> <li>• The International Health Partnership (IHP+)</li> </ul>
Education	<ul style="list-style-type: none"> <li>• High Level Group Meetings on Education For All (HLG5)</li> <li>• IADB Education and Human Resources Network</li> <li>• The Global Education Forum (GEF)</li> <li>• World Education Forum</li> <li>• UNESCO's Associated Schools Project Network (ASPnet)</li> <li>• The Asia-Pacific Quality Network (APQN)</li> <li>• The Arab Network for Quality Assurance in Higher Education (ANQAHE)</li> <li>• Central and Eastern European Network of Quality Assurance Agencies</li> <li>• European Association for Quality Assurance in Higher Education (ENQA)</li> <li>• International Network for Higher Education in Africa</li> <li>• Eurasian Quality Assurance Network (EAQAN)</li> <li>• Inter-American Organization for Higher Education</li> <li>• International Institute for Higher Education for Latin America and the Caribbean (IESALC)</li> <li>• International Network for Quality Assurance Agencies in Higher Education (INQAAHE)</li> <li>• Red Iberoamericana para la Acreditación de la Calidad de la Educación Superior (RIACES)</li> </ul>
Environmental Protection	<ul style="list-style-type: none"> <li>• The International Network for Environmental Compliance and Enforcement (INECE)</li> <li>• International Network for Water and Ecosystem in Paddy Fields (INWEPF)</li> <li>• The Group on Earth Observations Biodiversity Observation Network (GEO BON)</li> <li>• Global Legislators Organizations for a Balanced Environment (GLOBE)</li> <li>• Environment Network of IDB's Regional Policy Dialogue</li> <li>• International Association for Impact Assessment (IAIA)</li> <li>• The Emerging Markets Forum</li> <li>• The Major Economies Forum on Energy and Climate</li> <li>• The Asian Cities Climate Change Resilience Network</li> <li>• Regional Climate Change Adaptation Knowledge Platform for Asia</li> <li>• The World Water Organization (WWO)</li> <li>• The Asia Clean Energy Forum</li> </ul>
Rule of Law	<ul style="list-style-type: none"> <li>• The International Association of Prosecutors (IAP)</li> <li>• The International Association of Chiefs of Police (IACP)</li> <li>• Organization of Supreme Courts of the Americas</li> <li>• Network of Presidents of EU Supreme Courts</li> <li>• Global Judges Symposium</li> <li>• The International Commission of Jurists (ICJ)</li> <li>• The Commonwealth Magistrates and Judges Association</li> <li>• The International Hague Network of Judges</li> <li>• Third World Summit of Prosecutors General, Attorneys General</li> </ul>

	<p>and Chief Prosecutors</p> <ul style="list-style-type: none"> <li>• Ibero-American Association of Prosecutor's Offices</li> <li>• Members of the Ibero-American Legal Assistance Network (IberRed)</li> <li>• Law Association for Asia and the Pacific (LAWASIA)</li> <li>• International Law Association (ILA)</li> </ul>
Human Rights	<ul style="list-style-type: none"> <li>• International Ombudsman Association</li> <li>• Asian Ombudsman Organization</li> <li>• Network of National Human Rights Institutions</li> <li>• Asia Pacific Forum (APF) of National Human Rights Institutions</li> <li>• Ibero American Federation of the Ombudsman (FIO)</li> <li>• OmbudsNet (Sistema Integrado de Información y Comunicación para las oficinas de Ombudsman en América Latina y el Caribe)</li> <li>• La Red de Instituciones Nacionales para la Promoción y Protección de los Derechos Humanos del Continente Americano (Rindhca)</li> <li>• The European Coordinating Committee of National Human Rights Institutions</li> <li>• L'Association des Ombudsmans et Médiateurs de la Francophonie (AOMF)</li> </ul>
Elections Administration and Oversight	<ul style="list-style-type: none"> <li>• Global Network of Domestic Election Monitors (GNDEM)</li> <li>• Pacific Islands, Australia and New Zealand Electoral Administrators (PIANZEA) Network</li> <li>• Latin American Council of Electoral Experts (CEELA)</li> <li>• Association of European Election Officials</li> <li>• Association of Asian Election Authorities (AAEA)</li> <li>• The Association of European Election Officials (ACEEEO)</li> <li>• Association of Caribbean Electoral Organizations (ACEO)</li> <li>• Association of African Election Authorities (AAEA)</li> </ul>
Anti-Corruption and Transparency	<ul style="list-style-type: none"> <li>• International Association of Anti-Corruption Agencies (IAACA)</li> <li>• The Corruption Hunters Network</li> <li>• East African Association of Anti Corruption Authorities (EAAACA)</li> <li>• ADB/OECD Anti-Corruption Initiative for Asia and the Pacific</li> <li>• Council of Europe Group of States Against Corruption (GRECO)</li> <li>• Research Network of Anti-Corruption Agencies (ANCORAGENE-NET)</li> <li>• OECD Anti-Corruption Network for Transition Economies</li> <li>• Council of Europe Group of States Against Corruption</li> <li>• Association of South East Asian Nations (ASEAN) Anti-Corruption Agencies</li> <li>• IADB Public Policy and Transparency Network</li> <li>• Arab Anti-Corruption and Integrity Network (ACINET)</li> </ul>
Business Registration and Licensing	<ul style="list-style-type: none"> <li>• European Commerce Register's Forum (ECRF)</li> <li>• International Association of Commercial Administrators (IACA)</li> <li>• The Ad Hoc Group of Directors and Experts of Better Regulation (DEBR)</li> <li>• European Network for Better Regulation (ENBR)</li> </ul>



Financial Regulation and Anti-Money Laundering	<ul style="list-style-type: none"> <li>• The World Bank/IFC Doing Business Reformers' Club</li> <li>• Financial Crimes Enforcement Network (FinCEN)</li> <li>• Egmont Group of Financial Intelligence Units</li> <li>• The Basel Committee on Banking Supervision</li> <li>• The Task Force on Financial Integrity and Economic Development</li> <li>• The International Organization of Securities Commissioners (IOSCO)</li> <li>• Eastern and Southern African Anti-Money Laundering Group (ESAAM)</li> <li>• Asia/Pacific Group on Money Laundering (APG)</li> <li>• International Association of Law Enforcement Intelligence Analysts (IALEIA)</li> </ul>
Source: Compiled by Author	

Policymakers who participate in transnational professional networks derive various benefits from network membership. They acquire new ideas and tacit knowledge that is not easily codified (Sikkink 2009). They develop relationships with other network members who can provide material resources, such as money, training, technical assistance, or employment after government service (Grindle 2004a; Raustiala 2002). They gain access to a forum in which they can coordinate their behavior and resolve collective action problems (Slaughter 2004). Some types of transnational professional networks can even protect their members from domestic opponents by performing a "fire alarm" function and extending members' political time horizons. Finally, participation in transnational professional networks can exert influence in more subtle ways—i.e. by shaping the identities and allegiances of public officials, influencing the way government leaders form causal and principled beliefs, and (re)defining policy priorities and objectives (Checkel 2001; Finnemore and Sikkink 1998).<sup>55</sup>

Public officials also access ideas, resources, and opportunities through educational and ideological networks that cut across national boundaries (Schueth 2011; Owen 2010; Taylor 2007; Weyland 2004; Nye 2009; ESI 2010; Atkinson 2010). Consider for example Harvard University's Edward S. Mason Mid-Career Master in Public Administration program, which screens applicants based on their demonstrated ability to "initiate and to implement major political, social and economic change." This program has educated roughly 2,000 world

<sup>55</sup> According to Finnemore and Sikkink (1998: 905), professional networks "serve as powerful and pervasive agents working to internalize norms among their members" and network membership "does more than simply transfer technical knowledge; it actively socializes people to value certain things above others."

leaders since 1958 (Grindle and Thomas 1991; Harvard University 2010). Graduates include Ban Ki-moon (United Nations Secretary-General), Robert Zoellick (former President of the World Bank), Ellen Johnson-Sirleaf (President of Liberia), Elbegdorj Tsakhia (President of Mongolia), Felipe Calderon (former President of Mexico), Hsien Loong Lee (Prime Minister of Singapore), Donald Y. Tsang (former Chief Executive of Hong Kong), Frederick Sumaye (Tanzania's former Prime Minister), Jose Maria Figueres (former President of Costa Rica), Eduardo Rodríguez (former President of Bolivia), Nesreen Al-Barwari (Iraq's former Minister of Municipalities and Public Works), Frank Chikane (former Director General of the Office of the President of South Africa), Božidar Đelić (former Minister of Finance of Serbia), and Nabel Makarim (Indonesia's former Minister of Environment). Graduates of the program have demonstrated that they are both mindful of the benefits that network membership confers and willing to leverage their network resources in pursuit of domestic policy objectives (MOPEA 2009; Powell 1998).<sup>56</sup>

However, the notion of a transnational educational (ideological) network is usually employed by scholars of international relations and comparative politics as a conceptual metaphor. Rather than seriously engaging SNA, the existing literature advances a set of ad-hoc explanations of network influence. Weyland (2004: 261), for example, notes that "[b]y studying at academic institutions in developed nations, Latin American specialists gain access to a much wider range of information than is available in their home countries. ... Attending U.S. universities also provides opportunities for establishing personal contacts with other experts, both from the First World and from Latin America. These networks can later serve for the transmission of ideas and experiences. All of these effects of educational experiences in the United States are evident among the most famous group of Latin Americans who took advantage of such opportunities in recent decades, namely the 'Chicago Boys', the tightly knit group of neoliberal economists trained at the University of Chicago who ran economic and social policy in Chile from 1975 to 1990." These types of ad-hoc explanations are tantalizing, but ultimately unsatisfying. I argue that, insofar as SNA is able

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<sup>56</sup> For example, Amara Konneh left his position as Deputy Chief of Staff in Liberia's Office of the Presidency in 2007 to pursue a graduate degree from Harvard's Kennedy School of Government through the Mason Program. (His political patron, Ellen Johnson-Sirleaf, participated in the very same program during the 1970s). After completing his degree in 2008, Johnson-Sirleaf appointed Konneh as Minister of Planning and Economic Affairs and one Konneh's first decisions as Minister was to mobilize a team of Harvard professors to develop a new growth and development strategy for Liberia (Radelet 2010; MOPEA 2009). Corazon Juliano-Soliman, the current Secretary of the Philippines' Department of Social Welfare and Development (DSWD) has also said that "sees the network of former Mason Fellows as a resource she can tap" (Powell 1998).

to provide a more systematic, detailed, and nuanced picture of these transnational network relationships and illuminate the effects of transnational networks in different country contexts, policy domains, and institutional settings, it may provide a solution.

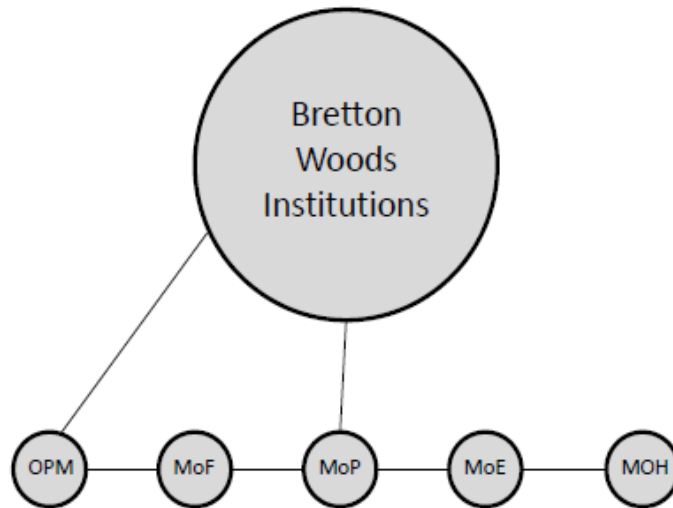
Returning to our stylized 5-member cabinet example, the logic of SNA implies that the more ties a domestic policymaking team has to transnational professional, ideological, and educational networks, the more likely the team will pursue policies that challenge the status quo. Secondly, as the number of ties to transnational professional, ideological, and educational networks expands, network theorists would expect the policymaking team to be more aggressive in employing external financial incentives and moral suasion tools to advance domestic reform objectives. Therefore, one would expect the probability of reform—and use of external reform pressures—to be highest in the scenario represented by Figure 2.8 and lowest in the scenario represented by Figure 2.6.<sup>57</sup> Figure 2.7 represents an intermediate scenario. One can also consider a set of conditional hypotheses based on the *structure* of the domestic policymaking team. For example, we might expect to observe a higher probability of reform—and more utilization of external reform pressures—in the Figure 2.9 scenario than in the Figure 2.8 scenario.<sup>58</sup>

**Figure 2.6: Partially Integrated Network of Senior Cabinet Officials With Some Ties to a Transnational Professional Network**

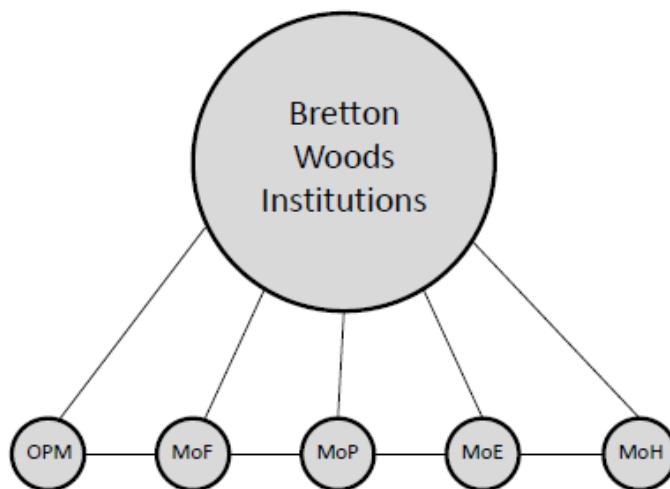
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<sup>57</sup> For the sake of simplicity, these figures assume that members of reform teams have access to—and are influenced by—two types of transnational networks: a network comprised of current and former staff members of the Bretton Woods institutions (i.e. the World Bank and IMF) and a network of policymakers who graduated from Western educational institutions.

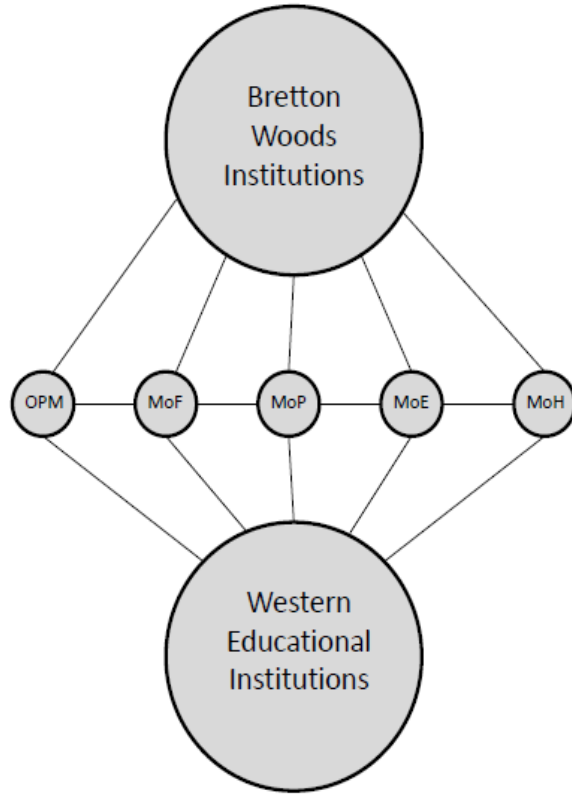
<sup>58</sup> Figure 2.9 represented a fully integrated domestic policymaking team (network) that is also fully integrated with two different types of transnational networks.



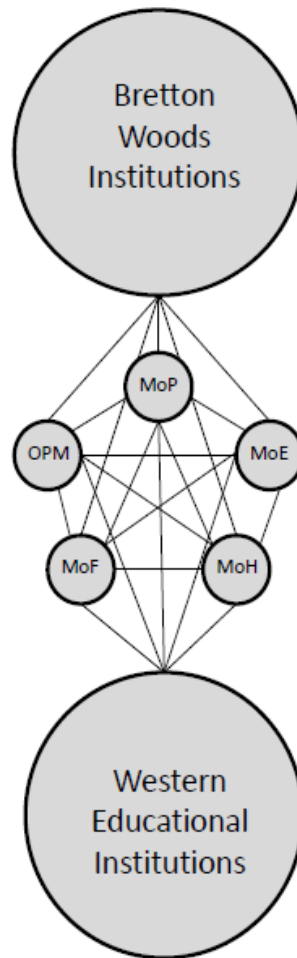
**Figure 2.7: Partially Integrated Network of Senior Cabinet Officials With Many Ties to a Transnational Professional Network**



**Figure 2.8: Partially Integrated Network of Senior Cabinet Officials With Many Ties to Transnational Professional and Educational Networks**



**Figure 2.9: Fully Integrated Network of Senior Cabinet Officials With Many Ties to Transnational Professional and Educational Networks**



### 2.3 Brokers, Bridges, and Ties to Domestic Systems of Authority and Legitimacy

Much of the reform mongering literature assumes that there is a monotonic relationship between the state's level of autonomy from domestic political and social pressures and the state's ability to formulate, execute, and institutionalize meaningful reform (Waterbury 1989; Nelson 1990b, 1993; Pastor and Wise 1992; Harberger 1993; Williamson 1994; Domínguez 1997; Teichman 1997; Van De Walle 2001). However, I argue that reforms initiated by technocrats with excessively high levels of autonomy—and low levels of embeddedness—are particularly vulnerable to errors of political judgment that impair the effective design of reform, and interruption, resistance, or reversal during reform implementation.

Readers will recall the network theory postulate that small, tight-knit networks promote the rapid transmission of information and resources, teamwork, cooperation, and resiliency to external shocks. However, the efficiency with which small, cohesive networks function can also be a source of weakness (Lake and Wong 2009; Easter 1996). Small, homophilic

networks are efficient in part because they *limit* access to alternative ideas and opportunities. By contrast, large, loose-knit networks broaden access to diverse informational and material resources. Granovetter (1973), famously coined the term "strength of weak ties," noting that weak ties often function as bridges from one network to another and enable individuals to access information and opportunities that would otherwise not exist. Yet, given the tradeoff between embeddedness in stable networks of trust and reciprocity (through strong ties) and access to a wider universe of nodes (through weak ties), SNA research suggests that the actors who possess disproportionate influence will generally be those with a combination of strong ties *and* weak ties. As Christakis and Fowler (2009: 162) put it, "[i]t is important to have a mix of strong and weak ties, and hitting the sweet spot is key."

Consistent with this line of reasoning, I argue that policymaking teams with strong and weak ties will enjoy the greatest success in initiating and implementing reforms. The risk of having mostly strong, dense ties to other members of one's team and transnational educational, professional, and ideological networks is that, while such groups are efficient at disseminating information and socializing members to network norms, they can also isolate government officials from domestic political actors and networks.<sup>59</sup> Such isolation can be counterproductive if it alienates veto players and potential reform opponents. Johnson (2008: 78-79, 82) reports that central bankers in postcommunist EU accession states "experienced intensive training, exposure to, and socialization with their EU counterparts" and joined a "cohesive transnational [professional] community," but soon after EU accession, these bankers "found themselves politically embattled and undermined because other domestic actors often did not share their policy priorities and did not always see the central banks as credible and trustworthy actors." Grindle (2004a) makes the same point with a *successful* case of reform implementation. She argues that the head of Bolivia's education reform taskforce, Amalia Anaya, managed to undertake sweeping policy and institutional changes because "her team created networks across government agencies and political parties" and "individuals who were part of the networks emerged at various points in important positions to promote the fortunes of the team and its initiative" (Grindle 2004a: 117).

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<sup>59</sup> Ngozi Okonjo-Iweala once remarked in an interview that "[w]hen I arrived [in Nigeria after 21 years of service at the World Bank] people said: 'Oh, she's an IMF/World Bank spy. She's smuggled herself in to deliver us to these people.'" (Vallely 2006).



It is also important to note that not all members of a change management team need to possess (weak or strong) ties to domestic political actors and networks. In fact, there are good reasons to believe that "less is more" in this context. As the number and the strength of ties between a change management team and domestic political actors increases beyond a certain minimum threshold, I expect that the team's ability to autonomously formulate and execute status-quo-altering-policy will decline.<sup>60</sup> Therefore, in principle, the optimal scenario—represented in Figure 2.10—is one in which the team retains most of its autonomy (by virtue of its strong transnational and intra-team ties), but also possesses some weak ties to domestic political networks and local sources of authority and legitimacy. Brokers can provide these crucial ties. They possess high levels of betweenness centrality—and, by extension, disproportionate policy influence—because they connect two otherwise unconnected groups (Tarrow 1977; Marsden 1982; Gould and Fernández 1989; McAdam et al. 2001; Diani 2003; Goddard 2009; Hafner-Burton et al. 2009; Christopoulos and Quaglia 2009; Christopoulos forthcoming; Ingold and Varone 2012). In the absence of individual brokers or change management teams with network brokerage characteristics, I propose that it is more difficult for developing country governments to (a) secure reform agreements with IOs and donor agencies, and (b) design context-specific and politically-realistic reforms that can be implemented and sustained.

In order to illustrate the role that brokers play in facilitating reform agreements between developed and developing countries, consider the role of the former Prime Minister of the Palestinian National Authority (PNA), Salam Fayyad. The U.S. and the E.U. have a longstanding interest in promoting security sector reform, economic stabilization, and efficient public service delivery in the Palestinian territories, but they have historically held few strong, direct ties to the domestic political establishment, which has diminished trust and limited opportunities for international cooperation (Thrall 2010). Salam Fayyad's appointment in 2007 signaled a major turning point in relations with the West. Fayyad earned his Ph.D. in Economics from the University of Texas at Austin, worked for the World Bank between 1987 and 1995, became the IMF Resident Representative in the West Bank and

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<sup>60</sup> Corrales (2006: 127) emphasizes the difficulty of this balancing act, noting that "inclusion is costly, and not only in terms of time and resources. To include and accommodate a key societal actor, reformers may also need to sacrifice certain policy goals. Furthermore, insistence on societal inclusion can be lethal to a reform—some groups may remain resolutely opposed to change and use inclusion as a way to sabotage policy changes. The determination of an appropriate balance of compromises in policy and social inclusion is a challenge for both scholars and practitioners."

Gaza Strip from 1996 to 2001, and prior to his appointment as Prime Minister in 2007, served as Finance Minister of the Palestinian National Authority (PNA) from June 2002 to December 2005.<sup>61</sup> Danny Ayalon, a former Israeli Ambassador to the U.S. reports that Fayyad "is the Palestinian figure with the most prestige in the West; they consider him to be someone who can speak their language. The unlimited credit he has earned from the Americans is what gives him his power" (Ravid 2007).

Fayyad's international credibility—resulting his strong ties to transnational professional and educational network and his decision not to join the ruling Fatah party—not only increased the willingness of IOs and donor agencies to provide financial support for PNA's reform efforts, but also increased the PNA's willingness to avail itself of external conditionality.<sup>62</sup> However, theory suggests that possession of strong transnational network ties is an insufficient condition for effective brokerage. Fayyad's effectiveness as a change manager demonstrates this point. He proved to be an effective broker because he also had ties to domestic political networks and domestic sources of authority and legitimacy—something that other Palestinian technocrats lacked (World Bank 2012a: 20).<sup>63</sup> In 2006, Fayyad was elected to the Palestinian Legislative Council (PLC) and served as Chairman of the Budget and Finance Committee, thus exposing him to the rough-and-tumble world of Palestinian domestic politics. A decade of PNA cabinet-level experience between 2002 and 2013 also gave Fayyad an opportunity to cultivate domestic political ties and refine his political skills. Krause (2012: 21) notes that during his second term as Finance Minister (2007-2013) Fayyad "was able to ... maintain the political balance among domestic political actors (some of whom had a strong vested interest in the status quo) and international donors to deliver an ambitious reform agenda." This observation reflects the fact that Fayyad possessed both technical competence *and* political acumen. To be sure, Fayyad did not possess strong ties to the

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<sup>61</sup> Kenner (2010) also points out that Fayyad "bonded with U.S. President George W. Bush over their shared University of Texas connections; Bush greeted Fayyad with the Texas Longhorn 'Hook 'em Horns' hand gesture upon his first visit to the Oval Office."

<sup>62</sup> Thrall (2010) notes that Fayaad's "reputation as a fiscally responsible and trustworthy manager ensures the steady supply of international aid on which the Palestinian economy depends."

<sup>63</sup> A 2012 World Bank report on public financial management reform notes that Fayyad "became not only the finance minister but also over time a central political figure (and prime minister) who has been in office for nearly a decade. This unusual combination of professional expertise, political skill, and longevity is seen as a crucial ingredient of West Bank and Gaza's relative success in achieving substantial progress on [public financial management] reforms in a challenging context" (World Bank 2012a: 20).

Palestinian political establishment (Bennet 2003), but this type of asymmetric tie strength is a common characteristic of brokers (Christakis and Fowler 2009).<sup>64</sup>

There are also reasons to believe that executive policymaking teams with members who straddle transnational networks and domestic political networks will *design reforms in ways that increase the likelihood of initial adoption*. Effective reform design requires an unusual combination of skills and resources. On one hand, reformers need to understand the experiences of other countries and possess credibility in the eyes of donor agencies and international financial institutions. On the other hand, an effective reformer must understand her country's own domestic political economy: which actors and institutions possess significant influence; which actors and institutions will most likely publicly support, tacitly endorse, silently sabotage, or openly undermine reform efforts; where the interests of various actors diverge; where opportunities for coalition-building exist; and how political opponents can be neutralized or co-opted. Effective reformers must therefore understand how to translate textbook models of policy and institutional change and "best practices" into context-specific and politically-realistic solutions.<sup>65</sup> Network theory suggests that brokers often possess exceptional wisdom, insight, and creativity. Burt (2004) proposes that actors who occupy a position at the interstices of two or more networks (i.e. brokers) are uniquely capable of developing novel ideas and identifying new opportunities because they have more "options to select through and synthesize" (Burt 2004: 350).

In order to bring the unique capacity of brokers to generate breakthrough ideas into sharper resolution, consider Abdullah Al-Dardari's role in post-2002 Syria. By all accounts, Al-Dardari believed that free market reforms would remedy many of Syria's economic woes (Kenner 2010). But he also understood that securing domestic buy-in for economic liberalization in his particular country context—where the ruling party continues to celebrate

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<sup>64</sup> Radelet (1988: 25, emphasis added), in their analysis of the Gambia's economic reform efforts during the 1980s, make a similar point about the key role that brokers play in the facilitation of reform agreements between developed and developing countries: [Minister of Finance and Trade] Sheriff Sisay was *probably the only one in the government* capable of successfully introducing and implementing the [Economic Recovery Program] or a similar program. His background, record, training, and relationship with the donors equipped him uniquely to head the effort, enabling him to gain the trust of the President, the public and the donors all at once."

<sup>65</sup> A recent evaluation of World Bank support for public sector reform programs between 1999 and 2006 concluded that "[t]he Bank's approach was too technocratic; it relied on small groups of interlocutors within core ministries and promoted one-size-fits-all [civil service and administrative] reform blueprints in diverse country settings" (IEG 2008b: 2).

the virtues of central planning—would be a delicate balancing act. He therefore chose to champion a new concept—that of the "social market economy"—with the potential to move the country beyond the seemingly irreconcilable objectives of a centrally-planned socialist economy and a market-based economy (Barnes-Dacey 2009). Whether this notion of a "social market economy" is meaningful, internally consistent, and sustainable in the long-term is a source of ongoing debate (Barnes-Dacey 2009). The important point is that Al-Dardari's skillful use of this organizing concept paved the way for the adoption of far-reaching economic reforms (Sottimano and Sevik 2008).

Amalia Anaya's role as head of Bolivia's Technical Support Team for Education Reform (ETARE) from 1992 to 1994 also helps illustrate *how* brokers design status-quo-changing reforms in ways that neutralize opposition and increase the likelihood of initial adoption. Despite inauspicious conditions for change, Anaya oversaw the design and implementation of a remarkable set of educational quality reforms during the 1990s. She did this by leveraging her World Bank and Inter-American Development Bank ties to gain access to ideational and material resources and by hiring "politically prominent individuals [to staff her reform design team] who could *establish a bridge* to political parties in the country" (Grindle 2004a: 97, emphasis added). According to a carefully-reconstructed account of the reform design phase, "those persuaded to join the team ...[included] Enrique Ipiña, former minister of education and member of MNR [an opposition political party], and Victor Hugo Cárdenas, and educator, Aymara Indian, and leader of a small indigenous political party, the Revolutionary Tupac Katari Liberation Movement (MRTKL). ... [Anaya] also brought in Juan Carlos Pimentel, a union and party leader who represented the Free Bolivia (MBL) party, as a consultant to the team" (Grindle 2004a: 97).

I also propose that reforms adopted by a developing country government *have a better chance of being implemented and sustained* when a government's change management team possesses one or more network brokers. Most political economy scholars agree that, while designing and initiating reform is a challenge, implementation and institutionalization are far greater obstacles (Williamson 1994; Grindle 2004a). Without buy-in from key domestic political actors, even the most brilliantly conceived reforms can falter or fail during implementation. Therefore, the challenge for reformers is that they must be autonomous enough to design policies that challenge the status quo, but embedded enough in domestic systems of authority and legitimacy that the changes they advocate have a real chance of

being implemented and sustained. Case study research on public financial management reform in Palestine suggests that Salam Fayyad's network brokerage position endowed him with the situational awareness needed to successfully implement disruptive reforms (Nagarajan 2010; Krause 2012; Beschel Jr. and Ahern 2012). A 2012 World Bank study notes that "Fayyad adopted a flexible view to West Bank & Gaza's [public financial management] reforms, recognizing that he could not determine a priori the sequencing of reforms or expect to have control over the entire process. Fayyad describes his approach as being 'patient, deliberate, methodical, and opportunistic, looking for an opening here and there.' His approach was informed by a clear set of priorities, but utilized tactical flexibility in terms of the sequencing and timing of reforms" (Beschel Jr. and Ahern 2012: 62).<sup>66</sup>

Haggard (1994: 468) argues that whereas initial reform adoption may demand a relatively autonomous team of technocrats, reform implementation and consolidation requires "building of legislative and interest-group bases of support." Bresser Pereira et al. (1993: 210) echoes this point: "subjecting the reform strategy to the competitive interplay of political forces is superior on three essential grounds: it improves policy, it builds support for the continuation of reforms, and it helps consolidate democratic institutions."<sup>67</sup> However, neither Haggard (1994) nor Bresser Pereira et al. (1993) provide a compelling explanation of *how* developing country governments can implement this type of consensus-building and participatory decision-making approach, while remaining sufficiently autonomous to advocate meaningful changes to the status quo.

Evans (1992) offers an important clue. He proposes that effective implementation of structural reform requires "embedded autonomy," or "a concrete set of social ties which bind the state to society and provide institutionalized channels for the continual negotiation and renegotiations of goals and policies" (1992: 164). But, here again, the language of network

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<sup>66</sup> In an interview with a World Bank consultant, Fayyad explained that "The context in which you are operating has to be kept in mind all the time. It's not easy. You are working within a system of deeply entrenched habits—not good ones—so you basically have one of two choices. Either to come in and say, 'This is what I want to do. Either it's done, or I'm out'—which is what everyone was expecting, or maybe even banking on. Or, you could be opportunistic: do what you can, as soon as you can do it, wherever you can do it. I chose the latter way.... But, at all times have clarity as to what is important and what is not too important" (Beschel Jr. and Ahern 2012: 62). Jihad al Wazir, the Deputy Minister of Finance, also revealed in an interview that the timing of the domestic authorities' reform efforts was "heavily influenced by [domestic] political dynamics" (Beschel Jr. and Ahern 2012: 62).

<sup>67</sup> On the risks associated with overly-isolated technocratic reform teams, also see Haggard and Kaufman 1995, O'Donnell 1994, and Williams 2002

ties is being employed as a heuristic device. Evans' use of the term embedded autonomy also suffers from the same tautology discussed at the beginning of this chapter: we know embedded autonomy when we see it. Evans does not offer a concrete analytical framework for identifying the sources of embedded autonomy across space or time.

SNA provides a potential solution. The logic of network brokerage and betweenness centrality suggests that governments can square the circle of achieving status-quo-challenging *and* politically feasible reform by relying on teams that have access to both transnational professional, educational, and ideological networks and domestic political networks. Unlike the extreme cases of teams that have strong ties to domestic political networks and teams that remain totally isolated from domestic sources of authority and legitimacy, teams with network brokerage characteristics and capabilities should be in a much better position to negotiate with veto players and reform opponents. SNA suggests that actors who bridge two or more groups that do not enjoy direct ties possess exceptional agency and negotiating power (Diani 2003; Christopoulos and Quaglia 2009; Christopoulos forthcoming).

Figure 2.10 illustrates the "optimal" relationship between executive policymaking teams and domestic political networks—that is, the most likely circumstance in which one would expect to see successful implementation of status-quo-challenging reforms.<sup>68</sup> Several brief examples may help clarify this aspect of brokerage. Argentina's Minister of Economy, Domingo Cavallo, exhibited many of the characteristics of an effective broker during the second half of the 1990s. Having received a Ph.D. in Economics from Harvard University and defeated hyperinflation as a cabinet minister during President Menem's first term, Cavallo's technocratic credentials were nearly impeccable. However, research has shown that his spectacularly successful privatization project required that he cultivate and leverage weak ties to domestic political and economic elites. He "established links with political parties and businesses, but was not beholden to them; he had ties, but not chains, to these groups, allowing him to elicit cooperation from them" (Corrales 2004: 4).<sup>69</sup> Jacoby (2000) uses

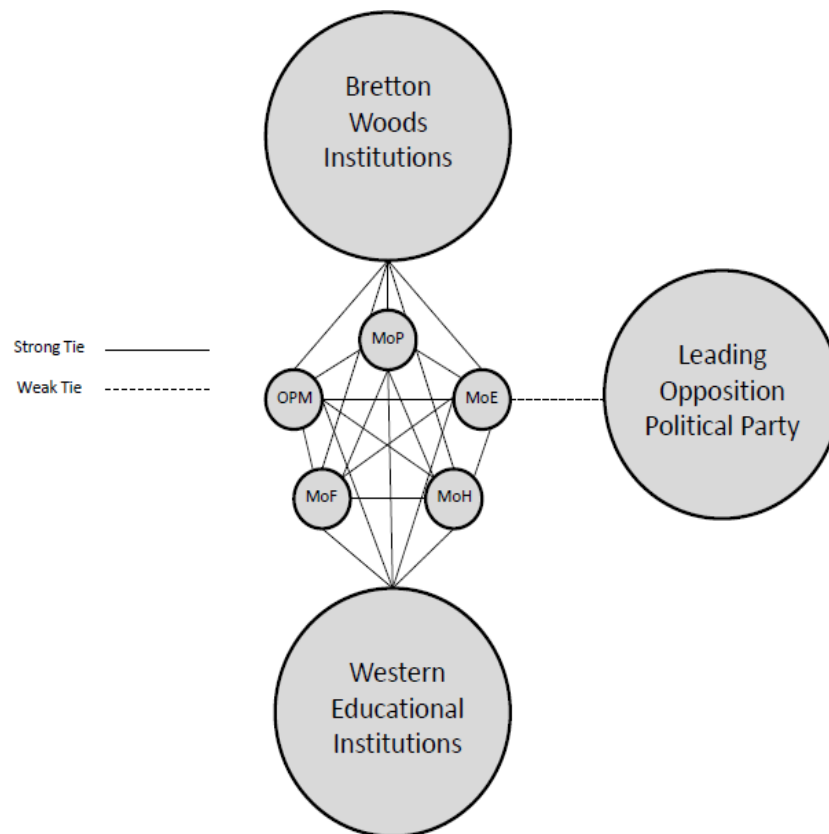
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<sup>68</sup> One can also restate this hypothesis in conditional terms. When the opposition is weak, fragment, or repressed, reform brokerage is most likely not very important. However, when opposition is robust, establishing a bridge is key.

<sup>69</sup> Williams (2002: 406, emphasis added) expands on this point, explaining that in order "to repair congressional/executive relations Cavallo abandoned [President] Menem's unilateral strategy and *brokered* a shared decision-making agreement that gave Congress veto rights over any subsequent divestment initiative.

Germany's bungled attempt to reform secondary education after the World War II to make the same fundamental point: domestic reformers ultimately achieved very little, despite broad public support, because they failed to enlist the support of political parties.

**Figure 2.10: Fully Integrated Network of Senior Cabinet Officials With Many Ties to Transnational Professional and Educational Networks and Weak Ties to the Political Opposition**



The start-stop nature of economic reform in Nigeria between 1999 and 2011 also highlights the importance of having some ties to domestic political networks. With the benefit of hindsight, Naser El-Rufai, a Harvard-educated member of the cabinet during the Olusegun Obasanjo administration, has said that "we should have had, not a Presidential Economic Team, but a Political and Economic Reform Team. This would have converted the technocrats into the political mainstream and enabled them to be better prepared [to] obtain the buy-in of the political elite" (El-Rufai 2009). Finally, returning to our earlier example of road sector reform in Uganda, Booth and Golooba-Mutebi (2009: 25) propose that

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Through laborious consultations he nurtured that relationship by dispatching his closest advisors to meet with Congress (and especially skeptical Peronist legislators) on specific divestments and other reform proposals. By bringing Congress into the decision-making process the 'Cavallo arrangement' transformed an important opponent of change into a stakeholder in the reform process."



"facilitators, brokers or organizers of networks are the most valuable elements that ...[donors can provide] to the change process in the sector." Their description of the diverse requirements of effective brokerage underscores the difficulty of realizing the embedded autonomy ideal: "[A] pairing of an international with a local professional is most likely to meet the management and execution needs of a flexible, strategically opportunist, [aid] package.... On the one hand, only a carefully selected Ugandan national is likely to have the local knowledge and networking capacities necessary to carry out the core of the task. On the other hand, there will be occasions when it is essential to make use of the freedom of action that an international professional may enjoy on account of his/her lack of past or future involvement in local networks. A division of labor that maximizes the respective advantages of the two types of [individuals] will be the optimal arrangement" (Booth and Golooba-Mutebi 2009: 26).

In summary, SNA can help us understand the causes of embedded autonomy and the determinants of effective political entrepreneurship. The challenge is to systematically gather data that will provide meaningful tests of the hypotheses summarized in Table 2.3.

<b>Table 2.3: Summary of Network Brokerage and Betweenness Centrality Hypotheses</b>	
H1	The presence of a broker will correlate positively with a developing country's ability to secure reform agreements with IOs and donor agencies.
H2	Developing country governments with brokers will more aggressively utilize external financial incentives and moral suasion tools than developing country governments without brokers.
H3	Developing country government with brokers will design context-specific and politically-realistic reforms that have a better chance of initial adoption.
H4	Policymaking teams with high levels of internal cohesion (owing to common membership in transnational professional, educational, and ideological networks) will enjoy greater success in formulating and implementing reforms than teams that lack cohesion.
H5	As the ties between a policymaking team and transnational networks increase in number and strength, the probability of reform and the utilization of external financial incentives and moral suasion tools will increase.
H6	Policymaking teams with one or more "bridges" to the country's leading domestic political actors and networks will more effectively formulate, implement, and institutionalize reforms than teams lacking ties to local sources of authority and legitimacy.
H7	Brokers will exert more influence when the opposition is robust than when the opposition is weak, fragment, or repressed.

## 2.4 Conclusion

Network analysis stands apart from existing theoretical approaches in international relations. Unlike traditional theories like realism and liberalism, network analysis does not make substantive claims about the values, objectives, or preferences of actors. Instead, it makes claims about social life and social change processes. It also provides a framework for analyzing social interactions. In many ways, it is this flexibility that makes the tool of network analysis so powerful. IR (and comparative political economy) scholars of various theoretical orientations can use tools of network analysis, while employing their own substantive assumptions to define the values, objectives, and preferences of individual nodes.

In this chapter, I have argued that SNA offers a novel perspective on the sources and uses of political agency and entrepreneurship in international relations and comparative political economy. Previous research has demonstrated that individual policymakers often play a pivotal role in initiating and shepherding reforms to successful completion (Radelet 1988; Grindle and Thomas 1991; Harberger 1993). However, existing theoretical approaches provide very little insight into the agency that some policymakers and policymaking teams exercise. In this respect, SNA complements existing theoretical approaches because it helps explain *why* some policymakers and policymaking teams possess disproportionate influence and *how* these actors use their network positions to shape the process of policy and institutional reform. To the extent that network analysis can loosen IPE's grip on theoretical perspectives that privilege structural constraints, I believe it can significantly advance our understanding of how policy and institutional change happens in developing countries.

In addition to its theoretical value, SNA has substantive implications for international development policy. Scholars and practitioners often attribute instances of "partial reform" or "de jure reform" to the international community's preoccupation with international best practices and its unwillingness to accept "second-best" solutions (Grindle 2004b; Evans 2004; Rodrik 2005; Pritchett et al. 2010; Andrews 2009, 2010, 2013). But partial and de jure reforms are more common in some places than others and network brokerage may offer one explanation of why some countries manage to resist external pressures for conformity with "off-the-shelf" solutions. The logic of betweenness centrality implies that network brokers are uniquely positioned to push back on external actors who insist upon notional policies and best practices.

In Chapter 4, I will test several hypotheses summarized in Table 2.3. However, because of data limitations and time, space, and resource considerations, I do not directly test all—or even most—of these hypotheses. I have instead chosen to enumerate a relatively comprehensive set of testable hypotheses that follow from the theoretical logic of SNA. I have done so with an eye towards articulating a broader SNA research agenda for scholars who study external efforts to support domestic reform efforts in developing countries. Peter Evans' seminal study on "embedded autonomy" (Evans 1995) did not inspire much follow-on research or result in knowledge accumulation, and I hope to reverse this trend.

## Chapter 3: Measuring Developing Country Policy Responses to the MCA Eligibility Requirements

In Chapter 4, I use evidence from the annual competition among developing countries for MCA eligibility to test several network brokerage and betweenness centrality hypotheses alongside explanations inspired by realism, rational choice institutionalism, and constructivism. However, in order to do undertake this analysis, I must first introduce the dataset developed to measure how developing country governments have responded to the Millennium Challenge Account (MCA) eligibility requirements. This is my central objective in this chapter.

Through formal coding of thousands of archival documents, speeches, media reports, and country case studies, I constructed a first-of-its-kind dataset that measures the policy responses and non-responses of 118 developing countries between 2004 and 2010. Among other things, this dataset measure executive interest in the merit-based aid scheme; steps taken by the domestic authorities to empower technical teams with authority to address policy issues related to the MCA eligibility standards; and the timing, content, scope, and duration of reform activities that governments apparently undertook to achieve or maintain MCA eligibility.<sup>70</sup> The universe of countries in the dataset includes all potential recipients of MCA funding. Specifically, I include all countries that satisfy the per capita income requirement for consideration as a "candidate country," which is defined annually according to the parameters identified in the MCC's authorizing legislation.<sup>71</sup>

In order to build this dataset, I relied upon information gathered during my five years of "fieldwork" as a staff member of the MCC between 2005 and 2010. My responsibilities at the MCC included overseeing the annual country selection process, providing strategic guidance

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<sup>70</sup> See Appendix A for a full description of all of the variables included in this dataset.

<sup>71</sup> I include any country classified as a low income or lower-middle income economy at any point between 2004 and 2010 in my analysis. According to MCC's authorizing legislation, "candidate countries" must satisfy two conditions. They must (a) qualify as a "low income" or "lower-middle income" country, as defined by annual World Bank per capita Gross National Income (GNI) parameters, and (b) there must be no statutory prohibition preventing the U.S. from providing assistance to a country. However, I do not limit my universe of cases to "candidate countries." I also include low income and lower-middle income countries that are statutorily prohibited from receiving U.S. assistance. I take this approach because statutory prohibitions are reconsidered on an annual basis and they require a written and public justification. As such, blacklisted countries can effectively eliminate any legal obstacle that may stand in the way of accessing MCA funds.

to the Board of Directors on country eligibility issues, advising senior government officials from candidate, threshold, and compact countries interested in achieving or maintaining MCA eligibility, and systematically recording all instances in which the MCA eligibility criteria instigated discernible policy responses from developing country governments. By virtue of my position, I was able to access to extensive information about the policy decisions and actions taken by 118 developing country governments to address the MCA eligibility requirements.

However, to minimize any potential biases in the underlying sources of information used to build the dataset, I employed an independent research team to subsequently compile and code additional sources of country-specific and time-varying information about the level and nature of government interest in the MCA eligibility criteria; administrative steps taken to address the MCA eligibility criteria; the level of U.S. government (USG) engagement with counterpart country officials on MCA eligibility issues; the roles that various domestic political actors played to encourage or discourage government efforts to secure or maintain MCA eligibility; and the apparent influence of the MCA eligibility standards at various stages of the reform process (e.g. agenda-setting, design, adoption, and implementation). This information was gathered from thousands of international and domestic media reports; official statements and documentation from MCA candidate, threshold, and compact country governments; official statements and documentation from MCC, USAID, the U.S. Department of State, and non-USG donor agencies and international organizations; interviews, meetings, and correspondence between the author and senior developing country and USG officials; and case studies produced by independent researchers and non-governmental organizations.<sup>72</sup>

The vast majority of the information sources used to create this dataset exist in the public domain; however, some sources of information are derived from informal or confidential communication with policymakers and other experts who possess private information about the policy influence of the MCA eligibility standards (e.g. interviews, phone calls, and email

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<sup>72</sup> In order to isolate the universe of relevant media reports for the period of interest (2004-2010), I relied upon a daily "Google Alert" of articles referring to the "Millennium Challenge Corporation", "Millennium Challenge Account", "MCC", "MCA," or some variation thereof. This daily digest included media reports in English, Spanish, French, and Portuguese.

correspondence with heads of state and government). Therefore, I cannot directly cite or quote all of the sources of information used in this study.

As with any study that relies upon a diverse mix of official and unofficial sources, I cannot completely rule out the possibility of bias based on spatial or temporal variation in the availability of the underlying information used to code this dataset. However, the individuals who constructed this dataset rarely encountered significant information availability constraints. The primary challenge that they faced was collating, synthesizing, and chronologically assembling vast amounts of country-specific information in multiple languages. To facilitate the coding process, members of the research team first created 118 "country reports." These reports were constructed using a standardized template to ensure that the same types of information were gathered for each country. The country reports vary in length from 2-50 pages, depending on the government's level of interest in the MCA eligibility standards and the intensity of its engagement with MCC and other USG officials. Members of the research team then used the information contained in these country reports to systematically code each of the variables in Appendix A.

In principle, the quality of the underlying information used to code this dataset could also introduce sources of bias. However, in practice, members of research team reported that the information gathered from publicly available sources rarely contradicted the information gathered during my period of public service at the MCC. Information collected from publicly available sources generally overlapped with or enriched the information gathered during my "fieldwork" (2005-2010). In exceptional cases when official and unofficial sources of information provided conflicting accounts, coders were instructed to assign a missing value to the variable of interest. The codebook used to generate the data reported in this chapter is provided in Appendix A.

### **3.1 The Dependent Variable: MCA-Inspired Policy Responses**

In order to maximize the number of observations in this study, I divide each of the 118 country cases into 17 policy domains (King et al. 1994). There were 17 MCA eligibility indicators during the 2004-2010 period of study: Political Rights, Civil Liberties, Rule of Law, Control of Corruption, Government Effectiveness, Voice and Accountability, Health Expenditures, Primary Education Expenditures, Immunization Rates, Girls' Primary

Education Completion Rates, Natural Resource Management, Regulatory Quality, Business Start-Up, Land Rights and Access, Trade Policy, Inflation, and Fiscal Policy. I treat each of these indicators as representative of a separate policy domain. Secondly, for each country-policy domain (e.g. Malawi-Political Rights), I evaluate whether and to what extent the MCA eligibility criteria had any apparent influence on four distinct stages of the policymaking process: agenda-setting, reform design, reform adoption, and reform implementation. Finally, for each policymaking stage of each country-issue-domain, I measure the level of MCA influence on an annual basis from 2004 to 2010. This approach of dividing each of the country cases into 17 policy domains and disaggregating each country-policy domain into 7 time periods and 4 stages of policymaking influence yields more than 50,000 total observations (118 countries x 17 policy domains x 7 time periods x 4 stages of the policymaking process).

For the purposes of this chapter, I provide an issue-domain-invariant summary of my dependent variable. I report whether the MCA eligibility criteria had any discernible influence on a country's policymaking process at any point during the 7-year period of interest. Table 3.1 summarizes this binary measure for each of the four stages of the policymaking process: agenda-setting, reform design, reform adoption, and reform implementation. At a later stage in this chapter, when a series of plausibility probes are undertaken to identify hypotheses that merit further empirical scrutiny, I employ a 4-point dependent variable that combines these binary measures into a single index.

Table 3.1 demonstrates that the MCA eligibility requirements had a discernible influence on the *agenda-setting* stage of the policymaking process in 45 countries, or 38% of the MCC's "target population."<sup>73</sup> Several brief examples illustrate the nature of this influence. In June 2008, José Rafael Espada, the Vice President of Guatemala, stressed that the prospect of MCA eligibility helped ensure that anti-corruption and transparency reforms would remain high on the government's agenda, adding that "I keep the MCC scorecard on my desk and

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<sup>73</sup> This variable captures all instances in which the prospect of achieving or maintaining MCA eligibility either had the apparent effect of (a) motivating a government to make minor, modest, or substantial adjustments to its policy priorities, or (b) strengthening its resolve to pursue a set of policy objectives that had already been identified. See Appendix A for more details.



bring it to Cabinet meetings.”<sup>74</sup> Espada's Chief of Staff—who served as the Government of Guatemala’s MCA coordinator between 2008 and 2010—also noted that “we are using the 17 [MCA eligibility] indicators to drive the government” and “the [MCA] indicators are guiding the government’s policy agenda.”<sup>75</sup> In 2008, Liberian President Ellen Johnson-Sirleaf made a similar observation, explaining that the issue of MCA eligibility was the focus of a cabinet meeting: “I wanted the cabinet members to see where we failed. ... [I]f our courts system does not function right, we don’t pass the [MCC] indicator for the protection of rights; if our Commerce Ministry does not help businesses to get registered quickly, we don’t pass the [MCC] indicator for being able to promote business. So I want all Liberians to see what we ought to do so that we too can benefit significantly from [MCA funding]” (The Analyst 2008a).

**Table 3.1: MCA Influence by Country and Stage of Policymaking Process, 2004-2010**

<i>Country</i>	<i>Agenda-Setting</i>	<i>Reform Design</i>	<i>Reform Adoption</i>	<i>Reform Implementation</i>	<i>Total # of Stages of Influence</i>
Afghanistan	No	No	No	No	0
Albania	Yes	Yes	Yes	Yes	4
Algeria	No	No	No	No	0
Angola	No	No	No	No	0
Armenia	Yes	Yes	Yes	Yes	4
Azerbaijan	No	No	No	No	0
Bangladesh	Yes	Yes	Yes	Yes	4
Belarus	No	No	No	No	0
Belize	No	No	No	No	0
Benin	Yes	Yes	Yes	Yes	4
Bhutan	No	No	No	No	0
Bolivia	Yes	Yes	No	No	2
Bosnia and Herzegovina	No	No	No	No	0
Brazil	No	No	No	No	0
Bulgaria	No	No	No	No	0
Burkina Faso	Yes	Yes	Yes	Yes	4
Burma	No	No	No	No	0
Burundi	No	No	Yes	Yes	2
Cambodia	No	No	No	No	0
Cameroon	Yes	Yes	No	No	2
Cape Verde	Yes	Yes	Yes	Yes	4
Central African Republic	No	No	No	No	0
Chad	No	No	No	No	0
China	No	No	No	No	0

<sup>74</sup> Author's correspondence with a senior official in Guatemala's Vice Presidency, November 2008. In a December 2008 press conference at the Heritage Foundation, Espada also indicated that "my personal goal ...is to change the [MCA] indicators." (The Guatemala Times 2008). See also Heller (2009) and Brown et al. (2008).

<sup>75</sup> Author's correspondence with a senior official in Guatemala's Vice Presidency, November 2008.

Colombia	No	No	No	No	0
Comoros	No	No	No	No	0
Cote d'Ivoire	No	No	No	No	0
Cuba	No	No	No	No	0
Democratic Republic of Congo	No	No	No	No	0
Djibouti	Yes	Yes	Yes	Yes	4
Dominican Republic	Yes	Yes	Yes	Yes	4
Ecuador	No	No	No	No	0
Egypt	No	No	No	No	0
El Salvador	Yes	Yes	Yes	Yes	4
Equatorial Guinea	No	No	No	No	0
Eritrea	No	No	No	No	0
Ethiopia	No	No	No	No	0
Fiji	No	No	No	No	0
Gambia	No	No	No	No	0
Georgia	Yes	Yes	Yes	Yes	4
Ghana	Yes	Yes	Yes	Yes	4
Guatemala	Yes	Yes	Yes	Yes	4
Guinea	No	No	No	No	0
Guinea-Bissau	No	No	Yes	Yes	2
Guyana	Yes	Yes	Yes	Yes	4
Haiti	No	No	No	No	0
Honduras	Yes	Yes	Yes	Yes	4
India	No	No	No	No	0
Indonesia	Yes	Yes	Yes	Yes	4
Iran	No	No	No	No	0
Iraq	No	No	No	No	0
Jamaica	No	No	No	No	0
Jordan	Yes	Yes	Yes	Yes	4
Kazakhstan	No	No	No	No	0
Kenya	Yes	Yes	Yes	Yes	4
Kiribati	Yes	Yes	Yes	Yes	4
Kosovo	No	No	No	No	0
Kyrgyz Republic	Yes	Yes	Yes	Yes	4
Laos	No	No	No	No	0
Lesotho	No	No	No	No	0
Liberia	Yes	Yes	Yes	Yes	4
Macedonia	No	No	No	No	0
Madagascar	Yes	Yes	Yes	Yes	4
Malawi	Yes	Yes	Yes	Yes	4
Maldives	No	No	No	No	0
Mali	No	No	No	No	0
Marshall Islands	No	No	No	No	0
Mauritania	Yes	Yes	No	No	2
Micronesia	No	No	No	No	0
Moldova	Yes	Yes	Yes	No	3
Mongolia	No	No	No	No	0
Montenegro	No	No	No	No	0
Morocco	No	No	No	No	0
Mozambique	Yes	Yes	Yes	No	3
Namibia	Yes	Yes	Yes	No	3
Nepal	No	No	No	No	0
Nicaragua	Yes	No	No	No	1
Niger	Yes	Yes	Yes	Yes	4
Nigeria	No	No	No	No	0
North Korea	No	No	No	No	0

Pakistan	No	No	No	No	0
Papua New Guinea	Yes	No	No	No	1
Paraguay	Yes	Yes	Yes	Yes	4
Peru	Yes	Yes	Yes	Yes	4
Philippines	Yes	Yes	Yes	Yes	4
Republic of Congo	No	No	No	No	0
Romania	No	No	No	No	0
Rwanda	No	No	No	No	0
Samoa	No	No	No	No	0
Sao Tome and Principe	Yes	Yes	Yes	Yes	4
Senegal	Yes	Yes	Yes	Yes	4
Serbia	No	No	No	No	0
Sierra Leone	Yes	Yes	Yes	Yes	4
Solomon Islands	No	No	No	No	0
Somalia	No	No	No	No	0
Sri Lanka	No	No	No	No	0
Sudan	No	No	No	No	0
Suriname	No	No	No	No	0
Swaziland	No	No	No	No	0
Syria	No	No	No	No	0
Tajikistan	No	No	No	No	0
Tanzania	Yes	Yes	Yes	Yes	4
Thailand	No	No	No	No	0
Timor-Leste	Yes	Yes	Yes	No	3
Togo	No	No	No	No	0
Tonga	Yes	Yes	Yes	Yes	0
Tunisia	No	No	No	No	0
Turkey	No	No	No	No	0
Turkmenistan	No	No	No	No	0
Tuvalu	No	No	No	No	0
Uganda	Yes	Yes	Yes	Yes	4
Ukraine	Yes	Yes	Yes	Yes	4
Uzbekistan	No	No	No	No	0
Vanuatu	Yes	Yes	Yes	Yes	4
Vietnam	No	No	No	No	0
Yemen	Yes	Yes	Yes	Yes	4
Zambia	Yes	Yes	Yes	Yes	4
Zimbabwe	No	No	No	No	0
Notes:					

Beyond influencing a government's policy priorities, the prospect of securing MCA eligibility— or the perceived need to maintain MCA eligibility—can affect the way in which reforms are designed. For example, once a government has identified public procurement reform as a policy priority, it might decide to overhaul its procurement law, blacklist companies guilty of major procurement violations, monitor the income and assets of public procurement officials, or invite civil society organizations to oversee the bidding and award selection processes. Previous research demonstrates that decisions at this stage of the policymaking process are sometimes taken with an eye towards reaping material or reputational rewards from external sources (Grindle 2004a; IEG 2008a).

The findings reported in Table 3.1 provide evidence that the MCA eligibility requirements had apparent influence at the *design* stage of the reform process in 36% of the target population (43 countries). By way of illustration, consider the Government of El Salvador's (GOES) effort to overhaul its business registration process during the Antonio Saca administration (2004-2009). The GOES created a Policy Performance Monitoring Unit (UDII) in the Office of the President and charged it with designing, shepherding, and tracking reforms that would improve the government's performance on the MCA eligibility indicators.<sup>76</sup> The GOES also established a Presidential Commission for the Study of Reforms to the Commercial Code and tasked it with the design of interventions that would reduce the time, cost, and procedural complexity of business start-up regulations (Newton et al. 2007). The Commission and UDII worked together to ensure that their proposed changes would improve the country's performance on the MCC's "Business Start-Up" indicator (Qayumi 2009).<sup>77</sup>

Similarly, in 2006, the Government of Malawi acknowledged that "in a direct response to [the country's] poor ranking in the [World Bank's] 2006 Doing Business report, the [Ministry of Industry, Trade and Private Sector Development] launched five technical working groups ... on the five Doing Business indicators where, at the time, Malawi's performance was worst, and therefore offered the greatest scope for improvement. ... The groups' recommendations [were] divided into policy and administrative reforms that [did] not have resource implications ('quick wins'), and recommendations that require[d] longer term and more resource intensive activity." (MITPSD 2007) To highlight the level of priority the government assigned to these reform planning efforts, the authorities appealed to the MCA eligibility standards, noting that "the costs and time taken to start a business are two of the key indicators included under the US Millennium Challenge Account in assessing whether or not Malawi will be able to progress from 'threshold' to 'compact' status" (MITPSD 2007).<sup>78</sup>

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<sup>76</sup> Author's correspondence with a Senior Official in UDII, January 2006.

<sup>77</sup> In this particular case, influence was not limited to the reform design phase. The domestic authorities also "used access to the MCA as a reform rationale" to rally support for adoption and implementation of the proposed changes (World Bank 2007: 5).

<sup>78</sup> The MCC provides two types of funding: "Compact" assistance and "Threshold" assistance. By law, 90% of MCC funding must be directed to Compacts, which are five-year grant agreements that support long-term economic growth investments (e.g. roads, bridges, dams, property titling, financial sector development, health, and education). Roughly 10% of MCC funding supports Threshold programs, which provide smaller amounts of policy reform assistance to countries "on the threshold" of meeting the formal Compact eligibility requirements.

Of course, even the most cleverly designed reforms can be challenged, diluted, shelved, or thwarted. Therefore, I separately evaluate the apparent influence of the MCA eligibility standards on initial reform *adoption*. Table 3.1 suggests that the MCA eligibility requirements influenced the adoption of reforms in 42 countries. Qayumi (2009), who conducted field research on the influence of the MCA eligibility standards in El Salvador, provides a useful illustration of this type of policy influence: "[A]n official from the Ministry of Environment and Natural Resources (MARN) [pointed out] that whereas environmental reforms are typically subject to a slow and bureaucratic process due to slow interaction between many agencies, targeting MCC indicators made the process more efficient. An external committee combining the Technical Secretariat of the Presidency, Ministry of Agriculture, and National Registry Center helped [facilitate adoption of the] environmental reforms his ministry designed."

Finally, in light of the fact that initiated reforms are subject to varying levels of resistance during implementation, I assess whether and to what degree the MCA eligibility criteria had any influence on the authorities' efforts to *implement* reforms after initial adoption. Table 3.1 suggests that the MCA eligibility requirements had influence at this final stage of the policymaking process in 38 countries, or 32% of the target population. The Government of Vanuatu provides a useful example. After the Government of Vanuatu failed to meet the MCA eligibility criteria for the first time in Fiscal Year 2009, it tasked the Department of Strategic Policy, Planning and Aid Coordination (DSPPAC) in the Office of the Prime Minister with implementing reforms that would help the country improve its performance on the MCC scorecard. DSPPAC responded by integrating the MCA eligibility criteria into the country's national planning process (MCC 2011b). The domestic authorities in Vanuatu also undertook a range of reforms in 2010 that were guided by the MCA eligibility criteria, including the implementation of a free primary education policy and a campaign to vaccinate children against tuberculosis, whooping cough, polio, measles, and tetanus (Government of Vanuatu 2010; MCC 2011b).

### **3.2 The Correlates of Developing Country Interest in MCA-Related Reforms**

In the next section of this chapter, I provide a preliminary exploratory analysis of the relationship between my dependent variable and several potential explanatory variables.

Rather than conducting formal hypothesis tests, my objective in this chapter is to help readers understand some of the basic characteristics and correlates of the dependent variable in this study.<sup>79</sup> In Chapter 4, I will conduct a formal and systematic evaluation of competing and complementary hypotheses using logistic, rare event logistic, and three-level logistic random-intercept models.

### *3.2.1 Explanation #1: Size and Significance of the Reward*

Rationalist bargaining models suggest that a developing country government's cost-benefit calculation of whether or not to participate in a resources-for-reform swap will depend on its relative bargaining power (Vreeland 2003; Pop-Eleches 2009). Therefore, as an initial plausibility probe, I calculate the average financial size of an MCC Compact reward relative to the size of a developing country's economy.<sup>80</sup> This measure varies quite substantially, with the prospect of MCC Compact funding constituting 0.01% of China's GDP and 2387% of Tuvalu's GDP. Contrary to expectations, there is virtually no correlation between the financial significance of an MCC Compact and the likelihood that a country undertakes reform to achieve or maintain MCA eligibility.<sup>81</sup> In some countries where the financial significance of an MCC Compact was minimal—e.g. Indonesia (.09% of GDP) and the Philippines (.28% of GDP)—governments expressed a strong interest in MCA eligibility. Conversely, there are countries where an MCC Compact would have constituted an enormous financial reward—Bhutan (35% of GDP), Belize (29% of GDP), Eritrea (25% of GDP), and Central African Republic (22% of GDP)—but the authorities never expressed any level of interest in MCA eligibility. Therefore, it does not appear that my empirical puzzle cannot be easily resolved with a standard rationalist bargaining model.

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<sup>79</sup> In the remainder of this chapter, I use a country-year version of my dependent variable that measures whether there is evidence that a government adopted or implemented one or more reforms (across 17 policy domains) in response to the MCA eligibility criteria. In Chapter 4, I also employ dependent variables that measure (a) whether the MCA eligibility criteria had any apparent influence at any stage of a government's policymaking process, and (b) whether there is any evidence that a government implemented an MCA-inspired reform.

<sup>80</sup> The average Compact size between 2004 and 2010 was \$355.77 million. I gathered Gross Domestic Product from the World Bank's *World Development Indicators* dataset and used average GDP between 2004 and 2010 as the denominator.

<sup>81</sup> There is no statistically significant bivariate correlation between my dependent variable and the (logged) Gross Domestic Product (GDP) of MCA candidate countries. Given that the numerator (\$355.77 million) in the "average financial size of an MCC Compact reward relative to the size of a developing country's economy" indicator is fixed, GDP is effectively the same measure. I also logged GDP in order to account for skew.

However, it could be the case that while developing countries draw little inspiration from the financial reward of an MCC Compact, they attach value to the credibility signal that MCA eligibility sends to investors, creditors, and donor agencies (Mansfield and Pevehouse 2006; Gray 2009; Dreher et al. 2010; Dreher and Voigt 2011; Schueth 2011). In 2006, Reuters reported that “MCC’s list of eligible countries is closely watched by development groups and investment firms which see it as a confidence vote in governments in the developing world” (Wroughton 2006). When asked about the nature of her government’s interest in MCA eligibility, Indonesia’s Finance Minister Sri Mulyani Indrawati indicated that: “It’s not about the money. It’s about the recognition that we’re doing the right thing” (World Bank 2007: 3). A senior USAID official described the Government of Albania's interest in the MCC in very similar terms in 2009: "MCC [eligibility] decisions ... matter to the Albanian political class since they adversely affect Albania’s image and therefore its prospects for foreign investment, visa liberalization, EU accession, etc.”<sup>82</sup>

If reputational benefits predominate, one would expect to observe some degree of correlation between the dependent variable and a country's level of FDI reliance, aid dependence, and/or external indebtedness (Vreeland 2003). However, I find no preliminary empirical support for this argument: my dependent variable does not demonstrate statistically significant relationships with measures of a country's reliance on foreign direct investment (incoming FDI as a percentage of GDP), aid dependence (net official development assistance as a percentage of GNI), or external indebtedness (debt service as a percentage of exports).<sup>83</sup>

Another possibility is that governments lacking *domestic legitimacy* seek external validation by boosting their performance on the MCA eligibility indicators. Gloria Macapagal-Arroyo, the President of the Philippines from 2001 to 2010, seemed to tacitly acknowledge this motivating factor when she indicated in 2008 that “engagement with the MCC is very important for us, not only because of the money ... but because of the recognition of our efforts to fight for the principles that the MCC stands for. ... [W]e are very religious about

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<sup>82</sup> Author Interview with USAID Albania Official 2009. Similarly, in 2008, Guatemala's Presidential Commissioner for the Modernization of the State said that "when countries perform poorly [on the MCA scorecard], it creates a 'naming and shaming' effect and plays off the desires of national leaders for international legitimacy in addition to their desires to attract foreign investment." (Brown et al. 2008).

<sup>83</sup> Dreher et al. (2010) provide empirical support for the hypothesis that achieving MCA eligibility has a "positive signaling effect," whereby multilateral donors increase their financial support to a country after has become MCA-eligible.



looking at the [MCC scorecard] all of the time and making sure that we continue to comply with all of the expectations of the MCC. It's a very, very big honor for us and something very, very important to us" (Macapagal-Arroyo 2008). Eduardo Ermita, the President's Chief of Staff elaborated on this point in 2009, noting that "the [designation] of '[MCC] Compact Partner' status is an honor to be cherished not only for the attendant financial benefits but also for the added legitimacy it gives to a country's campaign for good governance. Being a 'Compact Partner' constitutes, for all intents and purposes, a stamp of good housekeeping which, in the case of the Philippines, will add luster to the moral and political credentials of its major governmental anti-poverty programs and gain critical public support and acceptance for them" (Ermita 2009).

The case of Sierra Leone provides more direct evidence that the domestic political incentives to respond to external reform pressures may be strongest when governments lack domestic legitimacy. In a December 2008 meeting with the U.S. Ambassador to Sierra Leone, Presidential Affairs Minister Alhaji Alpha Kanu "made several references to inclusion in MCC being 'for the good of the party,' before quickly backstepping and saying 'for the good of the country'" (Perry 2008). In a cable dispatch from the U.S. Embassy in Freetown to State Department headquarters in Washington, the U.S. Ambassador offered some reflections on her meeting with Minister Kanu: "No doubt he recognizes the political goldmine the MCC represents, and how the President and [the ruling party] would benefit if Sierra Leone enters into a compact agreement before the 2012 elections" (Perry 2008).<sup>84</sup>

However, the preliminary empirical evidence does not lend support to this domestic legitimacy deficit argument. The Fund for Peace's "Legitimacy of the State" index demonstrates a statistically significant and negative relationship with the dependent variable (-.15), which implies that states possessing higher levels of domestic legitimacy are more likely to adopt and implement policy reforms to meet the MCA eligibility standards.<sup>85</sup>

### 3.2.2 Explanation #2: *Achievability of the Rewards*

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<sup>84</sup> Ultimately, the MCC deemed the Sierra Leone Compact eligible one month *after* the Ernest Bai Koroma was re-elected.

<sup>85</sup> Higher values on this index signify lower levels of state legitimacy.

Consistent with the logic of a rationalist bargaining model, one would also expect a government's level of responsiveness to the MCA eligibility standards to correlate positively with the perceived *achievability* of the financial or reputational rewards (Schimmelfennig and Sedelmeier 2004; Jacoby 2006: 646). To the extent that a developing country government questions its ability realize the benefits associated with MCA eligibility, the incentive to undertake reform should be diminished. The specificity and transparency of the Compact eligibility requirements makes it relatively easy to operationalize this notion of reward attainability. During the period of measurement (2004-2010), in order to be considered for MCA Compact eligibility, a country had to (a) perform above its income-group median on the Control of Corruption index and (b) perform above its income-group median on at least half of the indicators in each of the MCC's three policy categories: Ruling Justly, Investing in People, and Economic Freedom.<sup>86</sup> Therefore, I develop a measure of the distance between a country's actual level of performance and the level of performance that is necessary to meet the formal MCA eligibility standards. This "distance from the formal MCA eligibility standard" variable captures how many additional MCA indicators a country would have needed to "pass" to meet the formal eligibility standard in a given year, and for those countries that have achieved a level of performance exceeding the formal MCA eligibility standard, how many indicators a country would need to "fail" to fall short of the formal eligibility standard.<sup>87</sup> Countries that pass exactly half of the indicators in each of the policy categories and Control of Corruption are assigned a value of 0. For every additional MCA indicator that a country must pass in order to meet the formal eligibility standard, I deduct one point. As such, for a country like Ethiopia (see Figure 3.1) that needed to pass three additional MCA eligibility indicators in FY10 to achieve the formal eligibility standard, a score of -3 is assigned. A country like Benin (see Figure 3.2) that not only met the formal MCA eligibility standard in FY10, but also surpassed it by passing an additional 3 indicators, is assigned a score of +3.

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<sup>86</sup> By law, the MCC must publish the MCA eligibility "rules of the game" online every year. Despite some small changes to the policy indicators employed by the MCC, the basic eligibility rules (i.e. pass half of the indicators in the three policy categories and Control of Corruption) have remained consistent for the entire period of interest (2004-2010).

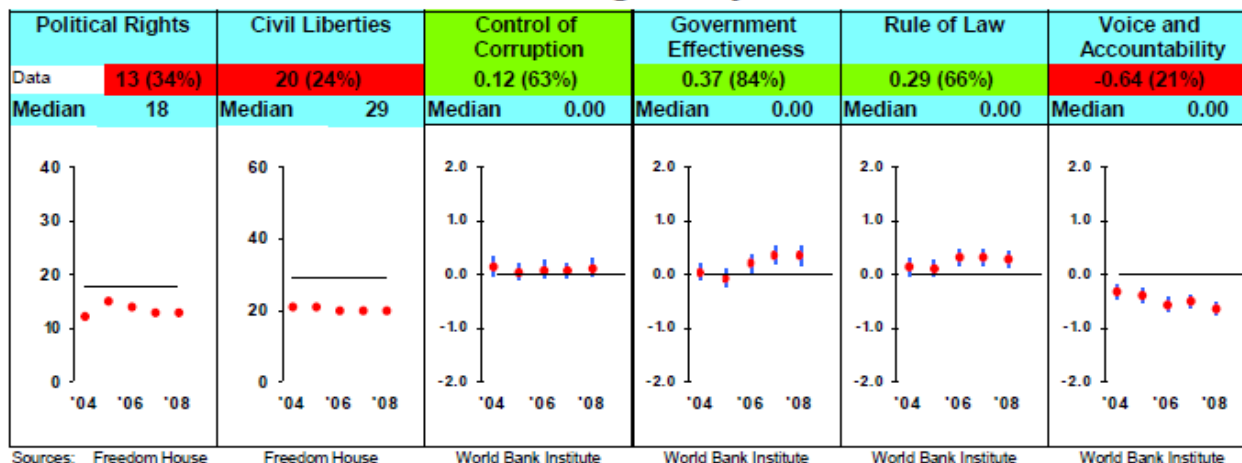
<sup>87</sup> I refer to above-the-median scores as "passing" scores and below-the-median scores as "failing" scores.

Figure 3.1: Ethiopia's Fiscal Year 2010 MCA Scorecard

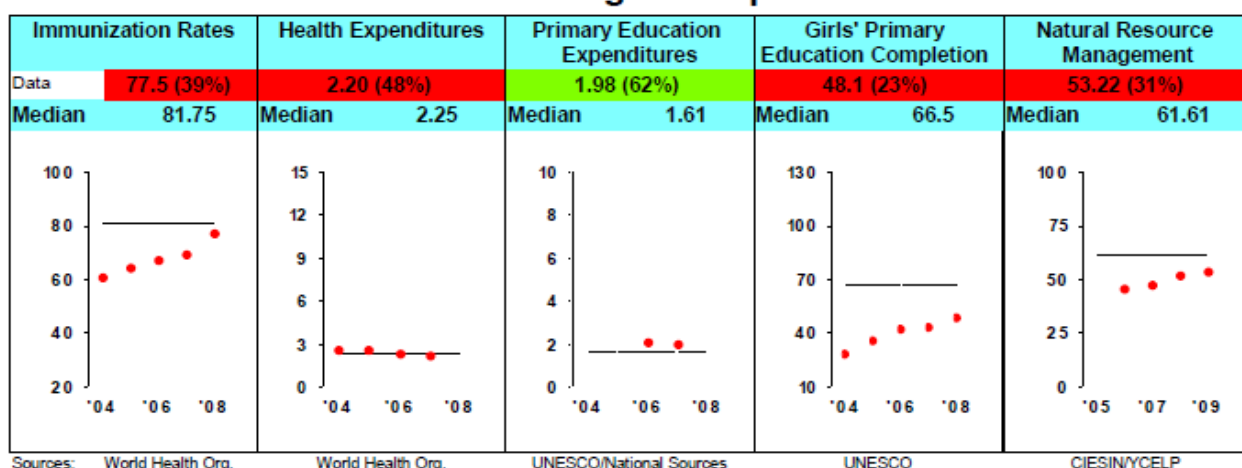
## Ethiopia FY10

Population 80,713,430  
GNI/Cap: \$280 LIC

### Ruling Justly



### Investing In People



### Economic Freedom

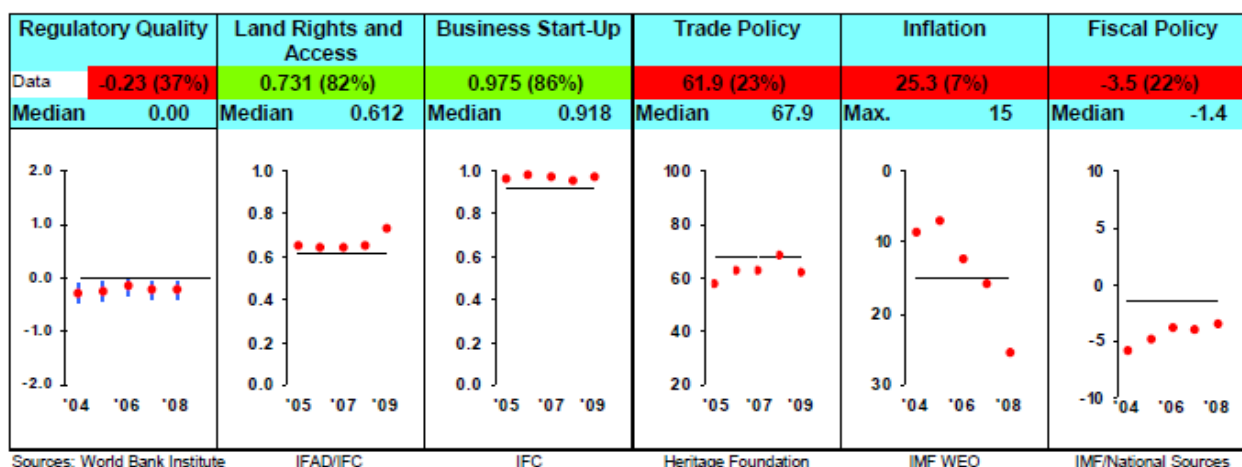
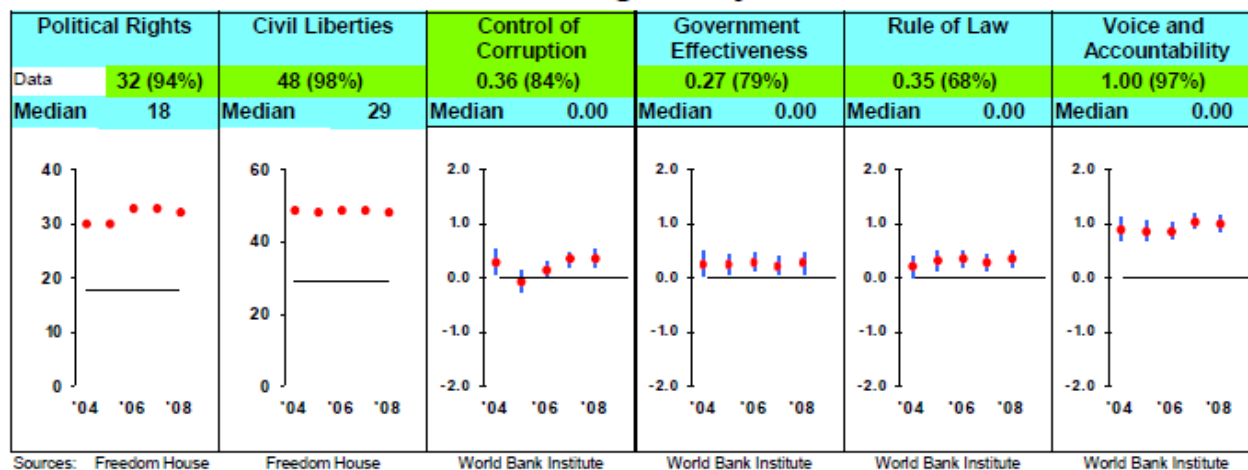


Figure 3.2: Benin's Fiscal Year 2010 MCA Scorecard

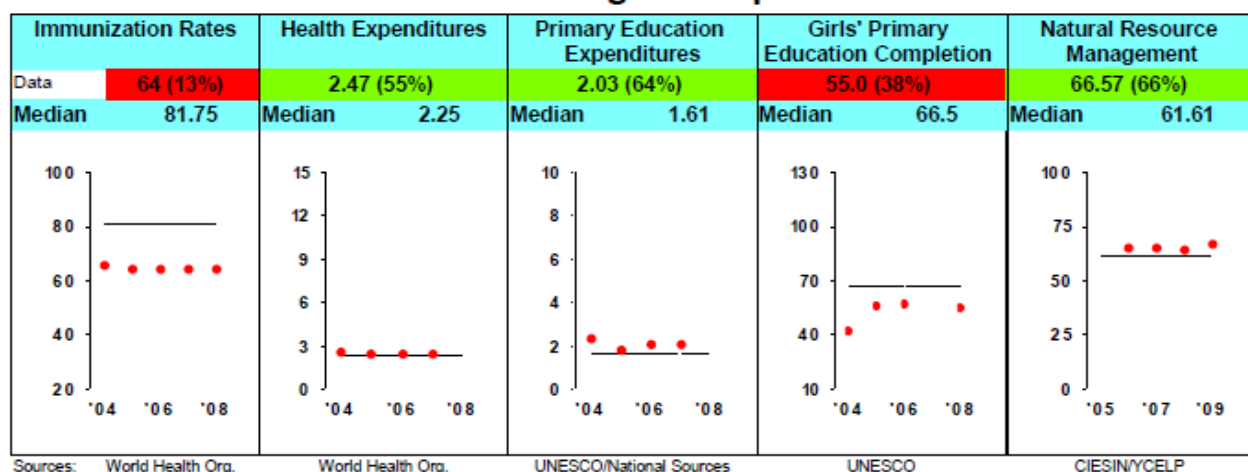
## Benin FY10

Population 8,662,086  
GNI/Cap: \$690 LIC

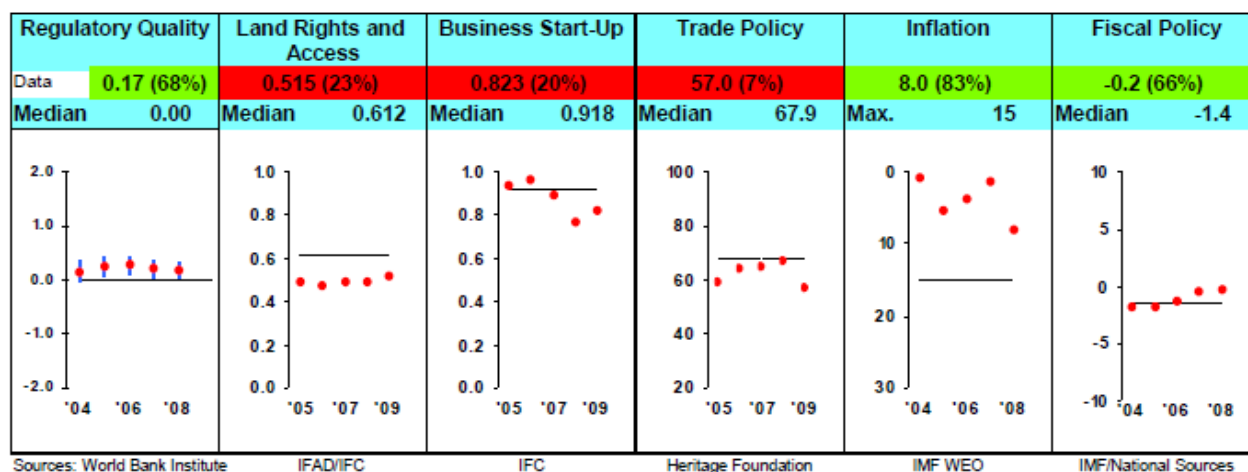
### Ruling Justly



### Investing In People



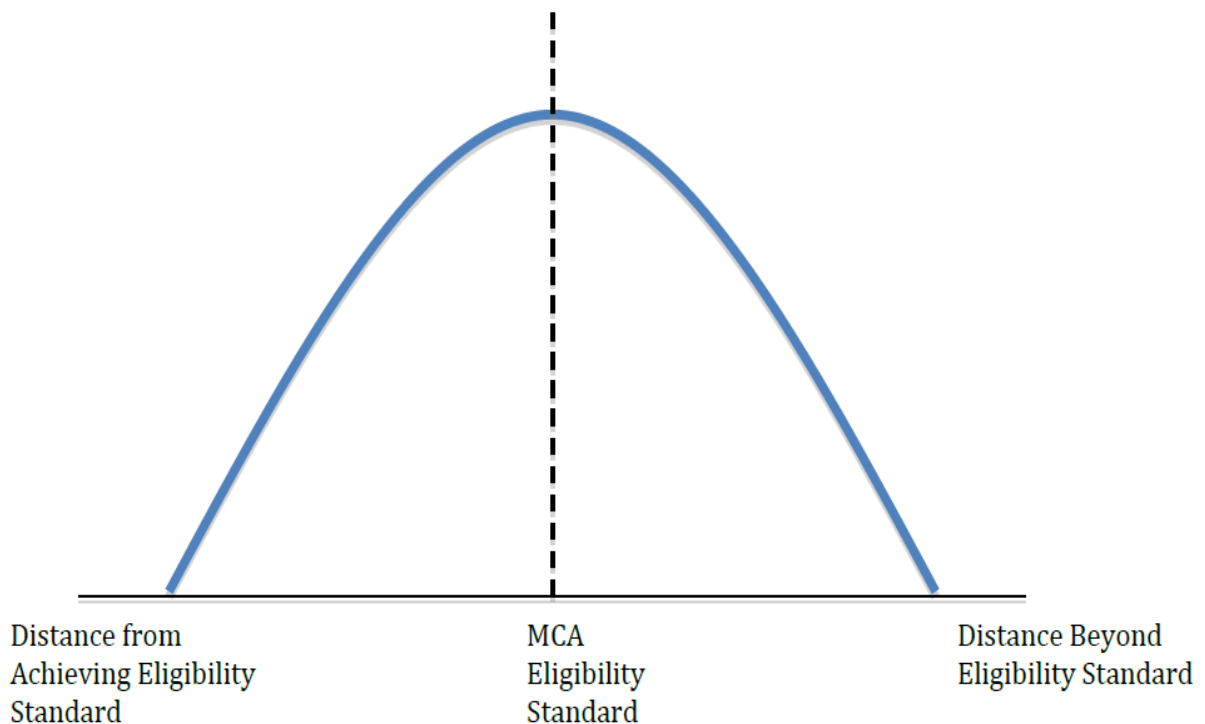
### Economic Freedom



As a preliminary test of the reward achievability hypothesis, one can examine whether being "within striking distance" of the MCA eligibility standards is a good predictor of a government's level of effort to meet those same standards. However, before doing so, it is

important to recognize that the logic of a rationalist bargaining model does not suggest that a measure of "distance from the formal MCA eligibility standard" will co-vary in a linear fashion with a government's willingness to undertake reform. One would instead expect to see an inverted U curve (see Figure 3.3), where a government's interest in making policy changes to reap the benefits of MCA eligibility increases as it get closer to achieving the eligibility standards and declines as countries surpass the eligibility standards.<sup>88</sup>

**Figure 3.3: Government Willingness to Reform**



The simplest way to test for the existence of an inverted U relationship is to transform the "distance from the formal eligibility standard" variable, which varies from -9 to +9, such that all negative values are converted to positive values. A negative correlation between this "absolute distance from the formal eligibility standard" variable and the dependent variable would imply that (a) the incentive for policy change is weakest when a government performs significantly above or below the eligibility standard, and (b) the incentive for policy change is strongest when a government performs marginally above or below the eligibility standard.

<sup>88</sup> The reward achievability variable reported in this chapter measures the country's average distance from the eligibility standards between 2004 and 2010. However, in a subsequent chapter, I will test whether temporal variation in this indicator helps account for MCA-inspired policy responses.

We observe a statistically significant bivariate correlation of  $-.09$ , suggesting that an inverted U relationship may exist. Preliminary testing therefore suggests that the data are broadly consistent with the reward achievability hypothesis advanced by rational bargaining theorists; however, the inverted-U relationship may not be as strong as some rationalists would expect, which implies that there is still significant scope for theorization on the question of why countries respond to the MCA eligibility standards in widely divergent ways.

### *3.2.3 Explanation #3: Determinacy of the Conditions*

The existing literature on strategic bargaining also calls attention to the issue of "determinacy" in the terms of conditionality contracts. Schimmelfenning and Sedelmeier (2004) propose that a government's willingness to participate in a resources-for-reform swap will correspond positively with the clarity and the predictability of the proposed contractual conditions. The MCC's 17 eligibility indicators vary quite significantly in terms of their levels of determinacy: while some indicators are simple, objective, and policy sensitive, others are complex, subjective, and difficult to change. For example, the MCC's measures of "Girls' Primary Education Completion," "Immunization Rates", and "Business Start-Up" demonstrate relatively high levels of determinacy, while its omnibus measures of governance such as the "Rule of Law" and "Government Effectiveness" demonstrate lower levels of determinacy. Counting the number of primary-school-aged children who have completed primary school, the number of infants who received a vaccination for measles, or the time and cost of registering a medium-sized business is a relatively straightforward exercise. But measuring a broad area of institutional performance such as the "Rule of Law" is a far more complex exercise, introducing a higher level of indeterminacy (Haggard et al. 2008). One can try to measure the independence of the judiciary, compliance with court rulings, the prevalence of crime, the level of tax evasion, or public trust in the police force. But since any individual indicator will provide a noisy signal for the underlying concept of "Rule of Law," only an aggregate, multi-dimensional index can provide a relatively accurate picture (Kaufmann et al. 2004).<sup>89</sup>

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<sup>89</sup> During the period of empirical inquiry, the MCC employed ten broad institutional performance measures in its annual eligibility assessment: Political Rights, Civil Liberties, Voice and Accountability, Rule of Law, Government Effectiveness, Control of Corruption, Regulatory Quality, Natural Resource Management, Trade Policy, and Land Rights and Access. However, even within this category of indicators, there is a lot of variation in terms of measurement complexity. The Trade Policy indicator is a relatively simple index of tariff and non-tariff barriers. However, the World Bank Institute's Worldwide Governance Indicators (WGI) rely on hundreds of individual proxy indicators, each of which is treated as a "noisy signal" for the overall quality of governance in a particular area (e.g. Control of Corruption). By averaging across a large number of "noisy signals," WBI

The MCC has chosen to use a combination of eligibility indicators with high and low levels of determinacy. On one hand, the MCC acknowledges that multi-dimensional institutional performance indices make it more difficult for governments to assign priority to particular policy actions that will improve their odds of achieving or maintaining MCA eligibility (MCC 2007b; IEG 2008b: 47). To this end, it has integrated several "actionable" indicators into its annual eligibility assessment. This was the stated rationale for adding the "Cost of Starting a Business" indicator and dropping Institutional Investor's Country Credit Rating from the annual eligibility assessment in 2005 (MCC 2005). A similar justification was provided in 2007 when the MCC merged the "Days to Start a Business" and "Cost of Starting a Business" indicator into a single "Business Start-Up" index and added a "Land Rights and Access" index that includes two additional indicators—the time and cost of property registration—from the World Bank's *Doing Business* report (MCC 2007b). On the other hand, the MCC has retained a set of broad institutional performance measures that are less sensitive to near-term policy changes to (a) ensure that the organization selects well-governed partner countries, and (b) insulate itself against pressures for countries to "game" the eligibility system by making narrow technical fixes or de jure changes that leave de facto policies and institutions untouched (MCC 2007b).<sup>90</sup> In effect, the current eligibility system is a tacit acknowledgement of the tradeoff that exists between the indicators' sensitivity to near-term policy and institutional changes and their ability to effectively discriminate between countries with fundamentally strong and weak policies and institutions.<sup>91</sup>

From the perspective of a developing country government, some of these eligibility indicators provide a more powerful incentive than others. The logic of determinacy suggests that governments will favor MCA eligibility criteria that are easy to understand and target with

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seeks to statistically smooth out the noise associated with individual indicators and obtain a broad sense of governance in a country (Kaufmann et al. 2004; Kurtz and Schrank 2007).

<sup>90</sup> Actionable, easy-to-understand indicators often measure the de jure institutional setting, while neglecting the de facto "rules of the game" (Hallward-Driemeier and Pritchett 2011). For example, the World Bank/IFC's Days to Start a Business indicator is weakly correlated with the World Economic Forum's perception-based measure of the ease of business entry. Kaufmann et al. (2005) provide evidence that the prevalence of corruption explains much of this unexplained variance.

<sup>91</sup> Readers will recall that the MCC was created as both a reward and an incentive for developing countries to undertake reforms that facilitate economic growth and poverty reduction. For the purposes of *rewarding* developing countries, the ability of an indicator to effectively distinguish between countries with strong and weak policies and institutions is crucial. However, for the purposes of *incentivizing* reform, the sensitivity of an indicator to near-term policy and institutional changes is more important.



short-term policy interventions. The reasoning that supports this argument is simple and compelling: governments with scarce resources and time contemplating difficult policy and institutional changes need to be convinced that their actions will actually improve their chances of qualifying for MCA eligibility.<sup>92</sup> Finance ministers, planning ministers, and other senior government officials want to know that if they expend scarce financial, human, and political resources on a given policy objective, they will reap the expected material or reputational benefits within a relevant political time horizon (e.g. before they leave office).

I do not provide a formal test of the determinacy hypothesis in this chapter, but Table 3.2 suggests that some of the MCA eligibility indicators have been far more influential than others. The strong influence of the Immunization Rates, the Girls' Primary Education Completion Rate, Business Start-Up, and Land Rights and Access indicators suggests that determinacy matters. All of these eligibility indicators stand out as measures that are relatively easy to understand and address with a discrete set of policy interventions. By contrast, many of the least popular indicators seem to be broad measures of institutional performance and multi-dimensional indices.<sup>93</sup> Control of Corruption is exceptional. Despite its relatively high level of indeterminacy, the Control of Corruption indicator seems to exert outsized policy influence. I recorded 229 individual instances in which governments formulated or implemented policy responses targeting this performance criterion between 2004 and 2010. This is very likely because the MCC made Control of Corruption a "hard hurdle" that every country must pass to meet the formal MCA eligibility requirements.

**Table 3.2: MCC Effects By MCA Eligibility Indicator**

<i>Ruling Justly Category</i>	<i># of MCC Effects Between 2004-2010</i>
Political Rights	28
Civil Liberties	22
Control of Corruption	229
Government Effectiveness	42

<sup>92</sup> Nelson (2009) estimates that the average tenure of a developing country finance minister is less than two years.

<sup>93</sup> The Inflation indicator also stands out as exceptional because, while it is simple and actionable, it was not a popular target for MCA-related policy interventions between 2004 and 2010. The limited influence of this indicator may be attributable to the fact that the MCC's domestic interlocutors usually do not control monetary policy. Another possible explanation is that, rather than using the peer group median as the performance standard for Inflation, the MCC employs an absolute standard: countries need only maintain an inflation rate below 15% to achieve a "passing" score. Since the vast majority of MCA candidate countries met this standard during the period of study, there was no apparent incentive for these countries to undertake MCA-inspired reforms in the monetary policy domain.

Rule of Law	64
Voice and Accountability	25
Sub-Total	410
<i>Investing in People Category</i>	
	<i># of MCC Effects Between 2004-2010</i>
Immunization Rates	75
Health Expenditures	46
Primary Education Expenditures	38
Girls' Primary Education Completion Rate*	74
Natural Resource Management	39
Sub-Total	272
<i>Economic Freedom Category</i>	
	<i># of MCC Effects Between 2004-2010</i>
Regulatory Quality	33
Land Rights and Access	70
Business Start-Up*	170
Trade Policy	55
Inflation	8
Fiscal Policy	48
Sub-Total	384
Total Number of MCC Effects Between 2004-2010	1066
* Note: MCC substituted the Girls' Primary Education Completion Rate indicator for the Primary Education Completion Rate indicator in Fiscal Year 2005. MCC also combined the Days to Start a Business and Cost of Starting a Business Indicator in Fiscal Year 2008. For the purposes of this table, I include any MCC Effects related to earlier version of an eligibility indicator (e.g. Days to Start a Business) in my calculation of MCC Effects related to the current version of the eligibility indicator (e.g. Business Start-Up).	

### 3.2.4 Explanation #4: Credibility of Conditionality

The rationalist bargaining literature also places emphasis on the credibility of conditionality. Thacker (1999), Stone (2002), Kelley (2004b), and Kilby (2009) demonstrate that when a developing country government believes that a donor agency or international organization is unwilling or unable to enforce a conditionality contract, it is more likely to deviate from the conditions in that contract. Donor agencies and international organization face a variety of political, economic, and organizational pressures that can undermine their credibility vis-à-vis developing country governments, and the MCC is no exception. According to its authorizing legislation, the MCC is an independent government corporation overseen by a Chief Executive Officer (CEO) and Board of Directors. The Board is comprised of the Secretary of State, the Secretary of the U.S. Treasury, the U.S. Trade Representative, the USAID Administrator, the CEO of the MCC, and four non-governmental members nominated by the President and approved by the Senate. In principle, MCC Board members are guided only by the MCC's mission of promoting poverty reduction through economic growth and their mandate to apply the MCA eligibility criteria in a transparent and even-handed manner. However, the historical record suggests that, when the geo-strategic and policy stakes are high, MCC Board members will promote U.S. interests—and protect their

own organizational equities—at the expense of the MCC's *raison d'être*. Radelet (2003) identified this risk before the MCC was even created. He cautioned that placing the chairmanship of the MCC Board in the hands of the State Department "could influence allocation decisions in favor of US strategic and political allies rather than those with a stronger record of promoting development" (Radelet 2003: 111).<sup>94</sup>

While most independent observers agree that the MCC has a well-deserved reputation for honoring the formal eligibility requirements, the Board has taken some policy decisions over the last ten years that suggest it is not completely beyond reproach (Phillips 2006; Herrling et al. 2009). Consider the post-Soviet Republic of Georgia, a country which did not meet the formal Compact eligibility requirements in 2004 due to a below-average performance on the Control of Corruption policy criterion. The Board granted Compact eligibility to the Saakashvili administration in 2004 on a gamble: after witnessing the government's unprecedented efforts to combat corruption in the wake of the "Rose Revolution," they bet that Georgia's performance on the (lagged) Control of Corruption index did not fully capture reality on the ground and would soon demonstrate a sharp increase (Taylor 2004).

The Board bet wisely. When the Control of Corruption indicator was updated two years later, Georgia jumped from the 36th percentile to the 78th percentile within its low income peer group. But when the Board encountered another test of its credibility in the very same country several years later, it buckled under the overwhelming pressure of U.S. geostrategic interests. In the summer of 2008, Georgia engaged in a military conflict with Russia in the breakaway regions of South Ossetia and Abkhazia. The U.S. Government quickly assembled a \$1 billion aid package to support to the besieged Saakashvili administration, and this pledge included a \$100 million "top-up" to the existing \$295 million MCC compact. Although this policy decision did not constitute a violation of the formal Compact eligibility requirements, it signaled a departure from the MCC's governing principle of allocating funds purely based on developmental merit, thereby raising questions about organizational independence.<sup>95</sup>

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<sup>94</sup> The Millennium Challenge Act of 2003 identifies the U.S. Secretary of State as the Chair of the MCC Board of Directors.

<sup>95</sup> At the time, Herrling (2008) was one of few independent observers to shine a bright light on the U.S. government's thinly veiled effort to manipulate the MCC for geo-strategic purposes: "The motivation was 100% political—there would be no topping up of the MCC Georgia compact without the U.S. looking to support its political ally. It's not a question of should the U.S. provide economic assistance (we should) as much as it is how the U.S. should provide that assistance. The MCC was established to champion and support development motivations not political ones. Accounts like [the Economic Support Fund] and the kinds of contingency

Honduras provides another important example. In June 2009, the democratically-elected government of Manuel Zelaya was overthrown by the military, forcing the MCC to make an important policy decision. With only 14 months left in a 5-year, \$205 million Compact with the Government of Honduras, the Board of Directors had to decide whether or not to suspend or terminate its activities in Honduras. The MCC's "Policy on Suspension and Termination" leaves relatively little room for interpretation: the lion's share of undisbursed Compact assistance to the Government of Honduras should have been suspended or terminated in fairly short order. However, the MCC decided to allow most of its Compact activities to continue without interruption "because of the immediate impact a termination [would] have on Honduras' rural poor" (MCC 2009c).<sup>96</sup> This policy decision stood in contrast with the organization's previous responses to military coups: the MCC terminated assistance to Mauritania in 2008 and Madagascar in 2009 when democratically-elected governments in both countries were overthrown by militaries (Main and Johnston 2009). The MCC's decision to quietly proceed with compact implementation under the post-Zelaya regime has made it increasingly difficult for the organization to dislodge the suspicion that, when the stakes are high, the U.S. government will use it as a vehicle for rewarding allies and punishing enemies. Therefore, while MCC deserves its generally strong reputation for rewarding countries based on merit, it is important that the credibility of the MCC's conditionality be measured and evaluated rather than assumed to be inviolable.<sup>97</sup>

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support funds being pushed in various U.S. foreign assistance reform efforts exist to support political and emergency reconstruction motivations. The motivation for engaging MCC assistance does matter regardless of whether, in the end, we can accept the value of MCC's involvement. It is a slippery slope toward making the MCC the ATM of State Department when it needs money fast for political purposes."

<sup>96</sup> MCC did eventually terminate approximately \$10 million of Compact assistance to Honduras in response to "a pattern of actions inconsistent with MCC's eligibility criteria" (MCC 2009c).

<sup>97</sup> The issue of whether and to what extent the MCA eligibility process is based on merit – as opposed to, say, geostrategic or commercial considerations – has proven to be a source of active contestation between the U.S. government and several developing countries. After the MCC Board of Directors decided to suspend the Gambia's eligibility for MCA assistance in 2006 based on "evidence of growing human-rights abuses" and "increased restrictions on political rights, civil liberties and press freedoms," the Wall Street Journal reported that "[t]he Gambians suspect ... they [are] being punished for having invited the leaders of Iran and Venezuela—the bêtes noires of U.S. foreign policy—to an African Union summit that took place in Banjul just days after the suspension was announced." MCC's then-CEO, Ambassador John Danilovich, responded by saying that "the suspension had nothing to do with foreign-policy tensions and everything to do with the Gambia's increasingly dictatorial regime" (Phillips 2007).

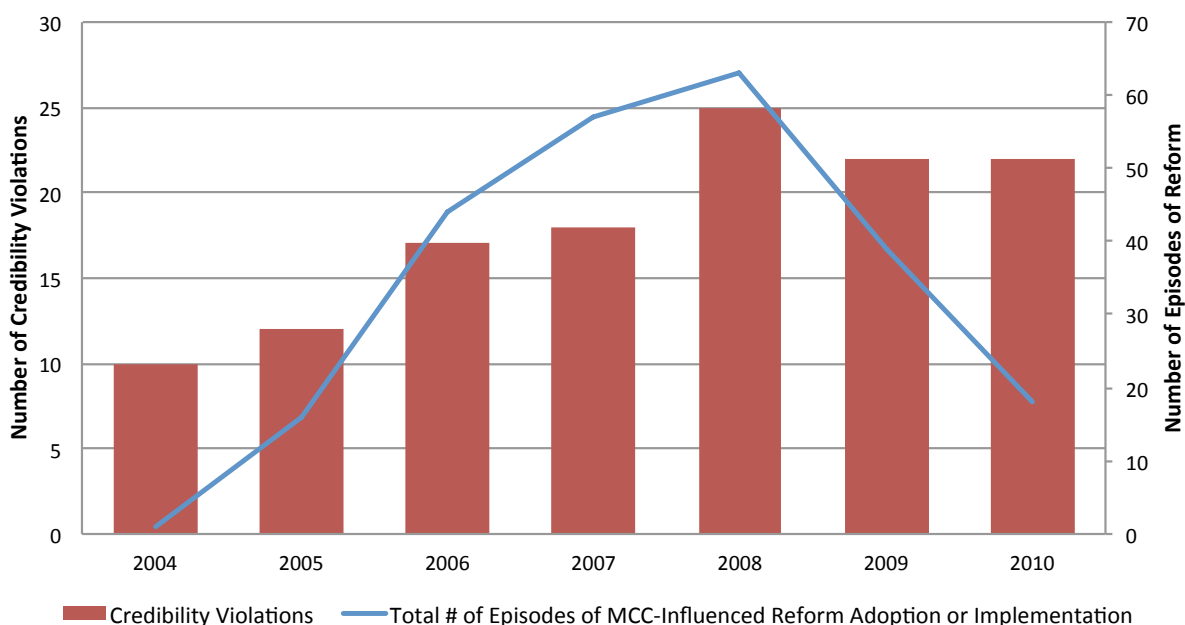
In order to develop a measure of the credibility of MCC conditionality across space and time, I adopt a similar approach to the one outlined in Kelley (2004b). I evaluate whether and when "the institution behaved in such a way that the [target] country had good reason to believe that the institution would reward the benefit if the requirements were met. Or, did the [target] country have good reasons to believe that it could obtain the benefits without meeting the requirements?" (Kelley 2004b: 55). Specifically, I assess whether a given country in a given year (a) passed the formal eligibility requirements and received Compact eligibility or funding; (b) failed the formal eligibility requirements and did not receive Compact eligibility or funding; (c) passed the formal eligibility requirements and did not receive Compact eligibility or funding; or (d) failed the formal eligibility requirements and received Compact eligibility or funding. If condition (a) or (b) was satisfied, I code MCC's conditionality as "credible." If condition (c) or (d) was satisfied, I code MCC's conditionality as "not credible."<sup>98</sup>

Graph 1 shows that the number of "de jure strikes" on MCC's credibility steadily increased from 10 in 2004 to 25 in 2008, leveling off at 22 in 2009 and 2010. In order to undertake a preliminary test of whether MCC's perceived credibility influences the strength of its incentive effect, I plot the absolute number of MCC Effects alongside these credibility violations. The pattern observed suggests a potential relationship between the perceived credibility of the "rules of the game" and the strength of the MCC Effect. The policy influence of the MCA eligibility criteria declines after credibility violations reach an all-time high in 2008. While is certainly not definitive evidence, it does suggest a potential relationship.

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<sup>98</sup> For the purposes of this variable, I treat "Compact funding" as the provision of Compact funding *without any significant financial penalty*. If a country does not meet the formal eligibility requirements in a given year and substantial Compact funding was suspended, frozen, or terminated in that same year, I code the MCC's conditionality as credible. For Compact-eligible countries that have not yet secured a Compact agreement, I code MCC's conditionality as credible if the country does not meet the formal eligibility requirements in a given year and the MCC halted the Compact development process.

**Figure 3.4: De Jure Credibility Violations and the MCC Effect Over Time**



To be sure, this imperfect proxy for credibility is limited in terms of the scope of its measurement. MCC can in fact *strengthen* the credibility of its conditionality by deviating from the formal rules of the game. For example, when the MCC suspended the Gambia's eligibility in 2006 due to a sharp deterioration in the government's commitment to democracy and human rights, its decision was broadly celebrated by democracy and governance experts for "sending the right signal" to the Gambian authorities, despite the fact that the West African government still met the formal Compact eligibility requirements (due to time lags in the 17 eligibility indicators). Likewise, the MCC's decision to respond in real-time to a unconstitutional transfer of power in Madagascar—by effectively terminating Compact assistance in March 2009—enjoyed wide support.<sup>99</sup> The insufficiency of the data used to conduct formal eligibility assessments is indeed one of the reasons the U.S. Congress crafted the "Millennium Challenge Act of 2003" in a way that provides the MCC's Board of Directors with discretion to make Compact eligibility determinations based on "supplemental information" that addresses data gaps and time lags.

<sup>99</sup> The U.S. Congress and watchdog groups have generally supported MCC's efforts to monitor and respond to real-time changes in policy performance, regardless of whether those changes are captured in the eligibility indicators (Herrling et al. 2006; OSI 2006). Indeed, very few independent observers have argued in favor of a mechanical application of the formal eligibility requirements.

Conversely, the MCC can *weaken* the credibility of its conditionality without deviating from the formal rules of the game. Returning to the Georgia example, when the MCC provided an out-of-cycle \$100 million "top-up" in 2008, the country met the formal Compact eligibility requirements. However, this decision effectively signaled to the Saakashvili administration that, when push comes to shove, MCA funding can be redirected for political purposes. In Chapter 4, I undertake a more formal test of whether the credibility of MCC conditionality influences the likelihood that governments will undertake reform efforts to reap the material and reputational benefits of MCA eligibility.

### *3.2.5 Explanation #5: The Existence of A Technocratic Reform Team With Executive Authority*

The reform mongering literature suggests that a necessary, but insufficient, condition for the effective use of external conditionality is the presence of a chief executive who delegates authority to a technocratic reform team (Waterbury 1989; Williamson 1994; Dominguez 1997; Criscuolo and Palmade 2008). Therefore, as a first step, I measure whether and to what extent the chief executive identified MCA eligibility as a government policy objective during the period of interest (2004-2010). Table 3.4 reveals that, out of 118 countries, 42 countries had a chief executive who expressed a strong or moderate level of interest in undertaking reforms in order to achieve or maintain MCA eligibility. I also assess whether the government (a) appointed one or more senior officials to spearhead efforts to meet the MCA eligibility standards, or (b) created some type of executive or inter-ministerial task force, commission, committee, or working group to address the MCA eligibility requirements. I find a strong, positive, and statistically significant correlation (.58) between executive interest in the MCA and the existence of a technocratic MCA "reform team."<sup>100</sup> Out of the 42 countries that had a technocratic reform team in place, I was only able to identify 8 instances in which the executive did not express a strong or moderate level of interest in undertaking reforms in order to achieve or maintain MCA eligibility. This preliminary evidence is consistent with a central proposition from the reform mongering literature: that the use of external financial pressures and moral suasion tools to advance domestic policy objectives correlates positively with the presence of a reform team that possesses substantial executive authority. Relatively strong correlations between the technocratic reform team variable and

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<sup>100</sup> I measure the existence of a technocratic reform team by assigning a 1 to countries that satisfy condition (a) or (b) and a 0 to countries that satisfy neither condition.



the dependent variable provide additional support for this claim. The (statistically significant) bivariate correlation between the “existence of an MCA reform team” and the dependent variable is .52. Similar correlations are observed between this indicator and indicators of the influence of the MCA eligibility criteria at various stages (agenda-setting, reform design, adoption, and implementation) of the policymaking process.

**Table 3.3: Executive Interest in MCA Eligibility and Technocratic Reform Teams, 2004-2010**

<i>Country</i>	<i>Executive Interest</i>	<i>Technocratic MCA Reform Team</i>	<i>Institutional Position of MCA Reform Team</i>	<i>Broad or Narrow Decision-Making Authority</i>	<i>Period of Activity</i>
Afghanistan	No	No	NA	NA	NA
Albania	Yes	No	NA	NA	NA
Algeria	No	No	NA	NA	NA
Angola	No	No	NA	NA	NA
Armenia	Yes	Yes	Ministry of Economy	Broad	2008-2010
Azerbaijan	Yes	No	NA	NA	NA
Bangladesh	No	Yes	Ministry of Finance	Broad	2007
Belarus	No	No	NA	NA	NA
Belize	No	No	NA	NA	NA
Benin	Yes	Yes	Office of the President	Broad	2007-2009
Bhutan	No	No	NA	NA	NA
Bolivia	NA	Yes	Development Planning Ministry, Vice-Presidency of the Republic	Broad	2006-2008
Bosnia and Herzegovina	No	No	NA	NA	NA
Brazil	No	No	NA	NA	NA
Bulgaria	No	No	NA	NA	NA
Burkina Faso	Yes	No	NA	NA	NA
Burma	No	No	NA	NA	NA
Burundi	No	No	NA	NA	NA
Cambodia	No	No	NA	NA	NA
Cameroon	Yes	Yes	Ministry of Finance and Economy	Broad	2006-2010
Cape Verde	Yes	Yes	Coordination Unit for State Reform	Broad	2007-2010
Central African Republic	No	No	NA	NA	NA
Chad	No	No	NA	NA	NA
China	No	No	NA	NA	NA
Colombia	Yes	No	NA	NA	NA
Comoros	No	Yes	Office of Vice President	Broad	2008-2009
Cote d'Ivoire	No	No	NA	No	No
Cuba	No	No	NA	No	No
Democratic Republic of Congo	No	No	NA	No	No

Djibouti	Yes	Yes	Ministry of Finance and Economy	Broad	2008-2010
Dominican Republic	Yes	Yes	Ministry of Economy, Planning and Development	Broad	2006-2007
Ecuador	No	No	NA	NA	NA
Egypt	No	No	NA	NA	NA
El Salvador	Yes	Yes	Office of the President	Broad	2005-2010
Equatorial Guinea	No	No	NA	NA	NA
Eritrea	No	No	NA	NA	NA
Ethiopia	No	No	NA	NA	NA
Fiji	No	No	NA	NA	NA
Gambia	No	No	NA	NA	NA
Georgia	Yes	Yes	Office of the Prime Minister	Broad	2009-2010
Ghana	Yes	Yes	Ministry of Public Sector Reform (2006); Office of the President (2007-2008)	Broad	2006-2008
Guatemala	Yes	Yes	Office of the Vice President	Broad	2006-2010
Guinea	Yes	Yes	Office of the Prime Minister	Broad	2007
Guinea-Bissau	No	No	NA	NA	NA
Guyana	Yes	Yes	Ministry of Finance (2007-2010); Head of Presidential Secretariat (2007-2010)	Broad	2007-2010
Haiti	No	No	NA	NA	NA
Honduras	Yes	Yes	Ministry of the Presidency	Yes	2006-2009
India	No	No	NA	NA	NA
Indonesia	NA	Yes	Ministry of Planning	Broad	2006-2010
Iran	No	No	NA	NA	NA
Iraq	No	No	NA	NA	NA
Jamaica	Yes	No	NA	NA	NA
Jordan	Yes	Yes	Ministry of Planning and International Cooperation	Broad	2007-2009
Kazakhstan	No	No	NA	NA	NA
Kenya	No	No	NA	NA	NA
Kiribati	NA	No	NA	NA	NA
Kosovo	No	No	NA	NA	NA
Kyrgyz Republic	Yes	Yes	Office of the President	Broad	2006-2010
Laos	No	No	NA	NA	NA
Lesotho	No	No	NA	NA	NA
Liberia	Yes	Yes	Ministry of Planning and Economic Affairs	Broad	2007-2010
Macedonia	No	No	NA	NA	NA
Madagascar	Yes	Yes	Office of the	Broad	2007-2008

			President		
Malawi	Yes	Yes	Office of the President and Cabinet	Broad	2005-2007
Maldives	No	No	NA	NA	NA
Mali	No	Yes	Office of the Prime Minister	Broad	2007-2009
Marshall Islands	No	No	NA	NA	NA
Mauritania	Yes	Yes	Ministry of Economy and Finance	Broad	2007-2008
Micronesia	No	No	NA	NA	NA
Moldova	Yes	Yes	Office of the Prime Minister	Broad	2006-2009
Mongolia	No	No	NA	NA	NA
Montenegro	No	No	NA	NA	NA
Morocco	No	Yes	Ministry of Finance	Broad	2007
Mozambique	Yes	Yes	National Directorate of Planning and Budget	Broad	2008-2010
Namibia	Yes	Yes	Office of the Prime Minister	Broad	2007-2010
Nepal	No	No	No	No	No
Nicaragua	Yes	Yes	Office of the President	Broad	2008
Niger	Yes	Yes	Office of the Prime Minister	Broad	2006-2009
Nigeria	Yes	No	NA	NA	NA
North Korea	No	No	NA	NA	NA
Pakistan	No	No	NA	NA	NA
Papua New Guinea	No	No	NA	NA	NA
Paraguay	Yes	Yes	Office of the President	Broad	2006-2010
Peru	Yes	Yes	Office of the Prime Minister	Broad	2005-2008
Philippines	Yes	Yes	Office of the President	Broad	2007-2010
Republic of Congo	No	No	NA	NA	NA
Romania	No	No	NA	NA	NA
Rwanda	No	No	NA	NA	NA
Samoa	No	No	NA	NA	NA
Sao Tome and Principe	Yes	No	NA	NA	NA
Senegal	No	Yes	Ministry of Economy and Finance	Broad	2007
Serbia	No	No	No	No	No
Sierra Leone	Yes	Yes	Ministry of Presidential Affairs	Broad	2008-2010
Solomon Islands	No	No	NA	NA	NA
Somalia	No	No	NA	NA	NA
Sri Lanka	No	No	NA	NA	NA
Sudan	No	No	NA	NA	NA
Suriname	No	No	NA	NA	NA
Swaziland	No	No	NA	NA	NA
Syria	No	No	NA	NA	NA

Tajikistan	No	No	NA	NA	NA
Tanzania	Yes	No	NA	NA	NA
Thailand	No	No	NA	NA	NA
Timor-Leste	Yes	Yes	Ministry of Planning and Finance	Broad	2006-2010
Togo	Yes	Yes	Office of the Prime Minister	Broad	2007-2010
Tonga	NA	No	NA	NA	NA
Tunisia	No	No	NA	NA	NA
Turkey	No	No	NA	NA	NA
Turkmenistan	No	No	NA	NA	NA
Tuvalu	No	No	NA	NA	NA
Uganda	No	Yes	Office of the President	Broad	2007-2009
Ukraine	Yes	Yes	Office of the President	Broad	2005-2009
Uzbekistan	No	No	NA	NA	NA
Vanuatu	Yes	Yes	Office of the Prime Minister	Broad	2009-2010
Vietnam	No	No	NA	NA	NA
Yemen	Yes	Yes	Ministry of Planning	Broad	2005-2007
Zambia	Yes	Yes	Governance Secretariat, Ministry of Justice (2009-2010), Ministry of Finance and Economic Planning (2004-2010)	Broad	2004-2010
Zimbabwe	No	No	NA	NA	NA

\*Note: For the purposes of this table, I simply report whether *at any point* during the period of interest (2004-2010) the chief executive expressed interest in MCA eligibility and/or an MCA reform team was established. The indicators reported in this table do not capture within-country changes over time.

### 3.2.6 Explanation #6: Embedded Autonomy of the Senior Policymaking Team

In Chapter 4, I will draw on insights from social network analysis to examine whether policymaking teams with high levels of autonomy and low-to-moderate levels of embeddedness are more likely to succeed in undertaking MCA-inspired reform activities. My objective is to understand whether the logic of network brokerage that I outlined in Chapter 2 survives careful empirical scrutiny. In the interest of gaining a basic understanding of how the autonomy and embeddedness of a senior policymaking team corresponds with my dependent variable, I first test whether my measures of autonomy and embeddedness demonstrate the statistical relationships with my dependent variable suggested by theory. Following the theoretical logic introduced in Chapter 2, I expect the technocratic autonomy of a government's senior policymaking team to increase its willingness and ability to undertake MCA-inspired reforms. As expected, I find that two measures of autonomy

(described at greater length in Chapter 4)—a senior policymaking team's previous experience working for international financial institutions and the number of team members who received their undergraduate and graduate education in Western countries—demonstrate positive and statistically significant relationships with my dependent variable.<sup>101</sup>

The theoretical logic of network brokerage suggests that the relationship between the embeddedness of the senior policymaking team and MCA-inspired reform responses will be more complex. Exceptionally low levels of embeddedness may limit a team's effectiveness by reducing access to key domestic political actors and networks. However, exceptionally high levels of embeddedness may constrain a team's ability to introduce status quo-altering reforms.

The measure of political and social embeddedness that I use here and discuss at greater length in Chapter 4 is the amount of prior government experience that senior policymaking team members possess. Previous research suggests that government officials cultivate and maintain ties with many other government officials during their periods of public service (Kotter 1982). These public sector networks are valuable because they provide access to gatekeepers, decision-makers, and individuals who understand and control internal policymaking processes (Hillman et al. 2000). As Lester et al. (2008: 1000) explain, "former government officials develop actionable [social] capital as a result of their service in government."<sup>102</sup> The value of this social capital can be seen in the ways in which the private sector draws upon the expertise and connections of seasoned public officials when they leave government (Hillman et al. 1999; Agrawal and Knoeber 2001; Hillman 2005; Qin 2013). Therefore, the logic of social network analysis leads to the following prediction: "[a]s tenure in government service increases, so will the depth of the individual's ... social capital" (Lester et al. 2008: 1001).

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<sup>101</sup> The statistically significant bivariate correlation between a senior policymaking team's previous experience working for international financial institutions and the dependent variable is .10. The statistically significant bivariate correlation between the number of senior policymaking team members who received their undergraduate and graduate education in Western countries and the dependent variable is .05.

<sup>102</sup> Here I am using the term social capital to refer to "the sum of actual and potential resources embedded within, available through, and derived from, the network of relationships possessed by that individual" (Nahapiet and Ghoshal 1998: 243).

But the extant literature does not provide consistent guidance about whether government officials who possess high levels of social capital are more or less successful at formulating and implementing domestic policy changes that dislodge the status quo. On one hand, if a government official has a significant amount of previous public sector experience, it will expand his or her channels of access to information and other officials (Hillman et al. 2000). Embeddedness in public sector networks may also endow government officials with greater political skills in that they will know how to more effectively coordinate, collaborate, and interact with other government officials (Cohen 1998). Huber and Martinez-Gallardo (2008: 169) note that "turnover among ministers ... can impede the accumulation of experience necessary for effective governance."<sup>103</sup> Elaborating on the importance of prior government experience, Huber and Martinez-Gallardo (2008: 169-170) point out that "[m]inisters need the political skills necessary to broker compromises with key actors (such as other parties or party factions), to interact effectively with the press, to defend government policies before parliament, to manage civil servants, to interact with courts, and to perform other activities that significantly influence the general success of the government." On the other hand, a particularly high level of government experience may be indicative of a public official being so enmeshed in domestic political networks that it is difficult for that individual to introduce status quo-altering reform (Polga-Hecimovich et al. 2013; Booth and Golooba-Mutebi 2009).

The measure of social and political embeddedness that I use in this study—the previous government experience of senior policymaking team members—is negatively correlated with my dependent variable of whether and when governments adopt or implement MCA-inspired reform activities.<sup>104</sup> Figure 3.2 provides some preliminary evidence to support the proposition that neither too little embeddedness and nor too much embeddedness in domestic political networks provide propitious circumstances for MCA-inspired reform activities. One observes the highest levels of MCA-related reform adoption and implementation among countries with

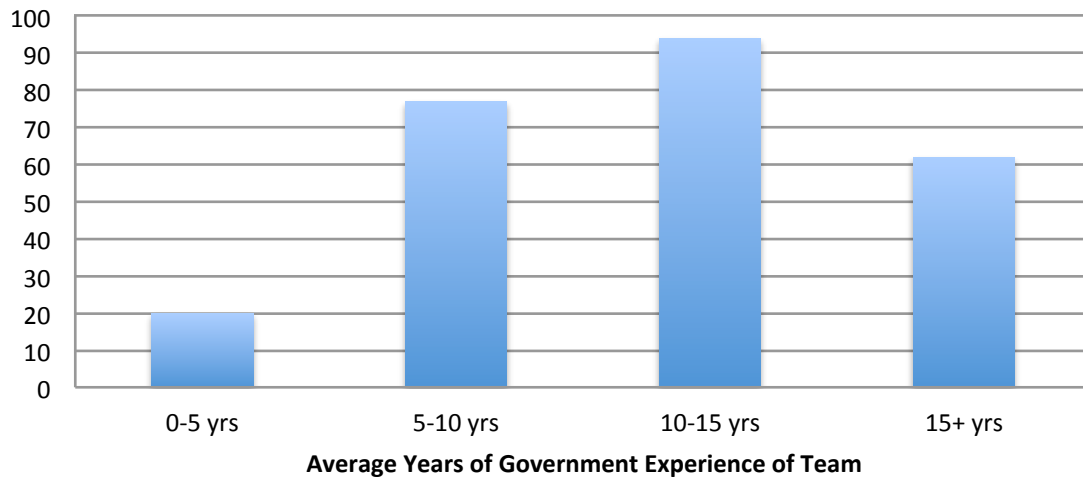
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<sup>103</sup> A 2011 World Bank assessment of governance in Madagascar's forestry sector arrived at the same basic conclusion: "[a] rapid succession of Ministers – typically with no prior experience in the sector – associated with frequent changes in the hierarchy, has spawned a hostile, dysfunctional climate in the [Ministry of the Environment and Forests] that undermines performance" (World Bank 2011). In 2010, the World Bank provided a similar explanation for why the domestic authorities in Uruguay had difficulty enacting their preferred policies in the agricultural sector: "The [Uruguayan] Government ... faced several constraints for the full implementation of these [agricultural] policies. ... [T]he incoming political coalition lacked government experience and, therefore, required a learning period, which necessarily delayed the implementation of any new policies" (World Bank 2010).

<sup>104</sup> The statistically significant bivariate correlation between previous government experience of senior policymaking teams and the dependent variable is -.05.

senior policymaking teams that possess moderate levels of embeddedness. In Chapter 4, I will employ logistic regression models and propensity score matching techniques to more carefully examine the "Goldilocks" hypothesis that a certain level of political and social embeddedness facilitates successful adoption and implementation of MCA-inspired reforms.<sup>105</sup>

**Figure 3.5: Total number of Episodes of MCC-Inspired Reform Adoption or Implementation**



### 3.3 Conclusion

This chapter introduced a first-of-its-kind dataset that seeks to measure the influence of the MCA eligibility standards across countries and policy areas. By employing a consistent set of coding rules to make sense of the rich information contained in thousands of documents, speeches, media reports, and case studies, I created a set of dichotomous and ordinal-scale variables that capture the policy responses of governments to achieve or maintain MCA eligibility. I also assessed the apparent timing and duration of these policy actions.

I then used this dataset to probe the plausibility of several hypotheses inspired by the rational bargaining literature and the reform mongering literature. The evidence for a rational bargaining model is mixed. I find some limited support for the so-called reward achievability hypothesis. I also find some evidence to support the claim that de jure credibility violations diminish the effectiveness of external reform incentives. However, I find that an indicator of

<sup>105</sup> My expectation is that when one measures embeddedness based on different "cut points" for different levels of previous government experience, the findings will become more nuanced. I explore this "cut point" approach at greater length in Chapter 4.



MCC's financial leverage vis-à-vis developing countries does a poor job of explaining whether and to what degree governments take policy actions to achieve or maintain MCA eligibility. Nor does the preliminary evidence presented in this chapter suggest that the *reputational* benefits of MCA eligibility motivate policy changes in countries that (a) lack domestic legitimacy, or (b) value the credibility signal that eligibility sends to investors, creditors, and donor agencies.

Additionally, I marshal some preliminary evidence in support of core hypotheses from the reform mongering and SNA literatures. The domestic use of an external tool of conditionality correlates positively with the presence of a technocratic reform team. Effective change management teams also appear to exhibit moderate levels of social and political embeddedness.

This preliminary exploration of the characteristics and correlates of my dependent variable will inform the more systematic evaluation of competing and complementary hypotheses presented in Chapter 4. Additionally, while the dataset introduced in this chapter permits disaggregation of the dependent variable by policy domain (i.e. eligibility indicator), I did not examine whether the logic of undertaking reforms to achieve or maintain MCA eligibility varies depending on whether a government must address economic, social, or political issues. This variation will be more fully exploited in Chapter 4.

# Chapter 4: Trading Domestic Reforms for External Rewards: When and Why Do States Implement Policy and Institutional Adjustments to Achieve MCA Eligibility?

## 4.1 A Tale of Two Countries

In December 2005, the people of Liberia elected Ellen Johnson-Sirleaf—a Harvard-trained economist who had previously worked for the World Bank and UNDP—as their President. Johnson-Sirleaf and senior members of her administration immediately sprang into action, assessing whether and how Liberia could benefit from the Heavily Indebted Poor Countries initiative, the Millennium Challenge Account, the Extractive Industries Transparency Initiative, the African Growth and Opportunity Act (Robinson 2008, 2008b; Cook 2010; AFDB 2013; Flores et al. 2013). All of these programs sponsored by wealthy countries and international organizations offered Liberia the same basic arrangement: domestic reforms in exchange for external rewards.

In 2006, the President initially signaled her interest in MCA eligibility through back-channels, communicating with U.S. government officials through a seasoned "K Street" consultant in Washington D.C. named K. Riva Levinson.<sup>106</sup> Johnson-Sirleaf also hired Dr. Steve Radelet, a former Deputy Assistant Secretary at the U.S. Treasury Department, as a senior adviser. Radelet was an inspired choice. Widely recognized among scholars and policymakers as the world's leading expert on the MCA eligibility requirements, Radelet authored the influential publication *Challenging Foreign Aid: A Policymaker's Guide to the Millennium Challenge Account* and helped run the Center for Global Development's "MCA Monitor" from 2003 to 2010.

Levinson, Radelet, and several other international advisers informed Johnson-Sirleaf that the obstacles to achieving MCA eligibility were formidable.<sup>107</sup> They cautioned that the country's

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<sup>106</sup> A Foreign Agents Registration Act (FARA) form from the U.S. Department of Justice reveals that Levinson received approximately \$10,000 a month to lobby on behalf of the Government of Liberia. K. Riva Levinson's FARA Registration statement says that "[my] work will include outreach to US Administration, and US Congress to ensure assistance to Liberia is maximized through Administration allocation, and congressional appropriations. [I] also will work with other US agencies to ensure Liberia is eligible for bilateral programs" (Haymaker 2008).

<sup>107</sup> This section draws heavily upon the author's direct observations as an MCC staff member from 2005 to 2010.

exceptionally weak policies and institutions would make it very difficult to compete with other countries that were much closer to meeting the MCA eligibility requirements. But Johnson-Sirleaf was undeterred by these efforts to manage her expectations. She instructed a small unit within the Executive Mansion to closely scrutinize the data used by the MCC to evaluate countries' performance.<sup>108</sup> This unit initiated consultations with the third-party rating institutions that produce the MCA eligibility indicators— e.g. the International Finance Corporation, the International Monetary Fund, the Heritage Foundation, and Colombia University's Center for International Earth Science Information Network—and began analyzing the methodologies used to evaluate the performance of Liberia and other MCA candidate countries. The President's technical team also (successfully) lobbied the rating institutions for more regular surveillance.

In February 2007, the President traveled to Washington D.C. with several cabinet members to meet MCC officials and to signal their interest in taking the necessary steps to meet the MCA eligibility requirements.<sup>109</sup> The President also used the opportunity of her trip to begin a media offensive, telling a radio station in Monrovia that "the country would do all it could to meet the indicators in order to benefit from the Millennium Challenge Account." (Smith 2007).

By the end of 2007, the Liberian government had largely completed its appraisal of the domestic impediments to MCA eligibility, and its focus shifted from analysis to action. Johnson-Sirleaf made her case for reform at a February 2008 cabinet meeting, telling a local newspaper that "I wanted the cabinet members to see where we failed. ... [I]f our courts system does not function right, we don't pass the [MCC] indicator for the protection of rights; if our Commerce Ministry does not help businesses to get registered quickly, we don't pass the [MCC] indicator for being able to promote business. So I want all Liberians to see

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<sup>108</sup> The Liberia Reconstruction and Development Committee (LRDC), the aid coordination unit within the Office of the President of Liberia, was tasked with reviewing the data used by the MCC in its annual eligibility assessment (Author's correspondence with an official in Liberia's Office of the President of Liberia, November 2008.).

<sup>109</sup> In a December 2008 speech, Liberia's Minister of Planning and Economic Affairs, noted that "[s]ince arriving at the Ministry of Planning and Economic Affairs, we have worked with to develop local capacity to track the raw data of the government's progress in poverty reduction. This statistical capability has been essential to demonstrating Liberia's ability to absorb a MCC Threshold program. The Ministry looks forward to enhancing its capacity in partnership with the Civil Service Agency, USAID, other development partners, and the MCC in order to help accelerate Liberia's movement from Threshold to full Compact status in two years" (Konneh and Radelet 2008).

what we ought to do so that we too can benefit significantly from [MCA funding]" (The Analyst 2008b).<sup>110</sup>

Several months later, the Deputy Chief of Mission at the US Embassy in Monrovia sent a cable to State Department headquarters, describing a raft of reform measures that the Government of Liberia (GOL) had introduced: "The GOL has announced 21 reforms to improve Liberia's ranking in the IFC 'Doing Business' index by enhancing the business climate. The rapid progress reflects President Sirleaf's commitment and the productive collaboration between the GOL and the business community to target regulatory changes that do not require legislative action. *There was special emphasis on reforms that will also affect Millennium Challenge Account ratings*" (Robinson 2008a, emphasis added).<sup>111</sup>

The reforms, which included measures to simplify business registration and land registration and reduce barriers to trade, were rapidly implemented (World Bank 2009). Between 2007 and 2009, Liberia global ranking on the World Bank/IFC's Ease of Doing Business index shot up twenty places: from 167th place to 147th place. The GOL also executed a series of wide-ranging anti-corruption reforms: requiring senior government appointees to publicly disclose their income and assets, removing thousands of "ghost workers" from the government's payroll, putting in place strict controls on discretionary government spending, and so forth (IMF 2006; EIU 2007). The domestic authorities were eager to claim credit for these policy and institutional measures having a direct impact on the World Bank Institute's Control of Corruption indicator — a "hard hurdle" for MCA Compact eligibility. In June 2008, the President's Deputy Chief of Staff and Economic Adviser released a public statement, underscoring the dramatic improvement Liberia had registered on the Control of Corruption index:

*"Liberia was ranked 185th out of 206 countries on control of corruption in 2005. In 2006 Liberia moved up 39 places in the rankings to 145th place, and in 2007 it moved up an additional 32 places to 113th in the world. In other words, in just two years (2005-2007) Liberia moved up 72 places in the world rankings. This is the largest*

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<sup>110</sup> This signal from the President was clearly received by senior Liberian government officials. Several months after Johnson-Sirleaf's exhortation to the cabinet, the General Auditing Commission (GAC) published its 11 overarching performance objectives for Fiscal Year 2008-2009 and one of these objectives included "working with the Executive Mansion, [Bureau of Budget] and [Ministry of Finance] to lay the foundation for meeting the Millennium Challenge Account criteria" (Johnson-Sirleaf 2008a).

<sup>111</sup> On the issue of reforms pursued by the Liberian authorities in response to the MCA eligibility criteria, also see The Economist 2013a and MCC 2013a.

*improvement by far over the last two years by any country in the world.... Liberia's dramatic improvement in controlling corruption is thought to result from the strong steps taken by the Sirleaf Government during the last two years, including enacting a new procurement law, establishing the new Public Procurement and Concessions Commission (PPCC), utilizing a Cash Management Committee to ensure greater honesty in budget spending, establishing the GEMAP program with key partners, renegotiating concession contracts, and holding government officials more accountable for their actions, among many other actions." (Konneh and Radelet 2008).*

By the summer of 2008, the Liberian authorities had launched a full-fledged public campaign in the United States to achieve MCA eligibility.<sup>112</sup> The President presented her case for making Liberia MCA-eligible in a high-profile speech at the White House in October 2008:

*"The MCC has had a transformative effect across the developing world. Responsible, reform-minded governments have set their sights on the MCC benchmarks, and this has accelerated the pace of reform while empowering governments to make decisions on their own path of development and the direction of their future. ... Our Government is aggressively striving to meet the benchmarks set by the MCC and other donor agencies. We try to meet the various thresholds because it means more assistance for development; but more so, we strive to meet these benchmarks because it is what our people deserve. These are our own priorities because if we cannot achieve them, stability and prosperity will remain fleeting dreams. We have made significant progress in recent years, and we are hoping that we will soon be selected to join the MCC family for a threshold program. We are definitely ready for the MCC challenge in Liberia, and we hope the MCC is ready for us! We need the dividend that comes from ... the incentive provided through threshold status" (Johnson-Sirleaf 2008b).*

Six weeks later, the MCC's Board of Directors deemed Liberia eligible for Threshold program assistance—a modest source of MCA funding to solidify, sustain, and leverage reforms initiated by developing country governments. To oversee the design and implementation of the Threshold program, Johnson-Sirleaf tapped Amara Konneh, a trusted adviser and former Deputy Chief of Staff in the Executive Mansion. According to a cable dispatch from the U.S. Embassy in Monrovia, Konneh embraced his role as the government's MCA Threshold Program coordinator “with gusto” (Thomas-Greenfield 2009). Konneh also reported to Embassy officials that the MCA Threshold eligibility designation had “invigorated his staff” (Thomas-Greenfield 2009).

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<sup>112</sup> Members of the GOL's executive branch also signaled their intent to pursue MCA eligibility to their legislative counterparts. During Congressional confirmation hearings in August 2008, the Minister-Designate of Planning and Economic Affairs indicated that he would “work towards the full qualification of Liberia for the Millennium Challenge Account (The Analyst 2008b).

Konneh marshaled Liberia's designation as a Threshold-eligible country as a source of leverage to rally line ministries around a shared reform agenda. In delivering the announcement that Liberia had qualified for a Threshold Program in December 2008, Konneh emphasized that an MCC Compact could be worth hundreds of millions of dollars: "To all the sector ministries and agencies that will contribute to the successful implementation of Liberia's Threshold Program, I say: let's get to work to successfully implement Threshold and bring home [the] Compact to help fight poverty for our people and lift Liberia up" (Konneh and Radelet 2008).<sup>113</sup>

Few theorists of international leverage would have expected the Liberian government to successfully undertake reform in response to an external inducement, such as MCA eligibility. Rational choice theorists propose that a government's level of responsiveness to external incentives depends to a large degree on the relative size and perceived attainability of the reward. In Liberia's case, the potential size of an MCC Compact was very large relative to the size of the country's economy, but the perceived attainability of the financial reward was very low. When Johnson-Sirleaf came to power in January 2006, Liberia failed 11 of the 16 MCA eligibility indicators (MCC 2006). 86 of the 119 countries competing for MCA eligibility were objectively closer to meeting the eligibility criteria. What is more, after many years of civil war, Liberia was missing data for six of the indicators used in MCC's annual eligibility assessment.<sup>114</sup> My own correspondence with advisers to the President confirmed that Johnson-Sirleaf was well aware of the fact that the odds of her government achieving MCA eligibility were not favorable.

It is also worth considering if the Liberian authorities' responsiveness to the MCA eligibility requirements can be explained with some type of rational bargaining model. Conventional bargaining theories suggest that a government's cost-benefit calculation of whether or not to participate in a resources-for-reform swap will depend on its access to "unearned income." Donor agencies and international organizations purportedly hold little bargaining leverage

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<sup>113</sup> In a September 2008 interview with World Investment News, Minister Konneh noted that "depending on the level of progress that we [make], we can ... qualify to [receive] assistance up to 500 million dollars" (World Investment News 2008).

<sup>114</sup> At the time, Liberia also scored "substantially below" its income group median on 4 eligibility indicators. MCC's formal eligibility criteria indicate that performance "substantially below the median" (within the bottom quartile of one's income bracket) on any one indicator can be grounds for disqualification (MCC 2005).

vis-à-vis governments with significant access to non-tax revenue. But Liberia relies heavily on "unearned income." Natural resource rents constituted approximately 11% of Liberia's gross national income in 2009.<sup>115</sup> Therefore, most rational bargaining theorists would have expected the MCA eligibility requirements to elicit a *weak* response from the Liberian authorities.

Liberia also seems to challenge the conventional wisdom about domestic factors that facilitate or impede reform implementation efforts. Social cohesion, a factor which the existing literature cites as a key determinant of whether governments can forge a domestic consensus around the need for reform, is exceptionally low in Liberia. Only one country in the world—Uganda—has a higher level of ethno-linguistic fractionalization than Liberia (Alesina et al. 2003). Liberia's political system is also characterized by an unusually high number of veto players (5) for a developing country, which theoretically should have made the process of implementing MCA-related reforms difficult.<sup>116</sup> Despite of these obstacles, the prospect of MCA eligibility not only inspired the Liberian authorities to initiate significant business climate and anti-corruption reforms, but also to pursue full-fledged implementation of those reforms between 2008 and 2010.

If conventional theories do not provide much analytical purchase, how can we account for Liberia's reform efforts to meet the MCA eligibility standards? My contention is that a convincing explanation requires analysis of (a) the nature of the network ties between members of the senior policymaking team, (b) the strength of the ties between their senior policymaking team and the IO/donor agency community, and (c) the senior policymaking team's capacity for network brokerage.

From 2005 to 2010, Liberian policymakers enjoyed extraordinarily strong ties to international organizations, donor agencies, and the MCC itself. Liberia's senior policymaking team was

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<sup>115</sup> If one considers aid to be a source of unearned income (which remains a source of continuing debate), then Liberia relies more heavily on unearned income than almost any other country in the world. Aid and natural resource rents constituted approximately 76% of Liberia's gross national income in 2009. By contrast, tax revenue constituted approximately 0.3% of GDP during the same period.

<sup>116</sup> The *CHECKS* variable from the Database of Political Institutions indicates that only one other country in Africa (Ethiopia) had as many veto players as Liberia during the period of interest (2004-2010). POLITY IV's 2010 report on Liberia notes that "[s]ince the 2005 elections the legislative and judicial branches have emerged as significant constraints on executive power."



not comprised of individuals who shared strong political party, ethnic, or religious ties. Rather, cabinet cohesion was based on shared affiliations with and experiences at Western educational institutions and inter-governmental organizations. Consider several of the key players in Johnson-Sirleaf's first cabinet (2006-2008). The President is a Harvard-trained technocrat with experience working at the World Bank and United Nations.<sup>117</sup> The Minister of Planning and Economic Affairs, Toga McIntosh, was educated at the University of Tennessee, Williams College, and Boston University, and previously worked for the United Nations and the World Bank. The Minister of Finance, Antoinette Sayeh, received her undergraduate and graduate degrees from Swarthmore College and Tufts University and worked at the World Bank for nearly two decades before assuming her post as Finance Minister. Olubanke King-Akerele, the Minister of Commerce and Industry (and later the Minister of Foreign Affairs), was educated at Brandeis University, Northeastern University, and Columbia University and held senior U.N. positions for more than two decades before joining the Johnson-Sirleaf administration. Johnson-Sirleaf's choice for Chairman of the National Investment Commission, Dr. Richard V. Tolbert, was also a Harvard graduate and a long-time Wall Street executive.

When the cabinet was reshuffled in 2008, Johnson-Sirleaf chose to maintain cabinet cohesion on the basis of educational and professional ties (Robinson 2008b). She replaced Antoinette Sayeh with Augustine Ngafuan, a former Director of Liberia's Bureau of Budget who received his professional training at the University of Rochester and Harvard University's Kennedy School of Government. She replaced Toga McIntosh, the Minister of Planning and Economic Affairs, with Amara Konneh, another Kennedy School graduate.<sup>118</sup> And she tapped Miata Beysolow, a Colombia University graduate with 16 years of experience

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<sup>117</sup> In her autobiography, Johnson-Sirleaf points out that she had strong personal ties with several of her cabinet members long before she ever assumed the Presidency: "I was close to the family of Olubanke King-Akerele, who was studying at Brandeis, and we all spent time together during my Harvard year. ... Later Olubanke would work with me at UNDP, and today she is my minister of foreign affairs. I also serve as godmother to her oldest daughter, Bahia" (Johnson-Sirleaf 2009: 61).

<sup>118</sup> Johnson-Sirleaf invited Konneh to assume the Ministry of Planning and Economic Affairs portfolio immediately after he completed the same scholarship and professional development program (Harvard's Mid-Career Master in Public Administration Edward S. Mason Program) through which she matriculated in the 1970s.

working at the African Development Bank, to lead the Ministry of Commerce and Industry.<sup>119</sup>

The employment decisions of senior Liberian officials—before and after serving in the Johnson-Sirleaf administration—also shed light on the nature and strength of the ties between the Liberian authorities and their IO and donor agency counterparts. Consider Antoinette Sayeh. Almost immediately after completing her stint as Minister of Finance (2006-2008), Sayeh became Director of the IMF's Africa Department. Prior to working for the IMF and Liberia's Ministry of Finance, Sayeh worked at the World Bank for 19 years. Sayeh was not simply a "sympathetic interlocutor" of World Bank, IMF, the MCC, and other donor agency and IO officials (Chwieroth 2007, 2010a).<sup>120</sup> She was, in effect, an IO/donor agency official temporarily seconded to a developing country policymaking position. Sudetic and Soros (2011) and Blair (2009a) indicate that some senior Liberian officials in the Johnson-Sirleaf administration even collected their salaries from donor agencies and international organizations.<sup>121</sup>

In addition to creating a cohesive team of senior policymakers with existing ties to international organizations and donor agencies, the Government of Liberia cultivated new ties with leaders from the international development policy establishment in Washington D.C. and Brussels. The President negotiated an arrangement with the Center for Global Development (CGD)—the premier global development think tank in Washington D.C.—in which it recruited, financed, and deployed nearly two dozen "Special Assistants" from elite Western universities to provide day-to-day operational support to Liberian cabinet members (CGD 2008). Johnson-Sirleaf also forged an agreement with the Open Society Institute to

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<sup>119</sup> After being re-elected in 2011, Johnson-Sirleaf continued to play this game of "musical chairs" without fundamentally altering the composition of the government. Ngafuan, the former Minister of Finance, was nominated as Minister of Foreign Affairs. Konneh, the former Minister of Planning and Economic Affairs, was tapped to lead the Ministry of Finance.

<sup>120</sup> Chwieroth (2007, 2010) proposes that "sympathetic interlocutors"—senior government officials who share the same professional and educational DNA as the international organization officials with whom they liaise and negotiate—facilitate reform agreements with IOs and donor agencies. See also Kahler 1992; Momani 2005b; Woods 2006; and Corrales 2006.

<sup>121</sup> Indeed, from 2006 to 2010, much of the funding for Liberia's "Senior Executive Service" came from UNDP, the World Bank, and USAID (The Civil Service Agency/UNDP 2010).

create a "capacity-building" fund that would help her attract overseas talent to Monrovia for the purposes of building a coherent, technocratic policymaking team.<sup>122</sup>

The President's close personal relationship with Steve Radelet also helped the GOL establish strong ties with MCC staff. During Liberia's reform planning and design phase, the MCC assigned a staff member, Sarah Rose, from its Development Policy Division to liaise with the Liberian authorities on policy and technical (indicator measurement) issues. Rose had previously worked as Radelet's assistant at the Center for Global Development (CGD). As part of CGD's "MCA Monitor" initiative, Radelet and Rose were jointly responsible for assessing the measurement properties of the MCA eligibility indicators, evaluating the indicator performance of MCA candidate countries, and making annual predictions about countries that would be made eligible for MCA Compact and Threshold assistance.

Thus, apart from the staff in MCC's Development Policy Division who managed the annual country selection process, Radelet and Rose were among the world's most knowledgeable MCA eligibility experts. This unusual configuration of network ties effectively gave the Liberian authorities a "direct channel" to the MCC staff responsible for country eligibility issues—an enviable position for any developing country government seeking MCA eligibility. Radelet's direct involvement in shaping the GOL reform agenda also provided a measure of credibility to the Johnson-Sirleaf administration's campaign for MCA eligibility.<sup>123</sup>

Togo provides a useful cross-case comparison because, while it shares many of Liberia's attributes and in many ways stands out as a more likely candidate for MCA influence, its government did not demonstrate a strong commitment to design and implement the reforms

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<sup>122</sup> In his biography, George Soros notes that Johnson-Sirleaf, who had previously served as Chairperson of the Soros-funded Open Society Institute West Africa (OSIWA), "was very capable and honest, so we went out of our way to help her succeed. I figured that since the country was relatively small and now had a capable leader, it should be possible to make a big impact and bring about real change. ... Our first effort was a capacity-building fund, which enabled her to bring back a few qualified people to form the core of the cabinet" (Sudetic and Soros 2011).

<sup>123</sup> Radelet enjoyed a high level of credibility among MCC staff and senior USG policymakers. In early 2009, he was rumored to be President Obama's nominee for Chief Executive Officer of the MCC (Francis 2009). He was instead given the position of Senior Development Adviser to the U.S. Secretary of State. He later served as USAID's Chief Economist.

necessary to come into compliance with the MCA eligibility requirements.<sup>124</sup> In March 2007, an adviser to President Faure Gnassingbé informally signaled interest in MCA eligibility to MCC staff through "back-channel" communications with the World Bank. But this initial expression of interest was followed by "radio silence" for the next 18 months. The Togolese authorities never requested a meeting with—or signaled their continuing interest to—MCC or US Embassy officials until Prime Minister Gilbert Houngbo was appointed in September 2008. Houngbo immediately raised the issue of MCA eligibility with the US Ambassador to Togo after his appointment; however, from the point of Houngbo's appointment until the end of the period of interest (2008-2010), there is no evidence that the Gnassingbé administration adopted or implemented reform measures to increase its odds of meeting the MCA eligibility requirements.

There are many reasons why the divergent responses of the Liberian and Togolese authorities would puzzle a careful observer of the existing theoretical literature. First, levels of social cohesion—a factor that purportedly makes it more difficult for governments to implement reform—are nearly identical in the two countries. Togo and Liberia fall within the bottom tenth percentile among all other countries in the world on the measures of ethnic, linguistic, and religious fractionalization reported by Alesina et al. (2003).<sup>125</sup> Second, one can probably rule out state capacity as a possibility explanation for why Liberia successfully implemented reforms to achieve MCA eligibility and Togo did not. From 2004 to 2010, both countries scored in the bottom tenth percentile worldwide on the World Bank Institute's index of "Government Effectiveness" (Kaufmann et al. 2004). Third, the perceived attainability of the MCA reward—a factor emphasized by rational choice theorists—seems inadequate as an explanation (Schimmelfennig and Sedelmeier 2004). While an MCC Compact represented a larger financial incentive for Liberia than for Togo, both countries were very far from being "within striking distance" of the MCA eligibility requirements. Fourth, Togo had a similar level of access to "unearned income" as Liberia, which would have led rational bargaining theorists to the prediction that both the Liberian and Togolese governments would demonstrate similar levels of interest in participating in an resources-for-reform swap with

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<sup>124</sup> This section draws heavily upon the author's direct observations as an MCC staff member from 2005 to 2010.

<sup>125</sup> If one calculate a simple average of the ethnic, linguistic, and religious fractionalization indicators reported in Alesina et al. (2003) dataset—indicators which are all measured on common scale—Togo receives an index value of .75 and Liberia receives an index value of .76.

the MCA.<sup>126</sup> Fifth, given that the U.S. Government had a non-trivial strategic interest in Liberia and no apparent strategic interest in Togo during the period of interest, scholars who study the credibility of conditionality would have expected to Togo to demonstrate a relatively *higher* level of commitment to undertaking MCA-related reforms (Thacker 1999; Stone 2002; Dreher and Jensen 2007; Kilby 2009; Girod and Tobin 2011).<sup>127</sup> Finally, there are stronger institutional checks and balances in Liberia than in Togo, which would naturally lead most students of political economy to the prediction that Togo—not Liberia—would find it easier to implement the reforms necessary to achieve MCA eligibility.<sup>128</sup>

While recognizing that a complex configuration of causal factors was most likely at work, I propose that two factors instigated a strong positive response from the Liberian authorities and a weak response from the Togolese authorities. First, Liberia had a cohesive senior policymaking team forged on the basis of strong educational and professional ties and members of the team had access to and credibility with IOs and donor agencies (including the MCA) as a result of their membership in transnational networks. Togo's senior policymaking team did not cohere to the same degree as Liberia based on membership in transnational networks. By way of comparison, consider the inter-governmental work experience of four leading Liberian and Togolese decision-makers in 2008: the Head of State, the Minister of Finance, the Minister of Planning, the Minister of Foreign Affairs. Whereas these four Liberian policymakers collectively held 57 years of prior experience working for inter-governmental organizations, their Togolese counterparts held only 10 years of similar

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<sup>126</sup> Whereas Liberia derived approximately 76% of its national income from aid and natural resource rents in 2009, Togo relied on non-tax revenue for approximately 29% of its national income in the same year.

<sup>127</sup> Many IR scholars consider the transfer of U.S. military assistance to be a reasonable proxy for the significance of U.S. strategic interests in a given country (Poe and Meernik 1995; Lai 2003; Fariss 2009). From 2004-2009, Liberia received nearly 350 times more U.S. military aid (\$346 million) than Togo (\$1.1 million). U.S. military assistance to Liberia supported the operation and maintenance of military bases, the training of military personnel, the construction of arms and ammunition storage facilities, and the creation of a Liberian Coast Guard (Cook 2010). In 2007, President Johnson-Sirleaf also offered Liberian territory to the U.S. Government to be used for the creation of AFRICOM, a new military command post in Africa (The News 2007). Another the commonly used measure of alignment with U.S. strategic interests is United Nations General Assembly voting alignment with the U.S. There is virtually no difference between Liberia and Togo on this measure.

<sup>128</sup> According to POLITY IV (2012a), "the legislative and judicial branches [in Liberia] have emerged as significant constraints on executive power." However, in Togo, the "democratically elected National Assembly ... has proven itself to be little more than a rubber stamp institution" and "the judiciary ... represents no real check on presidential authority"(POLITY IV 2012b).

experience.<sup>129</sup> Togo's senior policymaking team was instead formed mostly on the basis of political party affiliations, ethnic identities, and kinship ties (World Bank 2008; EIU 2008a; POLITY IV 2010b).

Second, and perhaps more importantly, the "network brokerage" positions of a few key policymakers may have enabled Liberia's executive branch to successfully execute status-quo altering reforms. Togo, by contrast, had a policymaking team comprised primarily of individuals with ethnic, kinship, and political party ties, which appears to have created fewer opportunities for brokerage between IOs/donor agencies and domestic sources of authority and legitimacy (EIU 2008a, 2008b).

In order to illustrate the potential causal significance of network brokerage, consider the fact that it was actually Johnson-Sirleaf's second cabinet (2008-2010) that helped Liberia successfully implement the reforms needed to become MCA eligible. Members of Johnson-Sirleaf's first cabinet (2006-2008), such as Antoinette Sayeh and Olubanke King-Akerele, played a central role in helping bring Liberia back into the good graces of the donor and IO community. But these officials seemed to have greater success *facilitating* reform agreements with donor agencies and international organizations than *implementing* the policy and institutional conditions contained in those agreements. One could argue that the timing of MCA-inspired reform implementation in Liberia may reflect nothing other than the fact that reform is a *process*. But an alternative explanation merits consideration. Might a change in the composition of Johnson-Sirleaf's senior policymaking team have laid the groundwork for the implementation of reforms needed to meet the MCA eligibility criteria?

The qualitative evidence is limited, but tantalizing. In 2008, the President reshuffled her cabinet in a way that surprised many outside observers. She replaced the Minister of Finance, Antoinette Sayeh—an individual who the US Embassy described as "an internationally-known official who brought tremendous energy, experience and focus to tackling debt relief and launching the affiliated Poverty Reduction Strategy"—with Augustine Ngafuan, the former Director of Liberia's Bureau of Budget. Ngafuan was similar to Sayeh in that he received his training from elite universities in the United States, but unlike his predecessor Ngafuan had an established track record in Liberian political life and nearly ten years of prior

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<sup>129</sup> Analysis based on the dataset described in Appendix B.



experience working for the Central Bank and the Bureau of Budget (Robinson 2008b).<sup>130</sup> Ngafuan thus exhibited some of the characteristics of an insider and some of the characteristic of an outsider, perhaps resembling the "embedded autonomy" ideal of Evans (1995). The U.S. Embassy noted in June 2008 that Ngafuan was in a better position than Sayeh to focus on "improving internal operations [of the Ministry of Finance] and reducing opportunities for rent-seeking."<sup>131</sup> However, the tension inherent in holding a position of network brokerage is also evident in the U.S. Embassy's appraisal of Ngafuan: "[His] ability to take on the entrenched interests at Finance is still an open question" (Robinson 2008b). The U.S. Embassy's assessment of Natty B. Davis—another individual appointed by the President to help oversee the implementation of economic policy from 2008 to 2010—also suggests the importance of network brokerage: "[He] has some qualities [Antoinette] Sayeh lacked, most notably an ability to build consensus within the government and to interact with the Legislature" (Robinson 2008b).<sup>132</sup>

Togo, again, provides an interesting point of comparison. In 2008, as part of a cabinet reshuffle, the President Faure Gnassingbé installed Gilbert Houngbo as his new Prime Minister. Houngbo was educated in Canada, spent much of his adult life outside of Togo, and

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<sup>130</sup> During the war, Ngafuan was a youth activist, President of the influential University of Liberia Students Union (ULSU), and a representative of the Student Unification Party. He won *The Inquirer's* Student Activist of the Year award in 1998. He also served as the Spokesman of the Unity Party in 2005 and helped mobilize Liberian youth to support Ellen Johnson Sirleaf's election in 2005. By contrast, Ngafuan's predecessor (Sayeh) completed her high school education in a Swiss boarding school and her university education in the United States, and she had no track record or interest in being engaged in Liberian political life. Author's correspondence with a former Special Assistant to Ngafuan, May 2014.

<sup>131</sup> The U.S. Deputy Chief of Mission in Monrovia also noted in his June 2008 dispatch to State Department headquarters that Ngafuan's "appointment reflects the President's realization that internal housekeeping is necessary if poverty reduction initiatives are to succeed" (Robinson 2008b).

<sup>132</sup> Davis had "outsider" experience working for the EU, UNDP, the ILO, and UNAIDS. However, he also had "insider" experience as a Senior Adviser to the National Transitional Government from 2003 to 2006. A July 2009 interview with Princeton University's *Innovations for Successful Societies* program confirmed his domestic policy skill: "One of the lessons that we've learned is that we need to bring the relevant [legislative] committee members on board early on. Even at the point where the policy is being formulated. The sector ministry should make every effort to encourage the participation of the committee members. You know, in the legislature you have several committees, a committee on finance, a committee on trade, a committee on concessions, whatever the case may be. So when that is being done, efforts should be made to at least incorporate some of the committee members into these different stakeholder consultations or, if nothing else, encourage them to designate a staff member of theirs or whoever will participate in the stakeholder discussions. So that by the time a proposed act is ready and is forwarded to the legislature from the presidency there is full knowledge that there has been some participation so there's greater opportunity for a feeling of ownership of the process. And of course, hopefully in the early stages of trying to incorporate them, you also are identifying a champion for the legislation so that once it gets there you have a champion that the relevant sector minister then can use to work through within the legislature. The legislature champion at least can try to make sure that it moves through committee quickly and gets to the floor where some decisions can be taken on it" (Blair 2009b).



worked for many years in senior leadership positions at the UNDP. The President recruited Hougbo to establish a bridge to the donor agencies and international organization that did not previously exist. The Economist Intelligence Unit (2008a) noted at the time of the reshuffle that Hougbo "[was] intended to facilitate the normalization of relations with donors." Yet, in spite of Hougbo's apparently high level autonomy (owing to his strong ties to IOs and donor agencies), it is difficult to adduce any evidence that he had strong ties to domestic political actors or networks. He had no prior experience as a Togolese government official upon his appointment as Prime Minister. The Economist Intelligence Unit noted at the time that Hougbo was "a non-party technocrat, [but] from the opposition's viewpoint he [was] a political novice ..." (EIU 2008b). Kohnert (2009: 180) also indicated that Hougbo was "little known to the population." Hougbo's inability to shepherd MCA-inspired reforms to completion between 2008 and 2010 suggests that he may have faced difficulty working with and through domestic political actors and networks.<sup>133</sup> In other words, he may have had enough autonomy, but not enough embeddedness, to meet the demanding policy and institutional reform requirements of MCA eligibility.

Nevertheless, I concede that while the Liberia-Togo comparison is thought-provoking and heuristically useful, it is ultimately unsatisfying as an account of why some governments undertake reform—and others chose to not undertake reform—in response to external incentives and moral suasion tools. There are a range of variables that I have not accounted for in making this cross-case comparison: regime type, the reform credentials of the government, the provision and timing of reform assistance, the nature of the policy and institutional impediments to MCA eligibility, and so forth.<sup>134</sup>

The remainder of this chapter will seek to provide a more systematic and satisfying explanation of why some governments respond to the MCA eligibility requirements by adopting and implementing reforms, and other governments chose to forego the opportunity of participating in a resources-for-reform swap with the USG. To that end, I will employ the

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<sup>133</sup> To be clear, the qualitative coding exercise from Chapter 3 reveals that Hougbo did not lack *interest* in using the MCA eligibility standards to advance his domestic reform agenda. Interest simply did not translate into action.

<sup>134</sup> According to POLITY IV (2012a), "the legislative and judicial branches [in Liberia] have emerged as significant constraints on executive power." However, in Togo, the "democratically elected National Assembly ... has proven itself to be little more than a rubber stamp institution" and "the judiciary ... represents no real check on presidential authority"(POLITY IV 2012b).

dataset described in the Chapter 4 and use logit, rare event logit, and multilevel modeling techniques to explain variation in MCA-related reform adoption and implementation across countries, time, and policy domains. My objective is to more systematically account for causal complexity and address the broader generalizability issues raised by the Liberia-Togo comparison. I will also use propensity score matching techniques to identify the impact of my primary variables of causal interest: the autonomy and embeddedness of change management teams.

This chapter will proceed in the following manner. In Section 4.2, I introduce a set of logically derived and empirically testable hypotheses. I also identify the data sources that I will employ to test these hypotheses. Section 4.3 describes the theoretical intuition of my empirical model. In Section 4.4, I summarize my empirical findings, undertake several robustness and sensitivity checks, and offer some reflections on possible refinements to the model. Section 4.5 concludes with a discussion of theoretical, empirical, and policy implications.

## **4.2 Why Might States Undertake Domestic Reforms to Achieve MCA Eligibility?**

In Chapter 3, I proposed that tight-knit, technocratic policymaking teams are more likely to use external pressures in the service of domestic reform objectives. I also articulated a theory of network brokerage and predicted that governments with strong ties to IOs and donor agencies and weak ties to domestic sources of authority and legitimacy are more likely to overcome opposition to reform. I will now expose these arguments to empirical disconfirmation. Given that many scholars from other theoretical traditions have sought to answer the same fundamental research question, I will also devote a significant amount of effort to careful testing of alternative hypotheses in the existing literature. Careful consideration of alternative hypotheses is central to the creation of cumulative knowledge, yet the disciplinary practice of pushing over theoretical "straw-men" remains surprisingly common (Eichengreen 1998; Gabel 2002; Lake 2011; and Tierney, Thompson, and Weaver forthcoming). The goal of this chapter is simple: to create and test a model that predicts whether or not a government will make policy or institutional adjustments in a given issue domain and year to improve its chances of achieving or maintaining MCA eligibility. I seek to explain variation across countries, time, and issue domains.

Apart from its use in resolving my empirical puzzle, my dependent variable provides a unique opportunity to subject hypotheses inspired by competing and complementary theories to a general empirical test. To date, the empirical literature on the effectiveness of external reform pressures has relied on de jure indicators of state participation in resources-for-reform agreements and outcome measures that indirectly proxy for policy behavior and implementation. By contrast, I use several different versions of a dependent variable that seeks to directly measure whether a government apparently altered its policy behavior *in order to reap the external rewards of MCA eligibility*. I built this measure through process tracing of 118 country cases. Each country case was then divided into 119 "policy domain-year" sub-cases, yielding nearly 14,000 total observations.

I will first briefly summarize the theoretical logic of my network-inspired hypotheses. I will then introduce hypotheses from the literature on why states seek to comply with the external standards of donor agencies and international organizations. I will also describe the specific variables and data sources that I use in my empirical model.

The Existence of an Autonomous, Technocratic Reform Team: Consistent with the theoretical logic offered in Chapter 2, I predict that the existence of a technocratic reform team within the executive branch will correlate positively with the probability that the MCA eligibility requirements are used in the service of domestic reform objectives. I test this hypothesis with a binary measure (*mca\_reform\_team*) that takes a value of 1 in a given year if a government (a) appointed one or more senior officials to spearhead efforts to meet the MCA eligibility standards, or (b) created some type of executive or inter-ministerial task force, commission, committee, or working group to address the MCA eligibility requirements. Countries that did not meet condition (a) or (b) receive a value of 0.<sup>135</sup>

The Autonomy of the Government's Senior Policymaking Team: As articulated at greater length in Chapter 2, I predict that governments with technocratic senior policymaking teams are more likely to effectively employ external incentives, conditions, and pressures in the service of domestic policy objectives. In order to test this hypothesis, I developed two indicators: a measure of the percentage of senior policymaking team members who received

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<sup>135</sup> Objectively diagnosing the performance of a government on the MCA eligibility criteria and identifying potential policy and institutional remedies is a fundamentally technical task that requires a high level of autonomy.

their undergraduate *and* graduate degrees from OECD countries (*pct\_wugandgraded*), and a measure of the average number of years senior policymaking team members in a given country and year previously worked for the IMF, the World Bank, the Asian Development Bank, the Inter-American Development Bank, the African Development Bank, or the European Bank for Reconstruction and Development (*mbexp\_avg*). I created these indicators by gathering and coding biographical data for all Heads of State, Ministers of Finance, Ministers of Planning, Ministers of Foreign Affairs, and Central Bank Governors who served between 2004-2010. I collected the necessary biographical information from *International Who's Who*, *Who's Who in International Organizations*, *Who's Who Europa*, *Africa-Asia Confidential Who's Who*, *Profiles of People in Power*, *CIDOB's Biographies of Political Leaders Database*, *The Statesman's Yearbook*, *Gale's Biography Resource Center*, *The Economist Intelligence Unit*, *Wikipedia*, conference records, and direct correspondence with current and former government officials. The codebook used to generate these indicators is supplied in Appendix B.

The Embeddedness of the Government's Senior Policymaking Team: In Chapter 3, I introduced a theory of network brokerage, which led to the following prediction: senior policymaking teams that are somewhat embedded in domestic political networks will more effectively utilize the MCA eligibility standards to advance domestic reform objectives. In order to operationalize this notion of embeddedness, I developed an indicator that measures the average number of years of government experience that members of the senior policymaking team (Head of State, Minister of Finance, Minister of Planning, Minister of Foreign Affairs, and Central Bank Governor) collectively possess (*govexp\_avg*). This measure of embeddedness is based on previous research, which demonstrates that “[a]s tenure in government service increases, so will the depth of the individual’s ... social capital” (Lester et al. 2008: 1001).<sup>136</sup>

I also developed a set of threshold-based measures of the average level of government experience possessed by members of the senior policymaking team in order to test whether

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<sup>136</sup> Ideally, one would map and measure the multiplex network ties of all leading decision-makers within the developing countries. However, given the extraordinary cost and complexity of undertaking this task, I employ prior government experience as a proxy for network ties that provide access to local sources of authority and legitimacy. This operationalization of social and political embeddedness is consistent with previous research (Renfro and Deckro 2001; Agrawal et al. 2001; Hilman et al. 1999, 2001; Lester et al. 2008; Polga-Hecimovich et al. 2013; Baumgartner et al. 2008). However, it is an imperfect measure in that it very likely captures both the network ties (social and political capital) and the political skills (human capital) that cabinet members cultivate during their periods of government service (Lester et al. 2008).

the strength and *direction* of the relationship between embeddedness and MCC-inspired reform activities might vary based on the level of embeddedness. Readers will recall the prediction from Chapter 2 that senior policymaking teams with high levels of autonomy and low-to-moderate levels of embeddedness will more effectively utilize the MCA eligibility standards to advance domestic reform objectives. In order to more effectively account for these potential threshold effects, I constructed four binary variables that measure whether the average member of the senior policymaking team possessed between zero to five years of government experience (*govexp\_avg\_0\_5*), five to ten years of government experience (*govexp\_avg\_510*), ten to fifteen years of experience (*govexp\_avg\_1015*), or more than fifteen years of experience (*govexp\_avg\_15*).<sup>137</sup> The codebook used to generate these indicators is provided in Appendix B.

Political Commitment of the Chief Executive: Existing scholarship on the efforts of external actors to influence the domestic policy behavior of developing country governments laments the fact that one variable of particular interest and importance—the intensity of the chief executive’s interest in making domestic policy changes to reap a particularly external reward—is exceptionally difficult to observe, thus confounding efforts to draw causal inferences (Vreeland 2003; World Bank 2012a). I seek to overcome this obstacle by developing a direct measure of whether, to what extent, and when the chief executive publicly or privately revealed an interest in undertaking reforms in order achieve or maintain MCA eligibility (see Appendix A). This indicator (*q7\_mca\_eligibility\_executive\_interest*) was constructed by coding information contained in media reports, official public statements, official documentation, case studies undertaken by independent researcher, and interviews and correspondence between the author and senior developing country and USG officials. It takes one of three values: 0 represents evidence of little or no executive interest, 1 represents evidence of a moderate level of executive interest, and 2 represents evidence of a high level of executive interest. The inclusion of this indicator is not only important as a predictor of whether and when governments undertake MCA-inspired reform activities, but also as a

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<sup>137</sup> More precisely, *govexp\_avg\_0\_5* takes a value of one if the average level of prior government experience within the senior policymaking team is less than or equal to five, and zero otherwise (0-5). The *govexp\_avg\_5\_10* variable takes a value of one if the average level of prior government experience within the senior policymaking team is greater than five and less than or equal to ten (5.01-10), and zero otherwise. The *govexp\_avg\_10\_15* is assigned a value of one if the average level of government experience within the senior policymaking team is greater than ten and less than or equal to fifteen (10.1-15). The *govexp\_avg\_15* variable is set to one if the average level of government experience within the senior policymaking team is greater than fifteen (15.1 or higher), and zero otherwise.

predictor of the appointment of technocratic reform teams in the first stage equation of the propensity score matching model I will use to achieve causal identification.

Reform Credentials of the Government: Previous research suggests that successful implementation of an initial set of reforms can facilitate future reforms by bolstering a government's credibility and expanding public support (Ferejohn 1986; Rodrik 1996; Abiad and Mody 2005). Donor agencies and international organizations may also selectively reward governments based on their reform credentials (Dietrich 2011).<sup>138</sup> As such, I assess whether a government that successfully undertakes reform in a given policy domain during "time period 1" is more likely to respond to the MCA eligibility incentive in "time period 2" by implementing reform in the same policy domain.

I test the strength of this prediction by measuring the *rate of change* in a country's policy and institutional performance between time period 1 and time period 2. The optimal approach would be to measure the "reform credentials" of each government in each of the 17 policy domains represented by the MCA eligibility indicators. However, the MCA eligibility indicators are all measured on different scales and normalizing these indicators introduces its own set of measurement challenges, so I instead rely on 2005-2010 data from the World Bank's Country Policy and Institutional Assessment (CPIA). The CPIA indicators measure policy and institutional performance in 16 areas, but they are all measured on the same 1-6 scale (higher scores indicate higher levels of policy and institutional performance). The problem with the CPIA indicators is that they do not align perfectly with the MCA eligibility indicators. Therefore, I created a measure called *cpia\_reform\_credentials*, which not only varies across countries and time, but also across policy domains. I created this variable by first grouping the 17 CPIA indicators into four distinct categories: macroeconomic policies, structural economic policies, social and environmental policies, and rule-based governance. I then calculated rate of change indices for macroeconomic policies, structural economic policies, social and environmental policies, and rule-based governance. After that, I mapped the four rate of change indices onto the 17 policy domains in my dataset. The rule-based governance index was mapped onto the six indicators in the MCC's Ruling Justly category; the social policies index was mapped onto the five indicators in the MCC's Investing in

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<sup>138</sup> A 2001 IMF review of conditionality programs arrived at the conclusion that "national commitment to reform programs – a factor largely outside the control of the [IMF] or the [World] Bank – is critical in the success or failure of Bank or Fund-supported adjustment programs (IMF 2001: 52).

People category; the structural economic policies index was mapped onto the MCC's Business Start-Up, Land Rights and Access, Trade Policy, and Regulatory Quality indicators; and the macroeconomic policies index was mapped onto the MCC's Inflation and Fiscal Policy indicators. The final procedure was to bring all of these rate of change indices into a single metric (*cpia\_reform\_credentials*) that varies across countries, time, and policy domains.

In order to illustrate the how the *cpia\_reform\_credentials* indicator is utilized in practice, consider two brief examples:

- A country's rate of change on the CPIA macroeconomic policies index between T1 and T2 is used to predict whether a government will successfully implement reforms to improve the MCC Inflation and Fiscal Policy indicators in T2.
- A country's rate of change on the CPIA rule-based governance index between T1 and T2 is used to predict whether a government will successfully implement reforms to improve the MCC Control of Corruption indicator in T2.

Scope for Reform: Rational choice scholars often claim that the probability of reform in a given policy area will depend on the extent to which there is an objective need for reform.<sup>139</sup> The truth of this proposition is to some degree self-evident. Even the omniscient, omnipotent, and welfare-optimizing dictator found in welfare economics textbooks would have to acknowledge that at some point there are diminishing returns to reform. Consider business entry reform. If it takes 300 days and 150% of per capita income for small businesses to register with the government and the authorities decide to undertake a reform that reduces the time and cost of business registration by 95%, further efforts to ease business entry will probably yield limited returns. One would therefore expect to see less demand for incremental improvements in relatively “reformed” areas.

But, from another perspective, it is hard to see why countries with relatively unreformed economies and polities would be the most likely candidates to undertake difficult policy and institutional changes. After all, there are probably good reasons why these countries have not

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<sup>139</sup> Heinemann (2004), Drazen and Easterly (2001), Lora (1998), Vreeland (2003) all utilize some objective measure of the “need for reform”: the level of inflation, the current stock of currency reserves, significant episodes of GDP contraction, the level of economic openness, the percentage of the population without access to health insurance, etc.



already successfully implemented reform: leaders who do not see a compelling need to make adjustments, opposition from rent-seeking actors who benefit from the status quo, and so forth.

In order to account for a country's *level* of policy and institutional performance, I rely on 2005-2010 World Bank's CPIA data. The CPIA dataset offers two major advantages. First, it varies across 16 policy and institutional policy domains that roughly correspond with the policy domains represented by the 17 MCA eligibility indicators. Second, all of the indicators in the CPIA dataset are measured on a common 6-point scale, which enables cross-policy domain comparison.<sup>140</sup> However, since the CPIA indicators do not correspond perfectly to the MCA eligibility indicators, I used the same indexing procedures described the "Reform Credentials of the Government" section to create a variable (*cpia\_scope\_for\_reform*) that measures the scope for reform that exists in 4 broad policies areas: macroeconomic policies, structural economic policies, social and environmental policies, and rule-based governance. The key difference between the *cpia\_scope\_for\_reform* indicator and the *cpia\_reform\_credentials* indicator is that the former measures a country's *level* of policy and institutional performance and the latter measures the *rate of change* in a country's policy and institutional performance.

Nature of the Policy Domain: In order to account for the fact that undertaking reform in a particular policy and institutional policy domain may be more or less difficult for a government, I include dummy variables that capture the nature of the policy and institutional policy domain. I employ 3 categorical dummy variables: one for governance-related policy domains, one for social and environmental policy domains, and one for economic policy-related policy domains. These categorical variables directly correspond to the three policy categories used in the MCC eligibility system: Ruling Justly (*ruling\_justly\_category*), Investing in People (*investing\_in\_people\_category*), and Economic Freedom (*economic\_freedom\_category*).<sup>141</sup>

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<sup>140</sup> The MCA eligibility indicators also provide detailed historical data on the *level* of policy and institutional performance for all countries that meet the MCA's income requirements for candidacy; however, these indicators are measured on scales that vary across policy domains.

<sup>141</sup> I have no strong a priori theoretical expectations. These indicators function as control variables. However, in future work, I plan to test for cross-level interaction effects—for example, whether different regime types are more likely to undertake MCA-related reforms in particular policy domains. This work will be informed by theory.

Strength of the Incentive: One of the defining characteristics of the MCA eligibility "system" is that the USG places significantly more weight on one eligibility indicator than all of the other eligibility indicators. Control of Corruption is treated as a "hard hurdle"; a country must perform above its income group median in order to achieve eligibility for an MCA Compact (Dunning and Herrling 2009). Therefore, to gauge whether the "strength of the incentive" introduced by an external actor matters, I include a dummy variable (*strength\_of\_incentive*) for the Control of Corruption policy domain.

Provision of Reform Assistance: In addition to offering hundreds of millions of dollars in Compact assistance to countries that meet the formal MCA eligibility requirements, the MCC has a Threshold Program for countries that fall short of meeting the Compact eligibility requirements. This program provides targeted policy and institutional reform assistance to governments that are "close" to meeting the formal Compact eligibility requirements. Therefore, in seeking to explain reform activities related to the MCA eligibility requirements, it is important that we account for variation in the provision of MCC reform assistance across countries, time, and policy domains.<sup>142</sup> I include a dummy variable (1 = yes, 0 = no) that measures whether MCC provided Threshold assistance to a given country in a given "policy domain-year." This variable is called *mca\_reform\_assistance\_issue\_domain*.<sup>143</sup>

Determinacy of the Conditions: Rational choice theories suggest that a government's willingness to participate in a resources-for-reform swap will correspond positively with the clarity and the predictability of the proposed contractual conditions (Schimmelfenning and Sedelmeier 2004). In order to test this hypothesis, I employ a dummy variable (*determinacy\_of\_conditions*) that measures whether the variable used by MCC to assess

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<sup>142</sup> Consider Tanzania, which received \$11 million in Threshold program assistance from 2006 to 2008 to strengthen its anti-corruption policy and institutional performance. According to a 2011 Oxfam America report, "[a]s a result of Threshold Program support, the Tanzania Public Procurement Regulatory Authority conducted 39 audits of procuring entities, one of which uncovered irregularities in the procurement of electrical generators by the national electricity purveyor. This report was made public, and the subsequent scandal attracted national attention and led to the resignation of several senior government officials, including the prime minister" (Oxfam America 2011: 25-26). Also sees Hollyer and Wantchekon 2011.

<sup>143</sup> For the purposes of the two-level logistic and rare event logistic regression model specifications reported in this chapter, I also collapsed the policy domain variation within the three-level *mca\_reform\_assistance\_issue\_domain* indicator into a two-level *mca\_reform\_assistance* indicator.

policy performance consists of an index with 5 or more sub-component indicators. The following MCA eligibility indicators, which are either single indicators or indices consisting of 2-4 sub-component indicators, receive a score of 1: Immunization Rates, Girls' Primary Education Completion, Health Expenditures, Primary Education Expenditures, Natural Resource Management, Business Start-Up, Land Rights and Access, Inflation, Trade Policy, Fiscal Policy. All other MCA eligibility indicators receive a score of 0.

Time Trends: It is also possible that the "MCC Effect" has strengthened or weakened over time because of general contextual factors. When the Bush administration first announced the creation of the MCA, it indicated that the USG would provide \$5 billion a year to support a new fund for reform-minded governments in the developing world (Office of the White House 2002). However, the U.S. Congress quickly trimmed the sails of the Bush administration, approving \$994 million for the MCA in 2004, \$1.48 billion in 2005, and between \$875 million and \$1.75 billion a year from 2006-2010 (Herrling and Radelet 2005; MCC 2011a). This reduction in the overall budget envelope may have gradually weakened the lure of achieving MCA eligibility for would-be reformers. Öhler et al. (2012: 138) provide evidence of "strong anticipation effects immediately after the announcement of the MCC, while increasing uncertainty about the timing and amount of MCC aid appear to weaken the incentive to fight corruption over time."

However, one can also imagine why the incentive for MCA candidate countries to undertake reform would have gathered strength over time. Although the MCA was launched with much fanfare, its actual disbursements were trivial from 2002 to 2005 (Herrling and Rose 2007). This initial period of planning and preparation was followed by a major ramp-up in disbursements from \$31.5 million in 2006 to \$940.9 million in 2010.<sup>144</sup> Thus, if would-be reformers are primarily motivated by action rather than talk, one would expect the "MCC Effect" to strengthen over time as the USG followed through on its commitment to provide hundreds of millions of dollars to reform-minded developing countries. To account for a potential downward or upward secular trend, I employ a time trend indicator (*timeid*) that varies from 1 in 2004 to 7 in 2010.

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<sup>144</sup> These figures were drawn from <http://www.foreignassistance.gov> on 10 December 2011.

Regime Type: Comparative political economy scholars are divided on the issue of whether democratic institutions facilitate or impede a government's ability to execute reform. One camp argues that the likelihood of reform is higher in democracies than non-democracies because elected leaders have stronger incentives to undertake policy and institutional changes that promote public good provision (Amin and Djankov 2009a; Joyce 2006; De Haan and Sturm 2003; Rivera-Batiz 2002; Acemoglu et al. 2008; Pitlik and Wirth 2003; Pitlik 2008). International political economy scholars have taken the logic of this argument a step further, proposing that when interests of the executive's "winning coalition" align with the incentives created by an international organization or donor agency, the prospects for reform are higher (Smith and Vreeland 2006; Bueno de Mesquita and Smith 2009a; Montinola 2010).

Another camp in the comparative political economy literature holds that autocratic rulers face fewer domestic constraints and can execute policy and institutional changes without the hassle of securing domestic political support (Devarajan et al. 2001). Wintrobe (1998: 338) argues that autocratic regimes "have a greater capacity for action, good or bad." Scholars from this tradition often point to the periods of sustained economic reform overseen by Chile's Chicago Boys, Indonesia's Berkeley Mafia, the Council for United States Aid in Taiwan, and the Economic Planning Board in Korea (Wade 1990; Liddle 1991; Huneus 2000; Criscuolo 2007).

More recently, IPE scholars have advanced an argument that distinguishes between initial reform adoption and reform implementation. Vreeland (2003) argues that democratically-elected leaders are more likely to initiate IMF agreements than leaders in authoritarian regimes, but less likely to succeed in implementing IMF agreements. Executives in democratic settings have a particularly strong political need for externally-imposed conditionality, as the "requirements" of a donor or IO increase the financial and reputational costs of not implementing reforms, thereby strengthening the executive's position vis-à-vis domestic veto players. Unelected executives, on the other hand, face fewer institutional constraints and can initiate reforms when doing so serves their own interests. They can also more easily implement reforms "with the stroke of a pen."

Consistent with the logic of political survival (Bueno de Mesquita et al. 2003), I predict that developing country executives who derive their power and political support from a larger

winning coalition are more likely to participate in aid-for-reform bargains.<sup>145</sup> Therefore, democracies should demonstrate a higher probability of *implementing* MCA-related reforms. I use the *polity2* indicator from the POLITY IV dataset (Marshall et al. 2011) to measure regime type, which varies from 10 to -10, with strictly positive values representing democratic regimes and all other scores corresponding to non-democratic regimes.

Young Democracies: Based on a similar line of reasoning, scholars have predicted that *young* democracies are more likely to initiate reforms in response to external incentives and moral suasion tools. Kapstein and Converse (2008) and Keefer (2007) argue that young democracies tend to use external incentives as a rationale for initiating reforms because they lack domestic credibility and have a political need to “lock-in” reform commitments. However, lack of domestic credibility is also cited as the primary reason why young democracies find it more difficult to successfully *implement* reforms (Kaufman and Stallings 1989; Olson 2000; Keefer 2004, 2007). To gauge whether a country is a "young democracy," I use data from Marshall et al. (2011) to develop a binary measure (*young\_democ\_major\_minor\_trans*) of whether or not a country experienced a "major democratic transition" or "minor democratic transition" within the last ten years. The ten year window for "young democracy" status is taken from Kapstein and Converse (2008). The "major democratic transition" and "minor democratic transition" designations are drawn from the REGTRANS measure in the Polity IV dataset. "Major democratic transitions" involve a six-point or greater increase (e.g. from “-3” to “+3”) in the overall Polity score over a period of three or fewer years. "Minor democratic transitions" involve a three to five point increase in the overall Polity score over a period of three or fewer years.

The Institutional Feasibility of Policy Change: Previous research suggests that domestic institutional factors can make it more or less difficult for the chief executive to execute policy or institutional change. Economists and political scientists place particular emphasis on the

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<sup>145</sup> The “logic of political survival” described by Bueno de Mesquita et al. (2003) suggests that when the size of an executive’s winning coalition is small (e.g. a small number of senior military officials in an authoritarian regime), he will reward his supporters with private or particularistic goods. However, as the size of his winning coalition expands (e.g. half of the voting population in a democracy with a presidential system of government), the executive is more likely to promote public good provision. Therefore, to the extent that a donor or international organization provides incentives for improved public good provision (better governance, investments in health and education, macroeconomic stability), one would expect to observe more international cooperation – in the form of aid-for-policy reform bargains – with developing country executives who derive their power and political support from a larger winning coalition.

number and ideological (mis)alignment veto players in a given polity. Veto players are individual or institutional decision makers, such as a legislative body or a party in a governing coalition, whose consent is necessary to change a policy (Keefer and Stasavage 2003). Tsebelis (2002), Vreeland (2003), and Joyce (2006) claim that as the number of veto players in a given domestic polity increases, the chief executive's odds of successfully implementing reform decline. I evaluate this hypothesis with the *checks* variable from the Database of Political Institutions, which measures the number of veto players in a given country that can block proposed legislation.

Social Cohesion: Conventional wisdom holds that, in countries with low levels of social cohesion, governments find it difficult to build the level of social consensus necessary for the successful reform implementation (Collier 2000; Easterly 2001; Easterly et al. 2006). I use a simple average (*ethnolinguistic\_fra*) of the ethnic fractionalization index and linguistic fractionalization index from Alesina et al. (2003) to test this hypothesis. These indicators measure the probability that two individuals randomly selected from the population in a given country will belong to different ethnic (linguistic) groups. Higher index values indicate higher levels of ethnolinguistic fractionalization and, ostensibly, lower levels of social cohesion.

State Capacity: Another plausible explanatory factor is the “sheer capacity of the state apparatus to design and execute a coherent policy program” (Pop-Eleches 2009: 42). I will therefore test whether a government's ability to successfully implement MCA-inspired reforms correlates positively with the strength of its public sector management institutions. I rely on the Government Effectiveness index (*wbi\_ge\_est*) from Kaufmann et al. (2002) to test this hypothesis.

The "Post-Electoral Honeymoon Period": I will also test the prediction that a government's willingness to undertake reforms—and, by extension, its interest in using external pressures, such as the MCA eligibility requirements, to advance domestic reforms—positively corresponds with the number of years left in the current term of the executive (Mahon 2004; Joyce 2006; World Bank 2006). The logic of this hypothesis is anchored in the so-called “post-electoral honeymoon” argument: that reforms are more likely “when the executive still enjoys the election's popular mandate without having the time to elicit much popular disappointment by actually governing” (Mahon 2004: 12). To test this hypothesis, I employ

the *yrsoffc* variable from the *Database of Political Institutions*, which measure the number of years that the chief executive has been in office. Hence, as a country's score on the *yrsoffc* variable increases, I expect MCA-inspired reform adoption and implementation to decline.

Access to Non-Tax Revenue: The "unearned income" literature suggests that governments with significant access to non-tax revenues—in particular, natural resource rents—can afford to delay reforms because they are insulated from the consequences of poor policy choices (Rodrik 1996; Vamvakidis 2007; Smith 2008; Morrison 2009; Amin and Djankov 2009b; Bueno de Mesquita and Smith 2009b, 2010).<sup>146</sup> The rationalist bargaining literature in IPE also suggests that a government's access unearned income will correlate negatively with its willingness to participate in international agreements that involve some exchange of external resources for domestic reforms. Girod and Tobin (2011), for example, propose that significant access to natural resource revenues diminishes the incentive that may exist for developing country governments to comply with the conditionality clauses in World Bank loans. Therefore, I expect that as access to "unearned income" increases, governments will prove less responsive to the MCA eligibility requirements. In order to test this hypothesis, I rely on a variable from Hamilton and Clemens (1999) that measures natural resource rent revenue as a percentage of national income. This variable (*nat\_resource\_rents\_over\_gdp*) sums all rents from 14 fuel and nonfuel mineral resources (oil, gas, hard coal, gold, silver, iron, lead, nickel, phosphate, tin, zinc, lignite, bauxite, and copper).

Relative Size and Significance of the Reward: Rationalist bargaining models suggest that a government's cost-benefit calculation of whether or not to participate in an external resources-for-reform swap will depend on its relative bargaining power (Vreeland 2003; Pop-Eleches 2009). To gauge the relative financial significance of MCA Compact eligibility from the vantage point of the domestic authorities in a given developing country, one could calculate the average MCC Compact size (see Chapter 4) and then divide that number by the country's national wealth. However, given that the value of the numerator (average financial value of an MCC Compact) is held constant across countries in this approach, the numerator is arithmetically superfluous. I therefore rely on a indicator (*log\_gdp*) that measures a

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<sup>146</sup> There is an active debate in the literature about whether aid should be treated as unearned income (Collier 2006; Morrison 2009; Bueno de Mesquita and Smith 2010; Djankov, Montalvo and Reynal-Querol 2008; Bermeo 2013). My objective is not to contribute to this debate. Therefore, I restrict my test of this hypothesis to the more conservative measure of access to unearned income: natural resource rents as a percentage of GDP.



country's gross national income in purchasing power parity terms and in constant 2000 US dollars. This variable is measured in natural logarithm terms to account for skew.

Reward Achievability: Rational choice theorists postulate that the perceived *achievability* of a financial or reputational reward will influence the intensity with which states pursue that reward (Schimmelfennig and Sedelmeier 2004). As a proxy for the perceived attainability of MCA Compact eligibility, I rely on the "distance from the formal eligibility standard" variable introduced in Chapter 4. This indicator (*distance\_from\_eligibility*) measures the number of MCA eligibility indicators that countries must pass to meet the formal requirements for Compact eligibility, and for those countries that already meet the formal eligibility requirements, the number of additional indicators that they pass.

Additionally, to account for the fact that the incentive to implement reform may weaken as a country surpasses the formal eligibility standard, I have created a second predictor variable that converts all negative values on the *distance\_from\_eligibility* variable to positive values. This variable (*absolute\_distance\_from\_eligibility*) is included to test the "inverted U" hypothesis described in Chapter 4. Readers will recall that the incentive for action should be relatively strong when a country performs marginally above or below the eligibility standard. If a country barely falls short of meeting the eligibility requirements, policymakers will likely perceive the MCA reward to be attainable. If a country only performs marginally above the eligibility standard, the incentive for reform should remain relatively strong as policymakers will fear the potential loss of the MCA reward. However, if a country performs substantially below or substantially above the eligibility standard, one would expect the reform incentive to be weakened. From the perspective of a developing country policymaker, an exceptionally low level of performance places the MCA reward "out of reach" and diminishes the incentive for action. An exceptionally high level of performance has the same effect for a different reason: until some point of inflexion, policy slippage is essentially inconsequential.<sup>147</sup>

Credibility of Conditionality: The rationalist bargaining literature also suggests that the perceived credibility of an aid conditionality contract will correlate positively with a recipient government's willingness to comply with the conditions in the agreement (Thacker 1999;

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<sup>147</sup> This of course not true if the policy slippage is so severe that the country no longer has a significant "margin for error."

Stone 2002; Kelley 2004; Dreher and Jensen 2005; Kilby 2009; Girod and Tobin 2011; Girod and Walters 2011). Thus, if a country is of geo-strategic or political importance to the U.S. government, it is less likely to comply with the terms of a conditionality contract. Political scientists and economists offer two explanations to account for this phenomenon: (1) donors are unwilling to enforce conditions when the importance of a recipient country's cooperation on foreign policy issues exceeds the importance of its cooperation on development issues, and (2) recipient countries—mindful that their strategic significance is a source of leverage—are more willing to deviate from the terms of a conditionality contract.<sup>148</sup> I test this hypothesis with a proxy for the strength of U.S. strategic interests in a country: the natural logarithm of the total amount of military assistance from the USG to a given country in a given year (USAID 2013).<sup>149</sup> This indicator is widely regarded among scholars to be a useful, if imperfect, measure of U.S. strategic interests. (Poe and Meernik 1995; Meernik et al. 1998; Lai 2003; Fariss 2010). As a robustness check, I also employ an alternative measure (*s2un*) of voting alignment with the U.S. in the United Nations General Assembly (Andersen et al. 2006; Kilby 2009; Strezhnev and Voeten 2013). This indicator varies from -1 to 1, where higher values represent higher levels of interest alignment with the U.S. in the United Nations General Assembly.

International Legitimacy: When a government achieves MCA eligibility, it theoretically confers a "good housekeeping seal of approval" or reputational benefit (Wroughton 2006; World Bank 2007; Dreher et al. 2010; Girod and Tobin 2011). Thus, one would expect governments in need of international legitimacy to more aggressively seek the reputational benefit of MCA eligibility (Vreeland 2003; Lawson 2009; Andrews 2013). In order to test this hypothesis, I employ data from the OECD-DAC to measure the percentage of a country's national income derived from official development assistance (*net\_oda\_over\_gni*).<sup>150</sup>

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<sup>148</sup> While researchers who study the IMF and the World Bank have marshaled evidence in support of this hypothesis, no one to my knowledge has tested whether this insight applies to ex-post selectivity arrangements, such as the MCA.

<sup>149</sup> This indicator is measured in constant 2010 US dollars.

<sup>150</sup> Brune (2009) and Vreeland (2003) take a slightly different tack, arguing that as a developing country's access to private capital decreases, its need for material and reputational support from IOs and donors increases and the level of effort it expends on meeting the policy reform requirements of IOs and donors will increase. Vreeland (2003) singles out a country's level of indebtedness as a rough approximation of the importance that a government will attach to external resources and validation, and by extension, how much leverage the IMF possesses vis-à-vis that country. In a set of unreported logit and rare event logit models, I included a country's level of debt service as a percentage of its national exports—a proxy for indebtedness—as a predictor variable. It did not provide any explanatory purchase on the dependent variable. I also explored whether dependence on

Domestic Legitimacy: Governments that suffer from a lack of *domestic legitimacy* may also prove more likely to seek the external validation of MCA eligibility (Kapstein and Converse 2008). In order to test this hypothesis, I rely on the Fund for Peace's "Legitimacy of the State" indicator (*state\_delegitimization*), which varies from 0 to 10 (Messner 2012). Higher values represent lower levels of state legitimacy.

Outside Financing Options: Finally, in order to test the “donor shopping” hypothesis that a government’s access to financial support from non-Western donors will diminish the policy influence of Western donors, I draw on a novel dataset of official Chinese finance recently published by AidData (Strange et al. 2013). This indicator measures all Chinese official financing in gross terms—including both “official development assistance” (grants, technical assistance, debt relief, and highly concessional loans) and “other official flows” (non-concessional loans, weakly concessional loans, grants for commercial or representational purposes, and supplier’s and buyer’s export credits)—received by a given country as a percentage of its gross national income. The inclusion of “other official flows” (OOF) in this indicator (*chinese\_official\_finance\_over\_gni*) is important because OOF is Beijing’s preferred mechanism for supplying official finance to most developing countries (Strange et al. 2013; Bräutigam 2011a). The principal shortcoming of the *chinese\_official\_finance\_over\_gni* indicator is that it currently only available for African countries. Therefore, in the interest of not discarding all of the non-Africa observations in my dataset, the models that I report in the next section of this paper will exclude this indicator. However, I will summarize in prose my “donor shopping” findings based on a set of unreported set of models (that I will make available upon request).

### 4.3 The Model

In this section, I employ a three-level logistic random-intercept model to estimate the probability that a developing country government will adopt or implement reform to enhance its improve its odds of achieving or retaining MCA eligibility. Multilevel models are useful when (a) data are "nested" within various levels and one cannot assume that individual observations are independent, and when (b) one seeks to explain—not only control for—

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foreign direct investment (incoming FDI as percentage of GDP) would have a similar effect. I found no evidence to support this hypothesis.

causal heterogeneity (Steenbergen and Jones 2002).<sup>151</sup> The dataset in this study has a three-level structure with policy domains  $i$  nested in years  $j$  nested in countries  $k$ , and it is likely that policy domains within the same countries and the same years are correlated.

Standard logistic regression models assume that residuals are mutually independent. However, given that we are dealing with panel data (2004-2010), one would expect errors for the same country to be correlated. A random intercept logistic regression model can address the issue of correlated residuals by decomposing the total error into two error components: one component that varies between countries (representing time-constant omitted variables, i.e. unobserved heterogeneity) and another component that varies over time and countries. By introducing a country-specific random intercept in the linear predictor, random intercept logistic regression would account for the combined effect of all (issue-domain invariant) country-specific covariates that cause some countries to be more or less responsible to the MCA eligibility incentive.

However, while random intercept logistic regression would account for unobserved between-country heterogeneity and between-year within-country heterogeneity (with a country-level random intercept), it would not address the possibility of between-policy domain within-country heterogeneity. That is to say, if a government's responsiveness to the MCA eligibility standards is similar *across* policy domains, the assumption of conditional independence has still been violated.<sup>152</sup> Consider the Government of Liberia, which adopted reforms in several issues domains (Control of Corruption, Business Start-Up, etc.) between 2008 and 2010 to enhance its chances of achieving MCA eligibility. There are 119 dependent variable observations for Liberia in the dataset, but these data are not fully independent. They are clustered and to some extent duplicative. The Johnson-Sirleaf administration was broadly interested in undertaking policy and institutional changes to achieve MCA eligibility. Therefore, our data will generate intra-class correlation and use of a standard logistic regression specification will likely yield biased standard errors and result in spurious statistical inferences.

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<sup>151</sup> Causal heterogeneity is the idea that a causal factor need not operate in the same way across all geographical, historical, and policy domain contexts. The fact that there are relatively few universal truths in social science makes "bounded generalizations" not only useful but also necessary in many cases (Bunce 2000).

<sup>152</sup> And importantly, this is not because there are across-the-board policy domain impacts, but because different countries respond to incentives in different policy domains in different ways.

One way to address this challenge is to use fixed country and year effects to *control* for between-policy domain within-country heterogeneity variation. However, this approach would not allow one to *explain* between-policy domain within-country heterogeneity (Steenbergen and Jones 2002).<sup>153</sup> The value of multilevel analysis is that it enables "researchers to combine multiple levels of analysis in a single *comprehensive model* by specifying predictors at different levels" and "[b]ecause the model spans multiple levels of analysis, it is less likely to suffer from model misspecification than when compared to models comprised of a single level" (Steenbergen and Jones 2002: 219).

A three-level logistic random-intercept model can account for between-policy domain within-country heterogeneity by introducing another random intercept for *each combination of policy domain and country*. This second random intercept addresses the fact that differences between issues domains may be large for some countries and small for others. That is to say, the random effect for policy domain is nested within the random effect for country in the sense that it does not take on the same value for a given policy domain across all countries, but instead takes on a different value for each combination of policy domain and country.

Therefore, in order to estimate the probability that a developing country government will undertake reform activities to enhance its chance of achieving or retaining MCA eligibility, I employ the following three-level logistic random-intercept model:

$$\text{logit} \{ \Pr(Y_{ijk} = 1 | X_{ijk}, \zeta_{jk}^{(2)}, \zeta_{jk}^{(3)}) \} = \beta_0 + \beta_1 X_{1ijk} + \dots + \beta_{15} X_{15,k} + \zeta_{jk}^{(2)} + \zeta_{jk}^{(3)}$$

$Y_{ijk}$  is the dependent variable, which measures whether or not an MCA-inspired reform response was undertaken in a given country-year-policy domain.  $X_{ijk}$  is a vector of explanatory variables.  $\zeta_{jk}^{(2)}$  is a random intercept varying over years.  $\zeta_{jk}^{(3)}$  is a random intercept varying over countries. The model assumes that random effects  $\zeta_{jk}^{(2)}$  and  $\zeta_{jk}^{(3)}$  are independent.

<sup>153</sup> By introducing a unique intercept for each country, a fixed effects approach would control for factors that are specific to individual countries and time-invariant. Consequently, variables that are more or less constant over time (e.g. ethno-linguistic fragmentation) have to be dropped from the model.

## 4.4 Results

Before turning to the results from three-level logistic random-intercept model specifications, it is worth considering some of the key attributes of the dataset employed in this chapter.

Table 4.1 provides a list of independent variable names and descriptions used. I will analyze three different dependent variables in this chapter. The first dependent variable (*mca\_reform\_anystage*) is a dichotomous measure of whether or not a government apparently undertook any MCA-inspired reform activity in a given policy domain-year to improve its chances of achieving or maintaining MCA eligibility. The second dichotomous dependent variable (*mca\_reform\_adoption\_implementation*) measures whether or not there is evidence that a government adopted or implemented a reform in a given policy domain-year to improve its chances of achieving or maintaining MCA eligibility. The third dependent variable (*mca\_reform\_implementation*) is a more restrictive version of the *mca\_reform\_adoption\_implementation* variable that only includes MCA-inspired reforms that were implemented by the government. Table 4.2 provides summary statistics for the independent and dependent variables.

Each dependent variable consists of nearly 14,000 individual observations, covering 118 countries, 7 years (2004-2010), and 17 policy domains. The sample includes all potential recipients of MCA funding. The criterion for inclusion in the sample is whether or not a country satisfied the per capita income requirement for consideration as a "candidate country" in a given year. Income thresholds for MCA candidacy are defined annually according to the parameters identified in the MCC's authorizing legislation.<sup>154</sup> I also removed policy domain-year combinations that did not exist between 2004 and 2010.<sup>155</sup>

**Table 4.1: Variables used to Predict MCA-Inspired Policy Responses**

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<sup>154</sup> I include any country classified as a low income or lower-middle income economy at any point between 2004 and 2010 in my analysis. According to MCC's authorizing legislation, "candidate countries" must satisfy two conditions. They must (a) qualify as a "low income" or "lower-middle income" country, as defined by annual World Bank per capita Gross National Income (GNI) parameters, and (b) there must be no statutory prohibition preventing the U.S. from providing assistance to a country. However, I do not limit my universe of cases to "candidate countries." I also include low income and lower-middle income countries that are statutorily prohibited from receiving U.S. assistance. I take this approach because statutory prohibitions are reconsidered on an annual basis and they require a written and public justification. As such, blacklisted countries can effectively eliminate any legal obstacle that may stand in the way of them accessing MCA funds.

<sup>155</sup> For example, the MCC introduced a new Land Rights and Access eligibility indicator in 2006, so there are no dependent variable observations for any countries in 2004 and 2005.



<b>Independent Variable Name</b>	<b>Description</b>
absolute_distance_from_eligibility	This indicator transforms the distance_from_eligibility indicator by converting all negative values to positive values. It varies from 0 to 9. Higher values indicate that countries are farther away from the minimum MCA eligibility standard.
checks	This 9-point indicator variable measures the number of veto players in a given country.
chinese_official_finance_over_gni	This variable measures the amount of Chinese official financing received by a country in gross terms as a percentage of that country's gross national income.
cpia_reform_credentials	This indicator measures the rate of change in a country's policy and institutional performance, as captured in the World Bank's Country Policy and Institutional Assessment (CPIA). Higher values represent faster rates of change in policy and institutional performance.
cpia_scope_for_reform	This indicator measures the level of a country's policy and institutional performance, as captured in the World Bank's Country Policy and Institutional Assessment (CPIA). Higher values represent higher levels of policy and institutional performance.
determinacy_of_conditions	A dummy variable that measures whether the MCA eligibility indicator used by MCC to assess policy performance consists of an index with 5 or more sub-component indicators. 1 = Yes. 0 = No.
distance_from_eligibility	This variable measures the number of MCA eligibility indicators that countries must pass to meet the formal requirements for Compact eligibility, and for those countries that already meet the formal eligibility requirements, the number of additional indicators that they pass. It varies from -9 to 9. Negative values represent the number of MCA eligibility indicators that countries must pass to meet the formal requirements for Compact eligibility. Positive values represent the number of additional MCA eligibility indicators that countries pass (beyond the formal MCA eligibility requirements).
economic_freedom_category	A dummy variable that assumes a value of 1 if the policy domain falls within the MCC's Economic Freedom category, and zero otherwise.
ethnolinguistic_fractionalization	The variable is a simple average of the ethnic fractionalization index and linguistic fractionalization index. Higher values indicate higher levels of ethnolinguistic fractionalization.
govexp_avg	This indicator measures the average number of years of government experience that members of the senior policymaking team (Head of State, Minister of Finance, Minister of Planning, Minister of Foreign Affairs, and Central Bank Governor).
govexp_avg_0_5	The variable takes a value of one if the average level of prior government experience within the senior policymaking team (Head of State, Minister of Finance, Minister of Planning, Minister of Foreign Affairs, and Central Bank Governor) is less than or equal to five, and zero otherwise (0-5).
govexp_avg_10_15	This variable takes a value of one if the average level of government experience within the senior policymaking team (Head of State, Minister of Finance, Minister of Planning, Minister of Foreign Affairs, and Central Bank Governor) is greater than ten and less than or equal to fifteen (10.1-15).
govexp_avg_15	This variable is set to one if the average level of government experience within the senior policymaking team (Head of State, Minister of Finance, Minister of Planning, Minister of Foreign Affairs, and Central Bank Governor) is greater than fifteen (15.1 or higher), and zero otherwise.
govexp_avg_5_10	This variable takes a value of one if the average level of prior government experience within the senior policymaking team (Head of State, Minister of Finance, Minister of Planning, Minister of Foreign Affairs, and Central Bank Governor) is greater than five and less than or equal to ten (5.01-10), and zero



	otherwise.
investing_in_people_category	A dummy variable that assumes a value of 1 if the policy domain falls within the MCC's Investing in People category, and zero otherwise.
log_gdp	This indicator measures the logged value of a country's gross national income in purchasing power parity terms and in constant 2000 US dollars.
logmilitaryaid	This variable measures the natural logarithm of the total amount of U.S. military assistance received by a country.
mca_reform_assistance_issue_doma	A dummy variable that measures whether MCC provided Threshold assistance to a given country in a given "policy domain-year." 1 = Yes. 0 = No.
mca_reform_team	This binary indicator measures whether or not a country established a team to maintain or improve a country's performance on the MCA eligibility criteria. 1 = Yes. 0 = No.
mdbexp_avg	This indicator measures the average number of years senior policymaking team members in a given country and year previously worked for the IMF, the World Bank, the Asian Development Bank, the Inter-American Development Bank, the African Development Bank, or the European Bank for Reconstruction and Development.
nat_resource_rents_over_gdp	This variable measures natural resource rent revenue as a percentage of national income.
net_oda_over_gni	This variable measures the percentage of a country's national income derived from official development assistance.
pct_wugandgraded	This indicator measures the percentage of senior policymaking team members who received their undergraduate and graduate degrees from OECD countries
Polity2	This indicator varies from 10 to -10. Higher scores denote more democratic regimes.
q7_mca_eligibility_executive_int	This indicator measures the chief executive's level of interest in undertaking reforms in order achieve or maintain MCA eligibility. Higher values indicate higher levels of interest.
ruling_justly_category	A dummy variable that assumes a value of 1 if the policy domain falls within the MCC's Ruling Justly category, and zero otherwise.
s2un	This indicator varies from -1 to 1, where higher values represent higher levels of interest alignment with the U.S. in the United Nations General Assembly,
state_delegitimization	This indicator varies from 0 to 10. Higher values represent lower levels of state legitimacy.
strength_of_incentive	A dummy variable that assumes a value of 1 if the policy domain is Control of Corruption, and zero otherwise.
timeid	This indicator measures the number of years since the creation of the MCC in 2004.
wbi_ge_est	This index varies from -2.5 to 2.5. Higher values represent higher levels of government effectiveness.
young_democ_major_minor_trans	This dummy variable measures whether or not a country experienced a "major democratic transition" or "minor democratic transition" within the last ten years. 1 = Yes. 0 = No.
yrsoffc	This variable measures the number of years that the chief executive has been in office.

**Table 4.2: Descriptive Statistics (Entire Sample)**

Variable	Obs	Mean	Standard Deviation	Min	Max
mca_reform_adoption_implementation	13804	.0172414	.1301743	0	1

mca_reform_implementation	13804	.013909	.1171177	0	1
mca_reform_anystage	13923	.0295913	.1694631	0	1
yrsoffc	12767	8.166445	7.68571	1	47
mca_reform_team	13906	0.1749994	.3779838	0	1
net_oda_over_gni	13141	9.425789	13.82412	-.2352966	181.0143
logmilitaryaid	14042	.2482604	.9380975	-2.152119	3.841013
nat_resource_rents_over_gdp	13498	12.55232	21.46925	0	206.5147
cpia_scope_for_reform	7361	3.246488	.5549568	1	5.5
cpia_reform_credentials	6069	.0092602	.117376	-.8333333	.6666667
mca_reform_assistance_issue_doma	13923	.0106299	.1025556	0	1
strength_of_incentive	14042	.0588235	.2353025	0	1
determinacy_of_conditions	14042	.5882353	.4921705	0	1
ruling_justly_category	14042	.3529412	.4779016	0	1
investing_in_people_category	14042	.2941176	.4556613	0	1
economic_freedom_category	14042	.3529412	.4779016	0	1
wbi_ge_est	13872	-.6675888	.5334985	-2.451364	.5700812
ethnolinguistic_fra	10659	.5153121	.2553168	.00515	.92645
gdp_constant_2000	13787	5.45e+10	2.52e+11	1.53e+07	3.25e+12
log_gdp	11679	22.40988	1.992953	16.54034	28.80968
checks	12648	2.646505	1.852139	1	17
young_democ_major_minor_trans	13821	.2312423	.4216422	0	1
Polity2	12189	2.036262	5.963294	-10	10
absolute_distance_from_eligibili	11475	3.49037	2.060901	0	9
distance_from_eligibility	11509	-1.564254	3.73796	-9	7
timeid	14042	4	2.000071	1	7
state_delegitimization	10285	7.851901	1.226794	4	10
s2un	13787	-.6775758	.265604	-1	.9090909
q7_mca_eligibility_executive_int	13685	.4347826	.7989618	0	2
mdbexp_avg	13923	.6998779	1.235787	0	8.8
pct_wugandgraded	13821	.1841328	.250712	0	1
govexp_avg	13923	12.56113	6.033722	0	33.2
govexp_avg_0_5	14042	.1053269	.3069851	0	1
govexp_avg_5_10	14042	.2905569	.4540355	0	1
govexp_avg_10_15	14042	.3002421	.4583795	0	1
govexp_avg_15	14042	.3038741	.4599453	0	1

The distributions of all three dependent variables analyzed in this chapter are highly skewed. For example, of the nearly 14,000 country-year-policy domain observations in the dataset, there are only 232 cases of countries adopting or implementing a reform in a given policy domain-year to achieve or maintain MCA eligibility. This suggests a potential need for rare event logistic regression, as standard logistic regression techniques can yield biased

coefficient estimates when the dependent variable is skewed with many "zeros" and very few "ones" (King and Zeng 2001).

Existing computer software for multilevel modeling (e.g. GLLAMM) does not allow users to correct the coefficients in three-level logistic random-intercept models for rare event bias. Therefore, in Tables 4.4.1-4.4.6, I ignore all Level-1 (policy domain) predictor variables and report reduced form model specifications using standard logistic regression and rare event logistic regression.<sup>156</sup> This requires use of modified dependent variables. In models 1-5 and 16-20, the *mca\_reform\_anystage* variable takes the value 1 in a given year if a government undertakes any MCA-inspired reform activity in *any policy domain*, and 0 otherwise. In models 6-10 and 21-25, the *mca\_reform\_adoption\_implementation* variable takes the value 1 in a given year if a government adopts or implements an MCA-inspired reform in *any policy domain*, and 0 otherwise. In models 11-15 and 26-30, the *mca\_reform\_implementation* variable takes a value of 1 in a given year if a government implements an MCA-inspired reform in *any policy domain*, and 0 otherwise.

**Table 4.3 t-tests for equality of means between groups assuming unequal variance**

Variable	MCA Reform (1's)		No MCA Reform (0's)		Statistical Significant Difference? (1% Level)
	Obs	Mean	Obs	Mean	
polity2	210	5.042857	11877	1.940473	Yes
Yrsoffc	226	6.915929	12541	8.18898	No
mca_reform_team	238	.7941176	13430	.1671289	Yes
net_oda_over_gni	238	13.96864	12869	9.333791	Yes
Logmilitaryaid	238	.2732492	13566	.2511074	No
nat_resource_rents_over_gdp	238	7.229815	13141	12.75414	Yes
cpia_scope_for_reform	169	3.322682	7141	3.242949	No
cpia_reform_credentials	154	.024026	5898	.0089013	No

<sup>156</sup> Standard logistic regression and rare event logistic regression (with robust standard errors) is similar to a "two-level model" in that it also accounts for the fact that years are nested within countries.

mca_reform_assistance_issue_doma	238	.3235294	13566	.0052337	Yes
strength_of_incentive	238	.2310924	13566	.0558013	Yes
determinacy_of_conditions	238	.5882353	13566	.5882353	No
wbi_ge_est	238	-.5610318	13549	-.6710494	Yes
ethnolinguistic_fra	188	.5421766	10471	.5148298	No
gdp_constant_2000	238	2.07e+10	13430	5.56e+10	No
Checks	227	3.281938	12421	2.634893	Yes
young_democ_major_trans	238	.2058824	13532	.228791	No
absolute_distance_from_eligibili	220	3.072727	11255	3.498534	Yes
distance_from_eligibility	220	-1.127273	11255	-1.566948	No
state_delegitimization	202	7.388614	10032	7.864713	Yes
s2un	238	-.7198731	13515	-.6780447	Yes
q7_mca_eligibility_executive_int	227	1.713656	13220	.4206505	Yes
mdbexp_avg	238	1.056092	13566	.6988906	Yes
pct_wugandgraded	238	.2670868	13532	.1824884	Yes
govexp_avg	238	11.61835	13566	12.66367	Yes
govexp_avg_0_5	238	.0840336	13566	.0937638	No
govexp_avg_5_10	238	.3235294	13566	.2913165	No
govexp_avg_10_15	238	.394958	13566	.3038479	Yes
govexp_avg_15	238	.197479	13566	.3110718	Yes

**Table 4.4.1: Determinants of MCA-Inspired Policy Responses (mca\_reform\_anystage), Logistic Regression**

	(1)	(2)	(3)	(4)	(5)
polity2	.1952** (.0742)	.1992* (.0752)	.2080** (.0738)	.2089** (.0745)	.2032** (.0754)
Checks	-.0132 (.1090)	-.0255 (.1135)	-.0288 (.1104)	-.0396 (.1113)	-.0118 (.1095)
ethnolinguistic_fra	.6903 (.9441)	.4879 (.8044)	.8645 (.9828)	.7430 (.9293)	.8619 (.9573)
young_democ_major_minor_trans	.0401 (.5397)	.1923 (.5333)	.1225 (.5427)	.1838 (.5317)	.0716 (.5457)
wbi_ge_est	-.0555 (.8467)	-.2187 (.8047)	-.2016 (.8296)	-.3355 (.8373)	-.0505 (.8483)
mcc_reform_assistance_dummy	2.6278***	2.6742***	2.6028***	2.6970***	2.5626***

	(.7472)	(.7794)	(.7540)	(.7922)	(.7532)
log_gdp	.2977	.3137†	.2605	.2785	.2611
	(.2112)	(.1857)	(.2022)	(.1926)	(.2065)
absolute_distance_from_eligibili	-.0886	-.0844	-.0679	-.0871	-.0599
	(.1410)	(.1572)	(.1463)	(.1548)	(.1477)
Logmilitaryaid	-.6345*	-.5733**	-.5706†	-.5836*	-.5828*
	(.2963)	(.2714)	(.3015)	(.2968)	(.2963)
nat_resource_rents_over_gdp	.0056	.0048	.0046	.0033	.0061
	(.0216)	(.0250)	(.0229)	(.0234)	(.0217)
net_oda_over_gni	.0351*	.0322**	.0299*	.0302**	.0308*
	(.0146)	(.0111)	(.0122)	(.0118)	(.0130)
Yrsoffc	.0644	.0640	.0503	.0551	.0525
	(.0875)	(.0409)	(.0415)	(.0414)	(.0392)
distance_from_eligibility	.1492†	.1743†	.1454	.1554†	.1384
	(.0875)	(.0959)	(.0886)	(.0912)	(.0896)
mca_reform_team	1.4906**	1.5793***	1.4747**	1.4904**	1.4563**
	(.4806)	(.4951)	(.4846)	(.4872)	(.4751)
state_deligitimization	-.2240	-.2368	-.2340	-.2595	-.2201
	(.2020)	(.1987)	(.2041)	(.1989)	(.2019)
s2un	-1.1632	-.8143	-.9588	-.8934	-1.1019
	(1.2026)	(1.1971)	(1.1644)	(1.1376)	(1.1736)
q7_mca_eligibility_executive_int	1.5262***	1.5897***	1.5229***	1.5266***	1.5286***
	(.2814)	(.2852)	(.2827)	(.2877)	(.2812)
mbexp_avg	-.3696*	-.3704*	-.3761*	-.3746*	-.3721*
	(.1693)	(.1701)	(.1639)	(.1597)	(.1657)
pct_wugandgraded	.0481	.3138	.2900	.2798	.2206
	(1.0607)	(.9991)	(1.0136)	(1.0172)	(1.0440)
Timeid	-.2592	-.2754†	-.2867†	-.2946†	-.2698
	(.1642)	(.1673)	(.1615)	(.1589)	(.1643)
govexp_avg	-.0599				
	(.0491)				
govexp_avg_0_5		2.0959*			
		(.8587)			
govexp_avg_510			.0218		
			(.4165)		
govexp_avg_1015				-.2880	
				(.4160)	
govexp_avg_15					-.3806
					(.5115)
Constant	-8.8618†	-9.8344*	-8.6090†	-8.5949†	-8.7754†
	(4.7612)	(4.3886)	(4.6980)	(4.6679)	(4.7618)
N	413	413	413	413	413
Pseudo R2	.5835	.5919	.5792	.5801	.5802

Robust standard errors are in parentheses. † indicates 0.1, \* 0.05, \*\* 0.01, \*\*\* 0.001 level of significance

**Table 4.4.2: Determinants of MCA-Inspired Reform Adoption and Implementation (mca\_reform\_adoption\_implementation), Logistic Regression**

	(6)	(7)	(8)	(9)	(10)
polity2	.2165***	.2322***	.2387***	.2430***	.2272***
	(.0666)	(.0645)	(.0643)	(.0626)	(.0672)
Checks	-.1211	-.1239	-.1207	-.1289	-.0905
	(.1594)	(.1461)	(.1431)	(.1382)	(.1463)
ethnolinguistic_fra	.8802	.9741	1.2135	1.2075	1.2660
	(1.2195)	(1.0907)	(1.1598)	(1.0947)	(1.2119)
young_democ_major_minor_trans	.0043	.1626	.0645	.1200	-.0311
	(.5109)	(.5387)	(.5023)	(.5086)	(.5143)
wbi_ge_est	-.2912	-.4723	-.4670	-.5524	-.2039
	(.7745)	(.7622)	(.7807)	(.7668)	(.8039)

mcc_reform_assistance_dummy	2.5306*** (.5491)	2.5055*** (.5470)	2.5392*** (.5384)	2.5626*** (.5624)	2.4012*** (.5411)
log_gdp	.3595† (.1846)	.3133* (.1492)	.2962† (.1770)	.2873† (.1590)	.2809 (.1714)
absolute_distance_from_eligibili	.03675 (.1418)	.0600 (.1554)	.0492 (.1455)	.0530 (.1508)	.0722 (.1399)
Logmilitaryaid	-.1997 (.3345)	-.0969 (.3104)	-.1423 (.3306)	-.1112 (.3132)	-.1331 (.3462)
nat_resource_rents_over_gdp	-.1126** (.0357)	-.1026*** (.0321)	-.1149*** (.0347)	-.1106*** (.0318)	-.1058** (.0174)
net_oda_over_gni	.0340† (.0207)	.0292† (.0156)	.0298† (.0179)	.0292† (.0161)	.0287† (.0174)
Yrsoffc	.0997† (.0541)	.0831† (.0470)	.0828† (.0477)	.0800† (.0454)	.0770 (.0470)
distance_from_eligibility	.0952 (.0815)	.1021 (.0882)	.0913 (.0851)	.0983 (.0864)	.0770 (.0823)
mca_reform_team	1.2708* (.5338)	1.2608* (.5350)	1.2605* (.5446)	1.2736* (.5457)	1.1863* (.5351)
state_deligitimization	-.1662 (.1950)	-.1770 (.2003)	-.1992 (.1986)	-.2046 (.2029)	-.1556 (.2008)
s2un	-2.1635* (1.0752)	-1.8463 (1.1250)	-2.0718† (1.0728)	-1.9152† (1.0837)	-2.1679* (1.1058)
q7_mca_eligibility_executive_int	1.1001*** (.2533)	1.1173*** (.2432)	1.0829*** (.2572)	1.0806*** (.2584)	1.1169*** (.2642)
mdbexp_avg	-.1040 (.1851)	-.1451 (.1521)	-.1491 (.1546)	-.1636 (.1485)	-.1293 (.1554)
pct_wugandgraded	-.0815 (.8556)	.1593 (.8608)	.1696 (.8278)	.2303 (.8501)	.0869 (.9008)
Timeid	-.0741 (.1594)	-.1057 (.1594)	-.1195 (.1524)	-.1310 (.1584)	-.0862 (.1629)
govexp_avg	-.1022 (.0667)				
govexp_avg_0_5		1.3280† (.8083)			
govexp_avg_510			.4613 (.3814)		
govexp_avg_1015				-.3262 (.4171)	
govexp_avg_15					-.7252 (.5870)
Constant	-12.0856** (4.5150)	-12.1671** (4.0606)	-11.8021** (4.5869)	-11.1914** (4.3353)	-11.6460* (4.5906)
N	413	413	413	413	413
Pseudo R2	.5383	.5335	.5312	.5299	.5322

Robust standard errors are in parentheses. † indicates 0.1, \* 0.05, \*\* 0.01, \*\*\* 0.001 level of significance

**Table 4.4.3: Determinants of MCA-Inspired Reform Implementation (mca\_reform\_implementation), Logistic Regression**

	(11)	(12)	(13)	(14)	(15)
polity2	.1897** (.0697)	.2105** (.0671)	.2185*** (.0646)	.2225*** (.0643)	.1996** (.0669)
Checks	-.0674 (.2185)	-.0715 (.1628)	-.0612 (.1563)	-.0677 (.1502)	-.0010 (.1703)
ethnolinguistic_fra	-.2995 (1.3066)	.1891 (1.2285)	.3899 (1.2558)	.5451 (1.2076)	.5262 (1.3654)
young_democ_major_minor_trans	-.0424 (.6325)	.1253 (.6354)	.0440 (.5662)	.0626 (.5882)	-.2011 (.6155)
wbi_ge_est	-.2866	-.5795	-.5660	-.6204	-.0224

mcc_reform_assistance_dummy	(.7372) 2.5957***	(.7028) 2.3040***	(.7317) 2.3822***	(.7199) 2.3211***	(.7862) 2.1756***
log_gdp	(.5823) .4399†	(.5879) .2902	(.5804) .2701	(.5938) .2410	(.5586) .2755
absolute_distance_from_eligibili	(.2294) -.0757	(.1964) -.0293	(.2151) -.0651	(.2057) -.0415	(.2113) -.0026
Logmilitaryaid	(.1520) -.3421	(.1635) -.1862	(.1574) -.2509	(.1633) -.1888	(.1372) -.2244
nat_resource_rents_over_gdp	(.3538) -.1135**	(.3358) -.0815*	(.3449) -.1018**	(.3300) -.0879**	(.3834) -.0896*
net_oda_over_gni	(.0378) .0144	(.0343) .0138	(.0373) .0119	(.0342) .0121	(.0366) .0118
Yrsoffc	(.0201) .1394**	(.0176) .0832†	(.0186) .0916*	(.0179) .0782†	(.0187) .0819†
distance_from_eligibility	(.0543) .0852	(.0461) .0823	(.0467) .0739	(.0445) .0784	(.0457) .0404
mca_reform_team	(.0957) .9526†	(.1045) .9566†	(.1006) .9556	(.1049) .9503	(.0919) .8004
state_deligitimization	(.5548) -.0738	(.5735) -.0778	(.5829) -.1146	(.5802) -.1015	(.5621) -.0344
s2un	(.2187) -4.5163***	(.2329) -3.5625**	(.2174) -4.0149***	(.2299) -3.6490**	(.2330) -4.2281***
q7_mca_eligibility_executive_int	(1.0498) 1.3315***	(1.2399) 1.1992***	(1.1397) 1.1717***	(1.2067) 1.1538***	(1.1528) 1.2880***
mdbexp_avg	(.3290) -.0865	(.2926) -.2132	(.3003) -.2093	(.2992) -.2366	(.3235) -.1510
pct_wugandgraded	(.1836) .4294	(.1559) .8716	(.1594) .8532	(.1528) .9522	(.1566) .7256
Timeid	(.8654) .2185	(.9178) .1188	(.8605) .1137	(.9108) .0939	(.9355) .1762
govexp_avg	(.1620) -.2371***	(.1632)	(.1543)	(.1603)	(.1691)
govexp_avg_0_5	(.0502)	1.6525*			
govexp_avg_510		(.8031)	.9196*		
govexp_avg_1015			(.3615)	-.3501	
govexp_avg_15				(.4305)	-1.6957*
Constant	(6.1584) -15.7065*	(5.7301) -14.2772*	(5.9270) -14.0147*	(5.9347) -12.7946*	(6.0183) -14.5977**
N	413	413	413	413	413
Pseudo R2	.5257	.4894	.4928	.4827	.5011

Robust standard errors are in parentheses. † indicates 0.1, \* 0.05, \*\* 0.01, \*\*\* 0.001 level of significance

**Table 4.4.4: Determinants of MCA-Inspired Policy Responses (mca\_reform\_anystage), Rare Event Logistic Regression**

	(16)	(17)	(18)	(19)	(20)
polity2	.1620*	.1622*	.1727*	.1727*	.1701*
Checks	(.0705) .0248	(.0714) .0138	(.0701) .0102	(.0707) .0002	(.0715) .0246
ethnolinguistic_fra	(.1034) .5820	(.1078) .3658	(.1048) .7256	(.1057) .5993	(.1040) .7128
young_democ_major_minor_trans	(.8964) .0871	(.7638) .2205	(.9331) .1539	(.8823) .2087	(.9089) .1119
	(.5124)	(.5063)	(.5152)	(.5048)	(.5181)



wbi_ge_est	-.0213 (.8039)	-.1643 (.7640)	-.1481 (.7876)	-.2681 (.7950)	-.0325 (.8054)
mcc_reform_assistance_dummy	2.2407** (.7094)	2.2841** (.7400)	2.2163** (.7158)	2.2929** (.7521)	2.1874** (.7151)
log_gdp	.2373 (.2005)	.2547 (.1763)	.2082 (.1920)	.2243 (.1828)	.2072 (.1960)
absolute_distance_from_eligibili	-.0805 (.1338)	-.0742 (.1493)	-.0632 (.1389)	-.0806 (.1470)	-.0580 (.1402)
Logmilitaryaid	-.5722* (.2813)	-.5187* (.2576)	-.5178† (.2862)	-.5315† (.2818)	-.5274† (.2813)
nat_resource_rents_over_gdp	.0107 (.0205)	.0093 (.0237)	.0088 (.0217)	.0071 (.0222)	.0108 (.0206)
net_oda_over_gni	.0249† (.0139)	.0235* (.0105)	.0210† (.0116)	.0214† (.0112)	.0215† (.0124)
Yrsoffc	.0553 (.0385)	.0552 (.0388)	.0436 (.0394)	.0478 (.0393)	.0462 (.0372)
distance_from_eligibility	.1304 (.0831)	.1495 (.0911)	.1274 (.0841)	.1362 (.0866)	.1219 (.0851)
mca_reform_team	1.2921** (.4562)	1.3615** (.4701)	1.2817** (.4601)	1.2993** (.4626)	1.2657** (.4511)
state_deligitimization	-.1972 (.1918)	-.2094 (.1887)	-.2043 (.1938)	-.2261 (.1889)	-.1940 (.1917)
s2un	-.8870 (1.1417)	-.5896 (1.1365)	-.7332 (1.1055)	-.6806 (1.0800)	-.8430 (1.1143)
q7_mca_eligibility_executive_int	1.3351*** (.2672)	1.3807*** (.2708)	1.3308*** (.2684)	1.3300*** (.2732)	1.3367*** (.2670)
mdbexp_avg	-.3176* (.1607)	-.3150† (.1615)	-.3214* (.1556)	-.3173* (.1516)	-.3198* (.1573)
pct_wugandgraded	.0749 (1.0070)	.2549 (.9486)	.2711 (.9623)	.2474 (.9657)	.2187 (.9912)
Timeid	-.2282 (.1559)	-.2413 (.1588)	-.2479 (.1533)	-.2552† (.1508)	-.2362 (.1560)
govexp_avg	-.0483 (.0466)				
govexp_avg_0_5		1.8358* (.8153)			
govexp_avg_5_10			.0137 (.3955)		
govexp_avg_10_15				-.2467 (.3949)	
govexp_avg_15					-.2964 (.4857)
Constant	-7.1670 (4.5204)	-8.0017† (4.1667)	-7.0059 (4.4604)	.69887 (4.4318)	-7.1030 (4.5210)
N	413	413	413	413	413

**Table 4.4.5: Determinants of MCA-Inspired Reform Adoption and Implementation (mca\_reform\_adoption\_implementation), Rare Event Logistic Regression**

	(21)	(22)	(23)	(24)	(25)
polity2	.1692** (.0632)	.1821** (.0613)	.1893** (.0611)	.1936*** (.0594)	.1806** (.0638)
Checks	-.0147 (.1513)	-.0287 (.1387)	-.0220 (.1359)	-.0339 (.1312)	-.0006 (.1389)
ethnolinguistic_fra	.8305 (1.1578)	.8236 (1.0356)	1.0854 (1.1011)	1.0511 (1.0393)	1.1213 (1.1506)
young_democ_major_minor_trans	.0570 (.4851)	.1966 (.5114)	.1081 (.4769)	.1519 (.4828)	.0283 (.4883)
wbi_ge_est	-.2112	-.3847	-.3688	-.4561	-.1719

mcc_reform_assistance_dummy	(.7353) 2.0793***	(.7236) 2.1042***	(.7412) 2.1106***	(.7280) 2.1369***	(.7633) 1.9959***
log_gdp	(.5213) .2605	(.5194) .2325	(.5111) .2136	(.5339) .2096	(.5138) .2027
absolute_distance_from_eligibili	(.1752) .0377	(.1416) .0573	(.1680) .0471	(.1509) .0476	(.1627) .0639
Logmilitaryaid	(.1346) -.1679	(.1475) -.0856	(.1382) -.1207	(.1431) -.0999	(.1328) -.1150
nat_resource_rents_over_gdp	(.3176) -.0897**	(.2947) -.0818**	(.3138) -.0929**	(.2974) -.0897**	(.3287) -.0857**
net_oda_over_gni	(.0339) .0190	(.0305) .0166	(.0330) .0155	(.0302) .0157	(.0320) .0148
Yrsoffc	(.0196) .0814	(.0148) .0696	(.0170) .0686	(.0153) .0671	(.0165) .0654
distance_from_eligibility	(.0514) .0770	(.0446) .0831	(.0453) .0753	(.0431) .0817	(.0446) .0647
mca_reform_team	(.0774) 1.0447*	(.0837) 1.0323*	(.0808) 1.0411†	(.0820) 1.0544*	(.0781) .9806†
state_deligitimization	(.5068) -.1595	(.5079) -.1726	(.5170) -.1860	(.5181) -.1918	(.5080) -.1512
s2un	(.1851) -1.6823†	(.1902) -1.4457	(.1885) -1.6358	(.1926) -1.5157	(.1906) -1.7147
q7_mca_eligibility_executive_int	(1.0208) .9497***	(1.0681) .9630***	(1.0186) .9411***	(1.0289) .9369***	(1.0499) .9680***
mdbexp_avg	(.2405) -.0652	(.2309) -.0995	(.2442) -.0999	(.2454) -.1122	(.2509) -.0840
pct_wugandgraded	(.1758) -.0480	(.1445) .1260	(.1468) .1688	(.1410) .2098	(.1475) .0827
Timeid	(.8124) -.0684	(.8173) -.0932	(.7859) -.1032	(.8071) -.1130	(.8552) -.0762
govexp_avg	(.1514) -.0790	(.1513)	(.1447)	(.1504)	(.1546)
govexp_avg_0_5	(.0633)	1.1843 (.7674)			
govexp_avg_510			.3717 (.3621)		
govexp_avg_1015				-.2809 (.3960)	
govexp_avg_15					-.5646 (.5573)
Constant	-9.2185* (4.2866)	-9.4166* (3.8552)	-9.0872* (4.3549)	-8.6327* (4.1160)	-8.9873* (4.3584)
N	413	413	413	413	413

**Table 4.4.6: Determinants of MCA-Inspired Reform Implementation (mca\_reform\_implementation), Rare Event Logistic Regression**

	(26)	(27)	(28)	(29)	(30)
polity2	.1419* (.0662)	.1653** (.0637)	.1733** (.0614)	.1787** (.0610)	.1559* (.0636)
Checks	.0348 (.2075)	.0118 (.1546)	.0228 (.1484)	.0087 (.1426)	.0716 (.1617)
ethnolinguistic_fra	-.2286 (1.2405)	.0750 (1.1664)	.2998 (1.1923)	.3964 (1.1465)	.4259 (1.2963)
young_democ_major_minor_trans	.0125 (.6005)	.1598 (.6033)	.0901 (.5376)	.1031 (.5585)	-.1189 (.5843)
wbi_ge_est	-.1612 (.6999)	-.4532 (.6672)	-.4229 (.6947)	-.4946 (.6835)	.0212 (.7465)

mcc_reform_assistance_dummy	2.1012*** (.5528)	1.9449*** (.5582)	1.9886*** (.5511)	1.9538*** (.5637)	1.7992*** (.5303)
log_gdp	.3446 (.2178)	.2341 (.1865)	.2132 (.2042)	.1929 (.1953)	.2173 (.2006)
absolute_distance_from_eligibili	-.0575 (.1443)	-.0184 (.1552)	-.0473 (.1494)	-.0308 (.1551)	.0033 (.1303)
Logmilitaryaid	-.2904 (.3359)	-.1591 (.3188)	-.2156 (.3274)	-.1703 (.3133)	-.1971 (.3640)
nat_resource_rents_over_gdp	-.0911* (.0359)	-.0654* (.0326)	-.0836* (.0355)	-.0722* (.0325)	-.0730* (.0348)
net_oda_over_gni	.0100 (.0191)	.0106 (.0167)	.0084 (.0176)	.0091 (.0170)	.0083 (.0178)
Yrsoffc	.1130* (.0516)	.0705 (.0438)	.0771† (.0443)	.0670 (.0423)	.0697 (.0433)
distance_from_eligibility	.0671 (.0909)	.0666 (.0992)	.0598 (.0955)	.0646 (.0996)	.0329 (.0872)
mca_reform_team	.7789 (.5268)	.7882 (.5445)	.8003 (.5534)	.7986 (.5509)	.6617 (.5337)
state_deligitimization	-.0746 (.2077)	-.0790 (.2211)	-.1072 (.2064)	-.0986 (.2183)	-.0422 (.2212)
s2un	-3.5751*** (.9967)	-2.8906* (1.1772)	-3.2634** (1.0821)	-2.9800** (1.1456)	-3.4165** (1.0945)
q7_mca_eligibility_executive_int	1.1256*** (.3123)	1.0313*** (.2778)	1.0096*** (.2851)	.9965*** (.2841)	1.1055*** (.3071)
mbexp_avg	-.0374 (.1743)	-.1509 (.1480)	-.1424 (.1513)	-.1677 (.1450)	-.0933 (.1487)
pct_wugandgraded	.3506 (.8216)	.7336 (.8714)	.7313 (.8170)	.8125 (.8647)	.5871 (.8882)
Timeid	.1803 (.1538)	.0998 (.1549)	.0946 (.1465)	.0779 (.1522)	.1476 (.1606)
govexp_avg	-.1911*** (.0477)				
govexp_avg_0_5		1.4595† (.7624)			
govexp_avg_510			.7728* (.3432)		
govexp_avg_1015				-.2992 (.4088)	
govexp_avg_15					-1.3746† (.7633)
Constant	-12.5821* (5.8470)	-11.7675* (5.4403)	-11.4961* (5.6272)	-10.5490† (5.6345)	-11.9204* (5.7139)
N	413	413	413	413	413

The results reported in Tables 4.4.1-4.4.6 suggest that, although the binary dependent variable is skewed, standard logistic regression and rare event logistic regression yield very similar coefficient estimates and robust standard errors. Therefore, a three-level logistic random-intercept model still seems appropriate given the hierarchical nature of my dataset.

The models reported in Tables 4.4.1-4.4.6 reveal that governments respond in systematically different ways to the incentive that MCA eligibility provides based on the political commitment of the chief executive. Executive interest in undertaking reforms to achieve or

maintain MCA eligibility (*q7\_mca\_eligibility\_executive\_interest*) is a strong, positive, and statistically significant predictor variable. This finding supports the conventional wisdom that the “political will” of the executive branch, which is typically difficult to observe, significantly influences whether governments are willing to alter their policy behavior in response to external incentives and pressures (Vreeland 2003; World Bank 2012a).

The same set of models point to systematic differences in how democratic and non-democratic regimes respond to the MCA eligibility incentive.<sup>157</sup> The positive and statistically significant *polity2* coefficient that is observed in most of the logit and rare event logit model specifications indicates that democracies are more likely to adopt and implement MCA-related reforms than non-democracies. This finding suggests evidence that the developing country governments' interactions with the MCA are governed by the so-called logic of political survival. (Bueno de Mesquita et al. 2003).<sup>158</sup> By contrast, the sign on the young democracy variable (*young\_democ\_major\_minor\_trans*) is consistently negative across models, but this variable does not attain conventional levels of statistical significance in any of the logit or rare event logit model specifications.

The models reported in Tables 4.4.1-4.4.6 also demonstrate that a government's level of access to "unearned income" (*nat\_resource\_rents\_over\_gdp*) has a negative and statistically significant effect on a government's probability of implementing MCA-inspired reforms in most of the logit and rare event logit model specifications. This finding is consistent with the expectations of rationalist models that emphasize the bargaining power that developing countries possess vis-à-vis development finance institutions, such as the MCC.

By contrast, the results indicate that government reliance on Western aid revenue (*net\_oda\_over\_gni*) pulls government behavior in the opposite direction. In a number of model specifications reported in Tables 4.4.1-4.4.6, the *net\_oda\_over\_gni* variable has a

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<sup>157</sup> In Table 4.3, I also report simple t-tests (with unequal variances) to determine whether there are statistically significant differences between the cohort of "ones" and the cohort of "zeros" with respect to each of the independent variables. In other words, Table 4.3 demonstrates whether and how governments that adopted or implemented MCA-inspired reforms (*mca\_reform\_adoption\_implementation*) are systematically different from other governments did not undertake MCA-inspired reforms (but also met the income requirements for MCA candidacy).

<sup>158</sup> That is to say, democracies, which theory suggests have stronger domestic incentives to participate in aid-for-reform bargains with donors and international organizations, are more likely to take domestic actions to address the MCA eligibility requirements.

positive and statistically significant effect. That is to say, as governments become more dependent on foreign aid revenue, they are more likely to undertake reform efforts to meet or exceed the MCA eligibility standards. This finding provides tentative support for the international legitimacy hypothesis. It also suggests that, while aid dependence may make governments less responsive to domestic pressures for reform (Moss et al. 2006, Knack 2009, and Dalgaard and Olsson 2008), it does not necessarily insulate leaders from external pressures for reform. It could be the case that aid-dependent governments are more responsive to incentive-based aid schemes, such as the MCA, because they send a credibility signal to the other donors upon whom they depend for their political survival (Bueno de Mesquita and Smith 2010; Girod and Tobin 2011; Girod and Walters 2011; Dreher et al. 2012).<sup>159</sup>

The results reported from most standard logit and rare event logit specifications also suggest that the provision of targeted MCC reform assistance (*mca\_reform\_assistance*) is a significant predictor of whether or not a government will ultimately succeed in implementing reforms to achieve or maintain MCA eligibility. The odds ratio versions of models 1, 6, and 11 suggest that recipients of MCA reform assistance are 18 to 19 times more likely to pursue MCA-inspired reform activities than governments that do not receive MCA reform assistance.

With a measure of Chinese official finance as a percentage of national income (*chinese\_official\_finance\_over\_gni*), I also sought to test whether access to non-Western financial support has diminished the influence of the MCA eligibility criteria. I found no evidence to support this hypothesis. However, this finding should be treated as very preliminary given that the *chinese\_official\_finance\_over\_gni* indicator is available for fewer than 50% of the country-year observations in the dataset.

Following the logic of the credibility of conditionality literature, I also included a measure of U.S. military assistance in all of the model specifications to test whether countries of geo-strategic significance are less likely to respond to a U.S.-backed aid conditionality scheme.

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<sup>159</sup> One challenge in interpreting the positive sign on *net\_oda\_over\_gni* is that the dependent variable, in a sense, captures two different phenomena at the same time: a government's *interest* in implementing reform to achieve MCA eligibility and its *ability* to implement reform in the face of domestic obstacles. Thus, one could also argue that this finding poses a challenge to the claim that aid dependence reduces the likelihood of domestic reform implementation (Moss et al. 2006, Knack 2009, and Dalgaard and Olsson 2008).

The *log\_military\_aid* variable is negative, as expected, but it only achieves conventional levels of statistical significance in models 1, 2, 16, and 17 (which employ a version of the dependent variable that measure MCC policy influence at any stage of the policymaking process). I also included a measure of interest alignment with the U.S. in the United Nations General Assembly (*s2un*) and this variable registers a negative and statistically significant effect across many different model specifications. Consistent with the expectations of theory, this negative relationship suggests that the more closely a developing country's political, diplomatic, and geo-strategic interests align with those of the United States, the less likely it is to pursue MCC-inspired reform activities. Put differently, this finding supports the notion that allies of the USG are less likely to view the policy conditions attached to foreign assistance programs as credible (Thacker 1999; Stone 2002; Dreher and Jensen 2005; Kilby 2009; Girod and Tobin 2011; Girod and Walters 2011).<sup>160</sup>

Readers will also recall that rationalists expect that size of the reward offered by a donor agency or an international organization to condition the policy responses of developing country governments. The larger the financial reward, the more likely developing country governments will undertake costly policy changes to achieve the reward. In order to test whether the relative size and significance of the MCA reward varies systematically with the probability that a government will adopt or implement MCA-inspired reforms, I included an indicator (*log\_gdp*) that measures the absolute size of a country's economy. In every logit and rare event logit model specification, the coefficient estimate on this variable is positive but not statistically different from zero.

Additionally, rationalists point to the importance of the perceived achievability of an external reward. I used two different indicators to proxy for this concept of perceived achievability. The results reported in Table 4.4 indicate that *absolute\_distance\_from\_eligibility* is not a significant predictor of the likelihood that a government will adopt and implement reforms to achieve or maintain MCA eligibility. That is to say, none of the model specifications provide evidence that supports the “inverted U” hypothesis derived from rationalist models. I was unable to find any statistical evidence that countries are less likely to undertake MCA-inspired reform activities once they meet or exceed the MCA eligibility standards. At the

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<sup>160</sup> It is also interesting to note that this relationship is strongest in the models (11-15 and 26-30) that rely on a dependent variable, which strictly measures MCC-influenced reform *implementation*.

same time, the *distance\_from\_eligibility* indicator does register a positive and statistically significant effect in the set of model specifications (models 1-4 and 17 and 19) that rely on a dependent variable that measures MCC's policy influence at any stage of the policymaking process. As values increase on this indicator, countries are either getting closer to meeting the MCA eligibility requirements *or* they are exceeding the MCA eligibility requirements. A positive correlation therefore indicates that (a) as countries get closer to achieving MCA eligibility, they undertake more MCA-inspired reform activities; and (b) countries generally do not stop undertaking MCA-inspired reform activities after they achieve the formal Compact eligibility requirements.

Several hypotheses are not supported by the logit and rare event logit models reported in Table 4.4. I sought to test the "state capacity hypothesis" with the World Bank's Government Effectiveness index (*wbi\_ge\_est*). This variable has the expected positive sign across multiple model specifications, but is not statistically significant from zero. Thus, I find no evidence that state capacity is a statistically significant predictor of the probability that a government will successfully adopt or implement MCA-related reforms.<sup>161</sup>

Contrary to expectations, I find no evidence that governments are more likely to succeed in implementing reforms soon after assuming power (the "honeymoon period"). The effect of the *yrsoffc* is positive in sign, but coefficient estimate is not statistically different from zero. Nor does the *ethnolinguistic\_fra* indicator—a measure of ethnolinguistic fractionalization that is often used as a proxy for the level of social cohesion in a country—perform as expected. Its coefficient estimate was positive and statistically insignificant. I also find no support for the hypothesis that governments with strong checks and balances find it more difficult to implement domestic reforms with an eye towards achieving external benefits, such as MCA eligibility. The *checks* variable is negative (as expected), but it does not achieve conventional levels of statistical significance in any of the standard logit or rare event logit model specifications. The domestic legitimacy variable (*state\_deligitimization*) also fails to achieve conventional levels of statistical significance.

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<sup>161</sup> This finding also holds in the models that employ a dependent variable (*mca\_reform\_anystage*) measuring any type of MCA-inspired policy response.



Additionally, I include a trend variable (*timeid*) in all of the model specifications reported in Table 4.4. The estimated coefficient on the *timeid* variable is negative and statistically significant in some model specifications, which suggests that the MCC Effect has waned over time.

My primary theoretical motivation, as articulated in Chapter 2, is to examine whether the notion of embedded autonomy helps provide a more complete account of the conditions under which governments adopt and implement MCA-inspired reforms. I predicted that high levels of autonomy and low-to-moderate levels of embeddedness would provide the most propitious conditions for MCC-inspired reform adoption and implementation. The empirical evidence presented in Table 4.3 provides strong support for the embeddedness component of this argument and less strong support for the autonomy component of this argument.

In models 6, 11, and 26, one can see that the average level of prior government experience that the senior policymaking team (*govexp\_avg*) possesses—a proxy for embeddedness in domestic political networks—bears a negative and statistically significant relationship with the adoption and implementation of MCA-inspired reforms. However, one can also see that when different “cut point” versions of this variable (measuring whether the average team member has 0-5, 5-10, 10-15, or 15+ years of government experience) enter the model, a more nuanced picture emerges that closely aligns with theoretical expectations. Whereas senior policymaking teams with low-to-moderate levels of government experience (*govexp\_avg\_0\_5* and *govexp\_avg\_510*) are *more* likely to undertake reform activities that address the MCA eligibility requirements, senior policymaking teams with higher levels of government experience (*govexp\_avg\_1015* and *govexp\_avg\_15*) are *less* likely to pursue MCA-inspired reform activities.<sup>162</sup>

Contrary to expectations, the extent of a senior policymaking team’s prior experience working for international financial institutions and multilateral development banks (*mdbexp\_avg*) is not a strong predictor of MCA-inspired policy responses. Nor is it a strong predictor of MCC-inspired reform adoption and implementation patterns. I also find no

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<sup>162</sup> These dichotomous, “cut point” transformations of the *govexp\_avg* variable will facilitate the propensity score matching analysis in the next section. The results presented in this section are also broadly consistent with the results of polynomial regression specifications, which test for a curvilinear relationship between *govexp\_avg* and the dependent variable.

strong evidence that the senior policymaking team's level of training in Western educational institutions (*pct\_wugandgrad*) helps explain variation across space or time in how governments respond to the MCA eligibility requirements.

But this finding does not necessarily imply that autonomy from domestic political pressures is entirely orthogonal to whether and how governments respond to external pressures for reform. As we learned in Chapter 2, it may be the case that senior policymakers need not possess high levels of autonomy themselves if they can access and rely on other technocrats who are more insulated from domestic political pressures. To this point, the results from the logit and rare event logit model specifications in Table 4.4 indicate that establishment of a technocratic MCA reform team significantly increases the likelihood that a government will adopt and implement reforms to achieve or maintain MCA eligibility. The *mca\_reform\_team* variable has a positive and statistically significant effect across a wide variety of model specifications. The odds ratio version of model 1 suggests that governments with MCA reform teams are nearly 11 times more likely than governments without such teams to pursue MCA-inspired reform activities. This effect tapers, but still remains strong at the reform adoption and implementation stage of the policymaking process. The odds ratio version of model 6 indicates that odds of a government successfully adopting or implementing an MCA-inspired reform are nearly five and a half times higher when governments establish MCA reform teams than when they choose not to establish MCA reform teams.

Thus, when taken together, these findings suggest that a senior policymaking team with low-to-moderate levels of embeddedness and an autonomous team of technocrats devoted to MCA-related reforms is a winning combination.

Most of these results hold up in the *three-level* logistic random-intercept model specifications that account for the expanded sample and hierarchical nature of the dataset (see Table 4.5). Democracy, reliance on foreign aid revenues, the political commitment of the chief executive to MCA-related reforms, and access to unearned income (in the form of natural resource revenues) all continue to exert positive and statistically significant effects. The embedded autonomy evidence is also very much consistent with the results from the two-level logit and two-level rare-event logit model specifications. The *govexp\_avg* variable remains negative and statistically significant in model 32. At a low-to-moderate level of embeddedness (see models 33 and 35) the probability of MCA-inspired reform increases, while at high levels of

embeddedness (see model 36) the probability of MCA-inspired reform decreases. The latter finding suggests that policymaking teams deeply enmeshed in domestic social and political networks may be unwilling or unable to undertake policy and institutional adjustments that fundamentally dislodge the domestic status quo. The existence of a technocratic MCA reform team also remains a strong, positive, and statistically predictor across all three-level logistic random-intercept model specifications.<sup>163</sup>

However, the three-level logistic random-intercept model specifications in Table 4.5 do paint a slightly different picture with respect to several variables that were previously considered. Whereas the *yrsoffc* variable had no discernible effect in the standard logit and rare event logit specifications, it has an unexpectedly positive and statistically significant effect in equations 33, 34, and 35. State capacity (*wbi\_ge\_est*) also enters equations 13, 14, and 16 with a positive and statistically significant coefficient. Table 4.4 also suggests that the presence of more veto players (*checks*) weakens a government ability to adopt and implement MCA-inspired reforms. Additionally, the experience of a recent democratic transition (*young\_democ\_major\_minor\_trans*) apparently reduces the likelihood that a government will participate in a resources-for-reform agreement with the USG.<sup>164</sup>

I find mixed evidence in the three-level logistic random intercept models to support the "credibility of conditionality" hypothesis that countries of geo-strategic, political, and diplomatic significance to the USG are less likely to undertake reform activities to achieve MCA eligibility. The receipt of U.S. military aid (*logmilitaryaid*) is no longer a robust predictor variable. However, the measure of voting alignment with the U.S. in the United Nations General Assembly (*s2un*) remains negative and statistically significant.

I also find weak support for rationalist explanations of when and why reform inducements are effective. Neither the relative size (*log\_gdp*) nor the perceived attainability of the MCA reward (*distance\_from\_eligibility*) has a discernible effect on state behavior.

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<sup>163</sup> Unexpectedly, models 32, 35, and 36 suggest that senior policymaking teams with many members who received their undergraduate and graduate degrees from Western countries are less likely to pursue MCA-inspired reform activities.

<sup>164</sup> Contrary to expectations, the state legitimacy variable (*state\_delegitimization*) enters equations 32, 34, 35, and 36 with a negative and statistically significant coefficient. Given that higher values on this variable indicate lower levels of state legitimacy, the argument that states lacking domestic legitimacy will undertake more MCA-inspired reform activities finds weak support in the three-level logistic random intercept model specification.

**Table 4.5: Determinants of MCA-Inspired Reform Adoption and Implementation**

Variable	(31)	(32)	(33)	(34)	(35)	(36)
<i>Fixed Effects</i>						
cpia_scope_for_reform	-1.2246*** (.3778)	-1.6852** (.5833)	-1.4906** (.5467)	-1.9139*** (.5983)	-1.6952** (.5626)	-1.8556** (.5967)
cpia_reform_credentials	.8422 (1.1535)	1.3984 (1.1629)	.1523 (1.1838)	1.4249 (1.1557)	.6484 (1.1390)	1.4765 (1.1111)
mca_reform_assistance_issue_domain	8.6985*** (1.0210)	6.8431*** (.9435)	7.8694*** (1.1490)	7.9580*** (1.2921)	7.3145*** (1.3949)	7.3367*** (1.2359)
strength_of_incentive	1.9137*** (.4272)	2.1201*** (.4578)	2.1480*** (.4681)	2.1369*** (.4694)	2.2025*** (.4663)	2.1906*** (.4703)
determinacy_of_conditions	.8188 (.5436)	1.1026† (.6682)	1.0948† (.6613)	1.1661† (.6655)	1.1124† (.6645)	1.1200† (.6643)
investing_in_people_category	-.7131* (.2930)	-.8730** (.3400)	-.8663** (.3373)	-.9470** (.3421)	-.9035** (.3435)	-.9067** (.3406)
ruling_justly_category	-.7521 (.5873)	-.6117 (.7198)	-.5726 (.7135)	-.6451 (.7200)	-.6250 (.7172)	-.6993† (.7188)
polity2		.2951* (.1289)	.2765** (.1030)	.3101* (.1341)	.2640* (.1035)	.2722** (.0999)
checks		-.7164† (.3730)	-.3610 (.2715)	-.4306 (.3616)	-.2738 (.3330)	-.6162† (.3322)
nat_resource_rents_over_gdp		-.1090** (.0370)	.0430 (.0302)	-.0504 (.0403)	-.0162 (.0277)	-.0528† (.0302)
net_oda_over_gni		.0615** (.0235)	.0419* (.0192)	.0718** (.0268)	.0547** (.0202)	.0692** (.0233)
logmilitaryaid		-.6920* (.3404)	-.2365 (.3403)	-.3548 (.3725)	-.4995 (.3303)	-.8868* (.3656)
mca_reform_team		1.9452** (.7155)	.9871 (.6251)	1.9622* (.9424)	.4947 (.6503)	1.2855† (.6785)
timeid		-.8438*** (.2328)	-1.1706*** (.2548)	-.9424*** (.2457)	-1.0065*** (.2578)	-1.4221*** (.3250)
young_democ_major_minor_trans		-.8156 (.6117)	-.5511 (.6217)	.0134 (.9447)	-.0586 (.6241)	-1.1348† (.6239)
wbi_ge_est		.4725 (.8498)	1.7910* (.7714)	1.4174 (1.0659)	.8723 (.7545)	1.0343 (.7275)
yrsoffc		.1851*** (.0537)	.1576*** (.0438)	.0980 (.0608)	.1630*** (.0419)	.1506*** (.0421)
log_gdp		.3552 (.3108)	-.0085 (.2826)	-.1132 (.3598)	-.1666 (.3114)	.2747 (.3272)
distance_from_eligibility		.0266 (.0698)	-.1733* (.0687)	.0776 (.0788)	.1143 (.0793)	-.0995 (.0736)
s2un		-1.0022 (1.5843)	4.5843** (1.5261)	-.3611 (1.4834)	-1.0793 (1.4418)	3.2914* (1.4724)
state_delegitimization		-1.2214*** (.3164)	-1.1029*** (.3059)	-.3971 (.3387)	-.3796 (.3022)	-1.2566*** (.3429)
mdbexp_avg		-.1472 (.3099)	.1135 (.2795)	-.4569 (.3630)	-.2065 (.3013)	-.2442 (.2944)
pct_wugandgraded		-.2407 (.8116)	-.0710 (.8513)	-.6470 (.8971)	.1803 (.9587)	.2912 (.7750)
mca_eligibility_executive_int		1.3771*** (.3390)	1.7682*** (.3358)	2.0198*** (.4505)	2.0726*** (.4165)	1.7406*** (.3390)
govexp_avg		-.0799 (.0537)				
govexp_avg_0_5			1.3343* (.6151)			
govexp_avg_5_10				-.3944 (.6776)		
govexp_avg_10_15					-.0929 (.4054)	
govexp_avg_15						-1.3376** (.5113)
<i>Random Effects Parameters</i>						
Country	7.0780	0.0000	0.0000	5.1920	0.0000	0.0000

	(1.9170)	(0.0000)	(0.0000)	(1.9923)	(0.0000)	(0.0000)
Year	12.3434	5.5097	8.6429	5.7854	6.4888	8.7909
	(3.1264)	(1.6014)	(2.4073)	(2.0736)	(1.8029)	(2.4624)
Constant	-6.0582***	1.8858	12.3048	4.8638	5.0486	9.3501
	(1.4671)	(8.5118)	(8.4352)	(10.0364)	(8.8032)	(9.8166)
N	6052	4879	4879	4879	4879	4879
Log Likelihood	-424.0973	-298.1323	-295.5261	-295.7064	-296.0601	-295.4242

A key advantage of the three-level logistic random-intercept model specifications reported in Table 4.5 is that they allow us to consider an entirely new class of policy domain level variables. Models 31-36 reveal whether and to what extent factors specific to 17 policy domains represented by the MCA eligibility indicators influence the probability that a government will implement reform to achieve or maintain MCA eligibility. Overall, the results suggest that policy domain-level variables are important determinants of MCA-inspired reform adoption and implementation patterns.

Consistent with my expectations, the strength of the incentive attached to a policy domain (i.e. MCA eligibility criterion) does matter. The dummy variable for the Control of Corruption policy domain (*strength\_of\_incentive*) has a consistently positive and statistically significant effect across all model specifications in Tables 4.5. Readers will recall that Control of Corruption is the only "must pass" indicator in the MCA eligibility assessment (Dunning and Herrling 2009; Öhler et al. 2012). As expected, the *determinacy\_of\_conditions* variable also has a positive and statistically significant effect in most model specifications. This finding implies that the more objective, easily understandable, and policy sensitive the MCA eligibility indicator, the higher the likelihood that a government will seek to address the policy or institutional reform impediments to improved performance on that indicator. Performance indicators apparently need to be easy to “unpack” and understand if donors hope to elicit a serious response from developing country governments through comparative benchmarking exercises. Highly complex, omnibus indices measuring dozens of discrete policy issues as well as perception-based measures may therefore be less effective.<sup>165</sup>

In order to account for systematic variation in the willingness and ability of governments to undertake reform in certain policy areas, I include dummy variables that divide the sample

<sup>165</sup> While both objective and subjective indicators are measured with error, subjectivity breeds uncertainty, and uncertainty may undermine policymaker interest and confidence in pursuing politically-difficult reforms. In other words, governments contemplating serious policy change may need to be convinced that if they pursue action  $x$  to improve their chances of qualifying for MCA eligibility, it will lead to indicator performance outcome  $y$ . Policy-makers may also be less likely to understand the strengths of subjective data and thus more inclined to dismiss subjective data as a poor basis for performance benchmarking and meaningful dialogue between donors and recipients.

into three groups: governance-related policy domains (*ruling\_justly\_category*), social and environmental policy domains (*investing\_in\_people\_category*), and economic policy-related policy domains (*economic\_freedom\_category*). The *economic\_freedom\_category* variable serves as the reference group. The results reported in Table 4.5 suggest that reforms inspired by the MCA eligibility requirements are less likely to happen in social and environmental policy domains than in economic policy-related policy domains. Holding all other factors constant, governance-related reforms are no more or no less likely to be implemented than economic policy reforms.

In Models 31-36, I also introduce a policy domain-specific MCC reform assistance variable. My findings are consistent with the results reported in the standard logit and rare event logit model specifications. Recipients of MCC assistance—specifically, assistance that seeks address impediments to improved performance on a particular MCA eligibility indicator—are more likely to actually implement reforms to achieve MCA eligibility. While this finding might not seem particularly surprising to some readers, many scholars, policy analysts, and legislative overseers have raised serious doubts about the effectiveness of MCC's Threshold Program—the funding window through which the MCC provides targeted reform assistance to developing countries (Kerry and Lugar 2010; Staats 2010).

Additionally, the results reported in Table 4.5 provide broad support for the notion that governments with greater "scope for reform" are more likely to undertake reforms to achieve MCA eligibility. The *cpia\_scope\_for\_reform* variable enters multiple equations as a negative and statistically significant coefficient, which suggests that once a government achieves a high level of performance in a particular policy domain, its level of interest in using an external incentive to advance reform objectives in that policy domain will likely weaken. At the same time, the results reported in Table 4.4 suggest that the stronger a government's reform credentials in a particular policy domain, the more likely that it will execute MCA-inspired reforms in that very same policy domain. The *cpia\_reform\_credentials* variable has a positive but statistically insignificant effect in all of the three-level logistic random-intercept model specifications. Readers will recall that the *cpia\_scope\_for\_reform* variable measures a government's *level* of performance in a given policy domain and the *cpia\_reform\_credentials* variable measures a government's *rate of improvement (or decline)* in a given policy domain. Therefore, the typical profile of a government pursuing MCA

eligibility appears to be one with a relatively unreformed polity and economy, but not necessarily one with strong reform credentials.

The disadvantage of including these World Bank CPIA variables in any model specification is that they only cover a subset of the countries in our sample (roughly 75 of the 118 countries in my sample), which leads to significant casewise deletion of missing data and increases the risk of sample bias. The observations that are missing from the *cpia\_scope\_for\_reform* and *cpia\_reform\_credentials* variables are also not missing at random. The World Bank's CPIA data are currently only made publicly available for countries that fall below the "IDA eligibility" threshold, which means that CPIA data are largely available for low income countries and missing for lower-middle income countries. Therefore, one should not assume that the findings reported in models 31-36 necessarily apply to lower-middle income countries.

Notwithstanding the between-policy domain within-country heterogeneity issues that are accounted for in the three-level random intercept models, I still face a significant causal identification challenge. The fact that my primary variables of causal interest—the embeddedness and autonomy of change management teams—enter most model specifications with the expected signs and statistically significant parameters does not provide strong evidence of causal relationships. It is possible that one or more unobserved factors contribute to embeddedness and autonomy as well as a government's propensity to engage in MCA-related reform activities. The potential endogeneity of these causal variables of interest could therefore lead to spurious inferences. I address this issue of endogeneity bias with propensity score matching methods. Consistent with the approach described in Rosenbaum and Rubin (1983), I account for observable selection bias by ensuring that my “treatment group” (country-years that either had an autonomous MCA reform team or a senior policymaking team with a low-to-moderate level of embeddedness) and my “control group” are comparable across all observable characteristics but for the presence or absence of the treatment.

In order to assess the causal impact of the technocratic reform team variable, I first employ a two-level logit model that estimates the probability that a given country-year will receive the treatment in question. I rely on a set of predictor variables that I expect will influence whether or not a government appoints a technocratic reform team to address policy



performance issues related to the MCA eligibility criteria.<sup>166</sup> This logit model is then used to generate a propensity score—that is, a weighted index measuring the probability that the units will “receive the treatment” of a technocratic reform team based on the set of observable covariates in the model. The propensity score is, in turn, used to create a matched sub-sample of treatment and control units, where the “treated” country-years are those with technocratic reform teams and the “control” country-years are those without technocratic reform teams. This matching technique makes the treatment and control units similarly likely to undertake MCA-related reform activities *in the absence of a technocratic reform team*. That is to say, this technique mimics the conditions of a randomized experiment by rendering the country-years without technocratic reforms virtually identical—in terms of the observable covariates included in the logit model—to the country-years with technocratic reforms.<sup>167</sup> Finally, in order to estimate the average treatment effect of a technocratic reform team, I calculate the mean differences between the matched pairs on my dependent variable: whether or not governments adopt and implement MCA-inspired policy responses (or reforms).

The results reported in Table 4.6 indicate that the “treatment group” (country-years with technocratic reform teams) and the “control group” (country-years without technocratic reform teams) are statistically different in terms of their likelihood of pursuing MCA-inspired reform activities. Before propensity score matching, country-years in the treatment group registered a mean value of .503 on the *mca\_reform\_adoption\_implementation* indicator, whereas country-years in the control group registered a mean value of .047. After propensity score matching, governments with technocratic reform teams are still significantly more likely than governments without such teams to adopt and implement MCA-inspired reforms. However, the size of the treatment effect declines by approximately 46% (from .456 to .247). These results suggest that the presence of a technocratic reform team has a positive causal effect on a government’s propensity to undertake MCA-inspired reform activities.

<sup>166</sup> The predictor variables in this logit model include *q7\_mca\_eligibility\_executive\_interest*, *polity2*, *young\_democ\_major\_minor\_trans*, *net\_oda\_over\_gni*, *nat\_resource\_rents\_over\_gdp*, *mcc\_reform\_assistance\_dummy*, *log\_gdp*, *logmilitaryaid*, *s2un*, *distance\_from\_eligibility*, *timeid*, *yrsoffc*, *state\_delegitimization*, *pct\_wugandgraded*, *mbexp\_avg*. Many, but not all, of these predictors of the appointment of technocratic reform teams were also used (in models 1-36) to predict whether or not governments pursue MCA-inspired reform activities. I exclude those variables that likely influence the execution of reform activities, but not the appointment of a technocratic reform team.

<sup>167</sup> I employ nearest neighbor propensity score matching (without replacement) and find matches for 121 of the 141 country-years with technocratic reform teams in the dataset. The matching algorithm results in dramatically improved balance on almost all of the covariates.

**Table 4.6: Propensity Score Matching Estimates of the Causal Effects of Autonomy**

	Before Matching	After Matching
<i>DV = mca_reform_anystage</i>		
<b>Difference Between Governments with and without Technocratic Reform Teams</b>		
Treatment (n=141, 121)	.638	.652
Control (n=671, 327)	.061	.454
Mean Difference	.577* (.027)	.198 (.100)
<i>DV = mca_reform_adoption_implementation</i>		
<b>Difference Between Governments with and without Technocratic Reform Teams</b>		
Treatment (n=141, 121)	.503	.512
Control (n=657, 327)	.047	.264
Mean Difference	.456* (.026)	.247* (.096)
<i>DV = mca_reform_implementation</i>		
<b>Difference Between Governments with and without Technocratic Reform Teams</b>		
Treatment (n=141, 121)	.042	.223
Control (n=657, 327)	.432	.438
Mean Difference	.390* (.025)	.214* (.092)

\* Indicates that there is a statistically significant difference in the means at the .05 level

**Table 4.7: Propensity Score Matching Estimates of the Causal Effects of Embeddedness**

	Before Matching	After Matching
<i>DV = mca_reform_anystage</i>		
<b>Difference Between Governments with and without Senior Policymaking Teams that Possess Low Levels (0-5 years on average) of Public Sector Experience</b>		
Treatment (n=87, 39)	.149	.317
Control (n=732, 612)	.161	.102
Mean Difference	.011 (.041)	.230* (.097)
<i>DV = mca_reform_adoption_implementation</i>		
<b>Difference Between Governments with and without Senior Policymaking Teams that Possess Low Levels (0-5 years on average) of Public Sector Experience</b>		
Treatment (n=76, 39)	.105	.205
Control (n=736, 619)	.127	.076
Mean Difference	.022 (.039)	.128 (.084)
<i>DV = mca_reform_implementation</i>		
<b>Difference Between Governments with and without Senior Policymaking Teams that Possess Low Levels (0-5 years on average) of Public Sector Experience</b>		
Treatment (n=76, 39)	.092	.179
Control (n=736, 619)	.111	.025
Mean Difference	.019 (.037)	.153* (.070)

\* Indicates that there is a statistically significant difference in the means at the .05 level

In order to test whether a low-to-moderate level of senior policymaking team embeddedness has a positive causal effect on a government’s propensity to undertake MCA-inspired reform activities, I repeat the same set of procedures described above. I estimate a logit model that predicts whether a country will possess a senior policymaking team with a low-to-moderate level of embeddedness in local sources of authority and legitimacy in a particular year.<sup>168</sup> I then use this logit model to generate a propensity score that measures the probability that a given country in a given year will possess a senior policymaking team with a low-to-moderate level of embeddedness. This propensity score is used to create a matched set of treatment and control units that are effectively balanced on the observed covariates from the logit model. This procedure results in a set of treatment and control country-years that are observationally equivalent in terms of the covariates included in the logit model.<sup>169</sup> Finally, in order to estimate the average treatment effect of a senior policymaking team with a low-to-moderate level of embeddedness, I calculate the mean differences between the matched pairs on my dependent variable: whether or not governments adopt and implement MCA-inspired policy responses (or reforms). The results, reported in Table 4.7, suggest that a low-to-moderate level of policymaking team embeddedness increases a government’s propensity to undertake MCA-inspired reform activities. A similar causal effect is not observed at higher levels of embeddedness—specifically, in policymaking teams comprised of individuals who on average possess 5-10, 10-15, and 15 or more years of prior government experience.<sup>170</sup>

<sup>168</sup> I employ a set of variables that I expect will predict the presence or absence of this type of senior policymaking team. These variables include regime type (*polity2*), whether or not a country experienced a major or minor democratic transition within the last ten years (*young\_democ\_major\_minor\_trans*), whether or not any sort of regime change (more democratic or less democratic) occurred in a given year (*regtrans*), the number of years that the chief executive has been in office (*yrsoffc*), whether or not there has been a change in a country’s “effective leader” in a given year (*change\_in\_effective\_leader*), the number of years that have elapsed since most recent regime change (*durable*), whether or not the political party of the chief executive is nationalist in nature (*execnat*), the level of political competition that the incumbent chief executive faces (*ieic*), the partisan policy orientation of the chief executive’s political party (*execrlc*), the electoral competitiveness of a government’s legislature (*liec*), the amount of time the political party of the chief executive has been in power (*prtyin*), the presence or absence of formal limits on the term of the chief executive (*finitrm*), the percentage of senior policymaking team members who received their undergraduate and graduate degrees from OECD countries (*pct\_wugandgraded*), and the average number of years senior policymaking team members in a given country and year previously worked for the IMF, the World Bank, the Asian Development Bank, the Inter-American Development Bank, the African Development Bank, or the European Bank for Reconstruction and Development (*mbexp\_avg*).

<sup>169</sup> I employ nearest neighbor propensity score matching and find matches for 39 of the 87 country-years in the dataset with governments comprised of senior policymakers with five or fewer years of government experience (on average). The matching algorithm results in a dramatically improved balance on all of the observable confounders.

<sup>170</sup> The propensity score matching results for these three additional causal variables of interest—*govexp\_avg\_5\_10*, *govexp\_avg\_10\_15*, and *govexp\_avg\_15*—are not reported here, but they are available upon request.

While this method of matching treatment and control units on observed covariates is a compelling way to approximate the conditions of a randomized evaluation, it does not eliminate the possibility of confounding variable bias. Propensity score matching only addresses *observed* confounding variable bias. It does not address the potential bias introduced by unobserved confounders. I have taken pains to measure and account for as many confounders as possible, but there are undoubtedly some variables that remain unobservable. It is therefore reasonable to conclude that endogeneity bias has been substantially reduced but not entirely eliminated. We are left with suggestive evidence of two causal relationships. However, there are no “smoking guns” in this observational study.

## 4.5 Conclusion

This chapter contributes to the existing literature in several ways. First, I have introduced a novel measure of how governments respond to external reform pressures in deed rather than in word. The existing literature on external reform incentives and socialization tools generally relies on dependent variables that fall into one of two broad categories. A first set of dependent variables tries to measure a government's "willingness to reform" with de jure and proxy variables. Vreeland (2003), for example, considers a government's participation in an IMF agreement as an indication of its willingness to reform. Joyce (2006) uses IMF program disbursement rates as a proxy for government compliance with IMF conditions. Pitlik, Frank, and Firchow (2010: 179) propose that a government's participation in the Extractive Industries Transparency Initiative (EITI) is "a clear signal for the short run determination to engage in reforms."

However, while many of these dependent variables may be correlated with state-implemented reform measures, none of them measure the actual phenomenon of interest. Participation in EITI, an IMF agreement, or any other arrangement in which states adjust their behavior in exchange for material or reputational rewards from an external actor, is not a particularly compelling approach to measuring the depth of a government's commitment to participating in an external resources-for-reform swap. As Krasner (2009a: 7) points out, "formal adherence to codes of conduct have no automatic impact on the actual behavior of states."

There is no correlation, for instance, between human rights behavior and signing on to international human rights treaties. International codes and standards may even be used to mask problematic behavior. Azerbaijan was the first country to fulfill all of the requirements for certification by the Extractive Industries Transparency Initiative, yet it ranked 143 out of 168 countries in the 2009 Transparency International corruption perception index. While the revenues to the Azeri government from oil production may be transparent, expenditures are opaque. By signing on to the EITI, one of the most prominent international codes of conduct Azerbaijan got some favorable points from the international community without altering its behavior."

A second group of scholars rely on outcome variables to draw inferences about a government behavior (Vreeland 2003; Dreher and Vaubel 2003; Kilby 2009). But this approach also has an achilles' heel. By way of illustration, consider the challenge of measuring a government's efforts to implement fiscal policy reform commitments contained in IMF agreements. Many economists and political scientists who study IMF conditionality use a country's fiscal balance as a percentage of GDP as a proxy for the government's reform implementation efforts (Vreeland 2003; Dreher and Vaubel 2003; Montinola 2010).<sup>171</sup> However, the fiscal balance is often influenced by exogenous factors that are outside the control of the government. Natural disasters, debt relief, changing global economic conditions, and windfalls from oil, gas, and mining revenues can have a dramatic impact on a country's fiscal balance and these factors say almost nothing meaningful about the government's behavior.

By contrast, the dependent variable in this chapter seeks to measure the actual empirical phenomena of interest: whether and to what extent a government undertook meaningful policy and institutional changes *in order to capture the external reward offered by an IO or donor agency*—in this case, achieving or maintaining MCA eligibility. I have done this by designing and implementing a detailed qualitative coding scheme that relies on my own direct correspondence with senior developing country officials and tens of thousands of

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<sup>171</sup> Ölcer (2009) uses Transparency International's Corruption Perception Index to evaluate reform implementation patterns before and after governments endorse EITI principles. Aaronson (2008) uses the World Bank Institute's Voice and Accountability Index and the World Bank/IFC's Ease of Doing Business to assess the impact of EITI participation. Öhler et al. (2012) rely on the World Bank Institute's Control of Corruption index to assess the reform-inducing effects of the MCA eligibility standards. Kilby (2009) uses the inflation rate and the percentage change in the official exchange rate to measure compliance with World Bank conditionality.

unclassified or publicly available government documents, speeches, media reports, and country case studies.

The second contribution of this chapter is methodological in nature. While many empirical studies seek to account for cross-national and temporal variation in how governments respond to external reform pressures, relatively few researchers address the generalizability of their findings across policy domains.<sup>172</sup> In this chapter, I use multilevel modeling techniques to explicitly account for factors that vary systematically across policy domains. This approach is useful for theoretical and practical reasons. From a theoretical perspective, multilevel modeling techniques can help IPE scholars to better understand the scope conditions of their causal arguments (Lake 2011).

From a more practical standpoint, the use of multilevel modeling techniques can help scholars deliver more nuanced and accurate advice to the policymaking community. A brief example may be useful. Whereas conventional modeling techniques (e.g. logistic regression) might illuminate the fact that democracies are more likely to respond to the MCA eligibility indicators than non-democracies, policymakers might like to know whether democracies are more likely to respond to reform inducements in specific policy areas (e.g. social protection, public sector management, macroeconomic policy, microeconomic policy), or whether democracies are more likely to act when the metrics used by outside groups to evaluate their performance are objective and easy-to-comprehend.<sup>173</sup>

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<sup>172</sup> The inclusion of policy domain-level explanatory variables represents an important contribution to the literature on the influence and effectiveness of external reform pressures. Many of the seminal empirical contributions to this field of inquiry impose significant domain restrictions. Stone (2002) limits his analysis to inflation control. Vreeland (2003) focuses on IMF policy conditions that may influence economic growth and the labor share of incoming from manufacturing. Pop-Eleches (2009) limits the scope of his analysis to economic reform in Latin America and Eastern Europe. These domain restrictions are of course useful—and, indeed, necessary—to build cumulative knowledge, but they also raise issues of generalizability and preclude the use of policy domain-level explanations.

<sup>173</sup> Multilevel modeling can yield these types of insights. In their seminal introduction to multilevel modeling, Steenbergen and Jones (2002: 219) emphasize that "[m]ultilevel analysis allows researchers to explore causal heterogeneity. By specifying cross-level interactions, it is possible to determine whether the causal effect of lower-level predictors is conditioned or moderated by higher-level predictors." For example, it could be the case that autocracies are generally unresponsive to the MCA eligibility requirements, but their level of responsiveness depends on whether external rewards are tied to economic, political, or social reforms. This is just one example of the more nuanced forms of analysis that multilevel models can provide. In future work on the effectiveness of the MCC Effect, I plan to explore potential cross-level interaction effects.



Finally, in this chapter, I operationalized the concepts of embeddedness and autonomy by measuring whether and to what extent government decision-makers have access to both technocratic expertise and domestic networks of authority and legitimacy. My goal was to test whether teams with high levels of autonomy and low-to-moderate levels of embeddedness are better able to introduce disruptive policy and institutional changes that dislodge the status quo. The evidence suggests that senior policymaking teams with network brokerage characteristics are more likely to choose the reform path less traveled—the path that involves consultation, compromise, and adaptation. However, additional research will be needed to determine whether and to what degree the prior government experience of policymakers is indeed an effective proxy for their social and political embeddedness.<sup>174</sup>

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<sup>174</sup> One limitation of the prior government experience indicator used in this study is that it likely captures both the social capital and the human capital that policymakers accumulate during their periods of public service (Lester et al. 2008). That is to say, while policymakers may cultivate network ties during their periods of service in government, they may also improve their own technical and political skills at the same time, and these individual skills may influence the likelihood that reforms are initiated and successfully implemented. Another potential shortcoming of the prior government experience indicator is that it does not differentiate between the *types* of government experience that policymakers accrue over time. Previous research suggests that policymakers who possess network ties to a wide variety of government institutions may be more influential than policymakers with equivalent amounts of government experience but network ties to fewer government institutions (Baumgartner et al. 2008).

# Chapter 5: "Ground Truthing" the MCC Effect with Evidence from the 2012 MCA Stakeholder Survey

## Introduction

In Chapter 3, I relied on formal coding procedures of archival data to develop first-of-their-kind measures of whether and how governments in developing countries responded to the MCA eligibility standards by adopting and implementing policy and institutions reforms. I then employed logit, rare event logit, and three-level random intercept models as well as propensity score modeling techniques in Chapter 4 to explain variation in this measure of the "MCC Effect" across countries, time, and policy domains. However, the findings reported in previous chapters beg several additional questions about the MCC's policy influence.

Through which causal processes do the MCA eligibility standards influence government behavior? Are the reforms instigated by the MCA eligibility criteria durable? How much influence do the MCA eligibility criteria exert compared to other external tools of conditionality and socialization? Does the MCC's model of tying eligibility for assistance to third-party indicators of policy performance have any negative unintended consequences? These questions cannot be easily answered with the dataset introduced in Chapter 3 and analyzed in Chapter 4.

To shed light on these questions, I employ an innovative methodological approach in this chapter. I collect and analyze survey data from 640 development policymakers and practitioners in 100 low income and lower-middle income countries. The survey results provide extraordinary insights—from a large and diverse group of developing country elites with first-hand knowledge of MCC policy and programming issues—about the influence of the MCA eligibility criteria that would otherwise be difficult to capture. The survey data also offer a unique source of evidence about the comparative influence of various reform promotion tools, such as the World Bank's *Doing Business* Report, the Extractive Industries Transparency Initiative, and the MCA eligibility criteria; the sustainability of reforms instigated by the MCA eligibility criteria; the causal processes through which the MCA eligibility criteria impacts the policymaking process in developing countries; and the unintended consequences of outsized MCA policy influence.

I do not claim that the findings from the 2012 MCA Stakeholder Survey (Parks and Rice 2013a, 2013b) results constitute definitive evidence on the nature, timing, strength, scope, or durability of policy influence exerted by the MCA eligibility criteria. However, I argue that the survey data are valuable in that they capture the opinions and experiences of policymakers and practitioners who possess (by virtue of the positions that they currently hold or previously held) country-specific knowledge about the MCC Effect that varies across time and policy domains. This positional approach is consistent with long-standing best practices in the survey methodology literature regarding the scientific investigation of policy processes and political decision-making (Hoffmann-Lange 1987; Hoffmann-Lange 2007; Tansey 2007). A public opinion survey or a survey of development experts would have been significantly less useful, as these populations generally know very little about the policy influence of the MCA eligibility criteria in particular countries, policy domains, and years.<sup>175</sup>

IR and IPE scholars who study the influence and effectiveness of external tools of conditionality and socialization scholars rarely ask policymakers and practitioners in the developing world about their experiences, observations, or perceptions (Gray and Slapin 2012). This methodological aversion is striking given that, with few exceptions, the "targets" of the financial incentives and moral suasion tools wielded by sovereign governments and IOs are *development policymakers and practitioners in low income and lower-middle income countries*.

The goal of this chapter is to triangulate evidence about the MCC Effect from a diverse set of knowledgeable stakeholders in MCA candidate, threshold and compact countries who can effectively "ground truth" some of the claims made in previous chapters. I harbor no illusions that survey evidence from policymakers and practitioners should constitute the final word on the policy influence of the MCA eligibility criteria—or any other external instrument of conditionality or socialization. Perception- and experience-based survey data are subject to number of challenges and limitations, including but not limited to selection bias, non-response bias, recall bias, social desirability bias, respondent fatigue, and Hawthorne effects.

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<sup>175</sup> To the extent that these population possess any information about the MCC Effect, they are likely very dependent upon media coverage. Inferences based on casual observation of incomplete media-based data are very likely biased and unreliable (Reeves et al. 2006).

However, I will advance the claim that survey data from policymakers and practitioners should be considered admissible prima facie evidence in the court of causal inference.

This chapter is organized into six sections. Section 1 describes the methods used to design and implement the 2012 MCA Stakeholder Survey. Section 2 explores the construct validity of the MCA policy influence measures introduced in Chapter 3. With data from the 2012 MCA Stakeholder Survey, I document broad trends in where the MCA eligibility standards seem to exert the most and least influence across countries and policy areas, and compare these results with the MCC Effect data from Chapter 3. Section 3 assesses the level of perceived influence of the MCA eligibility criteria vis-à-vis other tools of external conditionality and socialization. In Section 4, I explore the sustainability of MCA-inspired reforms, which in turn leads to a broader discussion (in Section 5) about the distinction between the *influence* and the *effectiveness* of reform promotion tools. Section 5 also probes the plausibility of the claim that the MCC's use of a performance-based model for resource allocation has unintended consequences that ultimately do more harm than good. Finally, in Section 6, I draw on evidence from the 2012 MCA Stakeholder Survey to zero in on some of the causal mechanisms through which the MCA eligibility indicators exert policy influence.

## 5.1 Methods

### 5.1.1 Sample

In the fall of 2012, I assembled a team of researchers at the College of William & Mary's Institute for the Theory and Practice of International Relations responsible for conducting the 2012 Millennium Challenge Account (MCA) Stakeholder Survey.<sup>176</sup> The target population for the survey included all individuals with knowledge of (a) policy decisions and actions related to the MCA eligibility criteria taken between 2004 and 2012, and/or (b) efforts to design or implement an MCC Compact or Threshold Program between 2004 and 2012. As such, our research team set out to identify a set of country inclusion criteria and respondent inclusion criteria that would help us identify this target population. We first identified the population of states that had the opportunity to become MCA eligible between 2004 and 2012. To this end, we used the "candidate country" reports that the MCC submits to the U.S. Congress each year to identify those countries that met the per capita income requirements

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<sup>176</sup> This chapter draws heavily on data, analysis, and prose from Parks and Rice (2013a, 2013b).

for MCA candidacy at some point between 2004 and 2012.<sup>177</sup> We then identified four "stakeholder groups" that could provide insight into the policy influence of the MCA eligibility criteria and the impact of MCC Compact and Threshold Programs in their own countries:

1. senior government officials from developing country officials who have interacted with the USG on MCA policy and programming issues<sup>178</sup>
2. USG officials who are or were responsible for engaging the domestic authorities in developing countries on MCA policy and programming issues<sup>179</sup>
3. staff from contractors, NGOs, or consultancies who are or were responsible for designing, implementing, or evaluating MCC Compacts or Threshold Programs
4. representatives of local civil society organizations and business associations who are or were knowledgeable about MCA policy and programming issues<sup>180</sup>

Elite surveys and "opinion leader" surveys have proliferated over the last decade. However, scholars rarely devote the time and resources needed to conduct large-*n* cross-country elite survey research in a systematic manner (Hoffmann-Lange 2007). Our research team sought to improve upon previous efforts by carefully constructing sampling frames for each country based upon the standardized, explicit, and transparent set of inclusion criteria described above.<sup>181</sup> With support from 15 regional and country specialists, we drew on a wide variety of print and web-based information sources to identify the individuals who met the inclusion

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<sup>177</sup> Some countries (e.g. China, Syria, Cuba, Sudan) would meet the MCA candidacy criteria if not for a U.S. statutory prohibition on the receipt of U.S. foreign assistance. We included these countries in our sample because the purpose for each statutory prohibition is clearly stated in a public document, so that potential MCA candidates can take remedial actions that would enable them to achieve MCA candidacy.

<sup>178</sup> We also included senior government officials who, by virtue of the positions that they held, would have likely interacted with the USG on MCA policy and programming issues (e.g. Ministers of Finance, Minister of Planning, and Ministers of Foreign Affairs).

<sup>179</sup> As a general matter, US Ambassadors, MCC Resident Country Directors, and USAID Mission Directors (or their designees) are responsible for engaging the domestic authorities in developing countries on MCA policy and programming issues.

<sup>180</sup> However, this cohort did not include individuals who worked for contractors, NGOs, or consultancies responsible for designing, implementing, or evaluating MCC Compacts or Threshold Programs.

<sup>181</sup> Each country-specific sampling frame was developed in a manner similar to quota sampling. After developing a stock country-level organizational inclusion chart, we identified organizations within each country to match each "ideal-typical representative organization. From this, we established a quota of required survey recipients for each country-specific organization, and then identified the MCC experts from this list of potential respondents. We also used information from my period of MCC "fieldwork" to augment the sampling frames with additional MCA experts (i.e. those not captured by the organizational quota method).

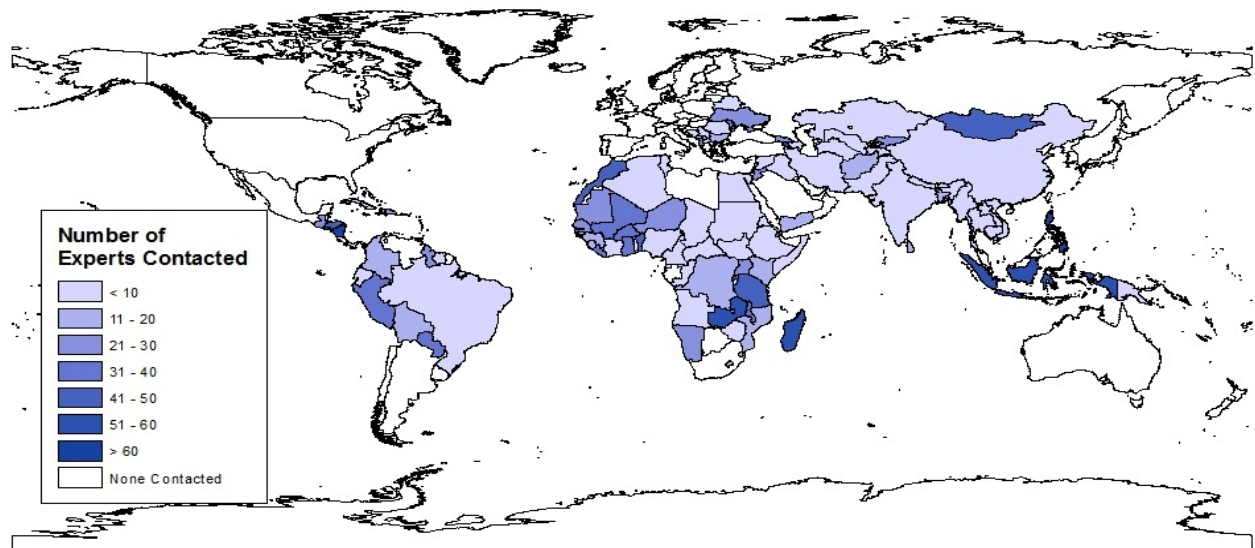
criteria. Resources included the 2004-2012 editions of the *Country Background Notes* produced by the U.S. Department of State, the 2004-2012 editions of the *Directory of Chiefs of State and Cabinet Members of Foreign Governments* published by the U.S. Central Intelligence Agency, Africa Confidential's *Who's Who* Database, various editions of the *International Who's Who* publication, the U.S. Department of State's Staff Directory, *Country Reports* published by the Economist Intelligence Unit, USAID Threshold Program completion reports and evaluation documents, and staff contact information on the MCC and MCA websites.<sup>182</sup>

One of the central goals of the 2012 MCA Stakeholder Survey was to identify the factors that shape a government's response or non-response to the MCA eligibility criteria. As such, our research team sought to obtain the opinions of policymakers and practitioners from the entire universe of developing countries that met the income parameters for MCA candidacy (at some point between 2004 and 2012). We therefore collected data from policy elites in countries that sought but never secured MCA eligibility or a Threshold program or Compact; countries that achieved MCA eligibility but never secured a Threshold Program or Compact; countries that achieved MCA eligibility and benefited from either a Threshold Program or Compact; and countries that never sought MCA eligibility or programmatic support from the MCC. At one end of this spectrum are policymakers and practitioners from countries that have secured MCA Compact and Threshold Programs. At the other end of the spectrum are respondents from countries who had relatively limited interactions with the USG on MCA eligibility issues. We self-consciously included respondents from the full range of MCA "target" countries in order gauge whether, when, and how the MCA eligibility criteria have exerted influence on the reform efforts of governments in developing countries.

### **Figure 5.1.1: Cross-National Distribution of "MCA Experts" Contacted**

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<sup>182</sup> Specifically, we augmented these sampling frames by adding hundreds of MCC, MCA, USAID, Department of State, developing country government, civil society organization, and Compact and Threshold Program implementation agency officials and with country-specific responsibilities.



Given the diversity of states included in our survey, it is no surprise that sample sizes vary significantly from country to country. Low internet penetration rates and a lack of political transparency further limited the number of respondents who we could identify and reach in many countries. The map in Figure 5.1.1 visualizes the number of "MCA experts" contacted per country. States with exceptionally high numbers (over 60) of survey recipients included Armenia, Philippines, and Nicaragua. By contrast, Bhutan, Romania, and Turkmenistan had only two survey recipients. We contacted an average of approximately 18 policymakers and practitioners per country, with a standard deviation of 16.6.

### 5.1.2 Questionnaire Development

We designed and evaluated individual survey questions and question order according to the methods described in Weisberg (2005) and Dillman et al. (2009). Initial questions were adapted from elite surveys undertaken by the Asian Development Bank, the World Bank, the International Monetary Fund's Independent Evaluation Office (IEO), and Princeton University's Task Force on the Changing Nature of Government Service (Volcker 2009; ADB 2010; IEO 2009). Additional questions were developed, and all questions were evaluated, according to several criteria, including whether the question would be of interest to our average respondent; whether a complex issue was over-reduced to a single, dichotomous question; and whether question wording would be understood by most respondents to mean the same thing. Survey tool design aesthetics were informed by Couper (2008).

We conducted pre-testing of English-language questionnaire drafts via in-person cognitive interviews with expert respondents. We also pre-tested survey translations and a web-based



survey instrument using a self-administered cognitive interview tool. We developed this self-administered interview tool in response to budget, distance, and time constraints. For the self-administered cognitive interviews, we asked all expert survey pre-testers to complete a questionnaire evaluation form adapted from the “Methods for Testing Survey Questions” training manual of the Joint Program in Survey Methodology.

### *5.1.3 Survey Implementation*

As with questionnaire development, the survey was implemented according to the Weisberg total survey error approach and the Dillman tailored design method, and fielded in two rounds. The first round began on October 1, 2012, and closed on October 19, 2012. In an effort to (1) correct for coverage error and include any otherwise incorrectly excluded survey recipients, (2) reduce the unit nonresponse resulting from the time-related concerns of some recipients, and (3) expand the sampling frame after updating misidentified email addresses, round two began on October 22, 2012. The survey officially closed on Monday, November 5, 2012, though some recipients were granted short extensions on a case-by-case basis.

The survey was administered through *Qualtrics*, a web-based survey tool. Upon specific request, a few respondents received a Microsoft Word version of the survey questionnaire over electronic mail. Upon receipt of the completed Microsoft Word questionnaires, members of the research team uploaded responses into *Qualtrics*. Recipients received the questionnaire in one of four languages (English, French, Spanish, and Portuguese), according to their nationality. Language-identification errors were corrected upon request. Professional translators, as well as native and otherwise fluent speakers familiar with aid, development, and reform terminology, conducted the survey translations.

We sent each survey respondent a personalized advance letter to his or her electronic mail inbox approximately one week before round one survey activation. The advance letter included a description of the goals of the study, an overview of the research team and of the questionnaire, and an offer to receive a copy of any preliminary global results. On October 1, 2012, we mailed each survey recipient an electronic cover letter, including both an additional confidentiality notice and a personalized link to the online questionnaire.

During the course of the survey administration period, survey recipients received at least three different automated electronic reminders, as well as some additional tailored reminders and requests from the principal investigator. The survey methodologist (Rice) and principal investigator (Parks) addressed all recipient queries. Our research team used additional snowballing techniques and targeting methods to encourage the participation of those survey recipients believed to be the most knowledgeable about MCA policy and programming issues, as well as those from underrepresented countries and country-specific stakeholder groups.

#### *5.1.4 Response*

These personalized contact methods helped our research team achieve a high response rate— at least by policy elite survey standards (Bishin et al. 2006; Jones et al. 2008; Ban and Vandenaabeele 2009; Volcker 2009; Gray and Slapin 2012; Ellinas and Suleiman 2012; Tóth forthcoming). Of the 2,092 individuals who received the survey instrument, 640 participated. This response rate of 30.59% is significant considering the limited size of the global population of individuals in developing countries who possess significant knowledge about MCA policy and programming issues.<sup>183</sup>

A substantial proportion of survey recipients not only began, but also completed the questionnaire, resulting in a survey completion rate of 29.25%, or 612 out of 2,092. Thanks to high question saliency and effective questionnaire layout and design, only 4.38%, or 28, of the 640 survey recipients counted as respondents failed to reach the end of the substantive portion of the online questionnaire.<sup>184</sup>

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<sup>183</sup> In order to calculate the response rate, we set the denominator of 2,092 equal to the sum of the number of attempted recipient contacts minus the number of undeliverable email addresses (counted as ineligible) and the number of duplicate contacts (subtracted to correct for any undue multiplicity). We set the numerator of 640 respondents equal to the number of survey recipients who provided a response to the first substantive question found in the online questionnaire: “Below is a list of possible changes to how donors provide assistance to [Country Name]. Please select the THREE CHANGES you believe would have the most beneficial impact in [Country Name].”

<sup>184</sup> In order to estimate the completion rate and attrition rate, we counted as having completed the survey any respondent who provided an answer either to the last substantive question (“Overall, during your period(s) of service in [Country Name] between 2004 and 2012, how would you describe impact of the MCA eligibility criteria on [Country Name]’s reform efforts?”) or the first demographic question (“Over your ENTIRE career, for approximately how many years have you worked with or for the Government of [Country Name]?”). Each of these questions was found, sequentially, towards the end of the online questionnaire. The inclusion of respondents answering either question to performed to correct for any undercounting resulting from respondents preferring to skip either question.

The map in Figure 5.1.2 depicts the questionnaire response rate by country. Country-specific response rates varied less between countries than did the number of survey recipients per country.<sup>185</sup> This again reflects the success of the tailored contact methods employed, especially as concerns the sample countries with the smallest numbers of survey recipients.<sup>186</sup> As such, the results described in this chapter reflect the experiences of MCA policy and programming experts from as diverse and large a sample of qualified countries as possible, instead of just those from a subset of countries in which the MCC had a larger presence.

The countries with the highest response rates included the Maldives (100%), El Salvador (54%), and Ethiopia (50%). The countries with the highest response rates and at least 15 respondents included El Salvador (54%), Moldova (47%), Ghana (44%), Madagascar (44%), and Philippines (44%). Responses were obtained from 100 low income and lower middle income countries concentrated in the following regions: Central and South America, North and sub-Saharan Africa, Eastern Europe, Central Asia, Southeast Asia, and the Pacific.

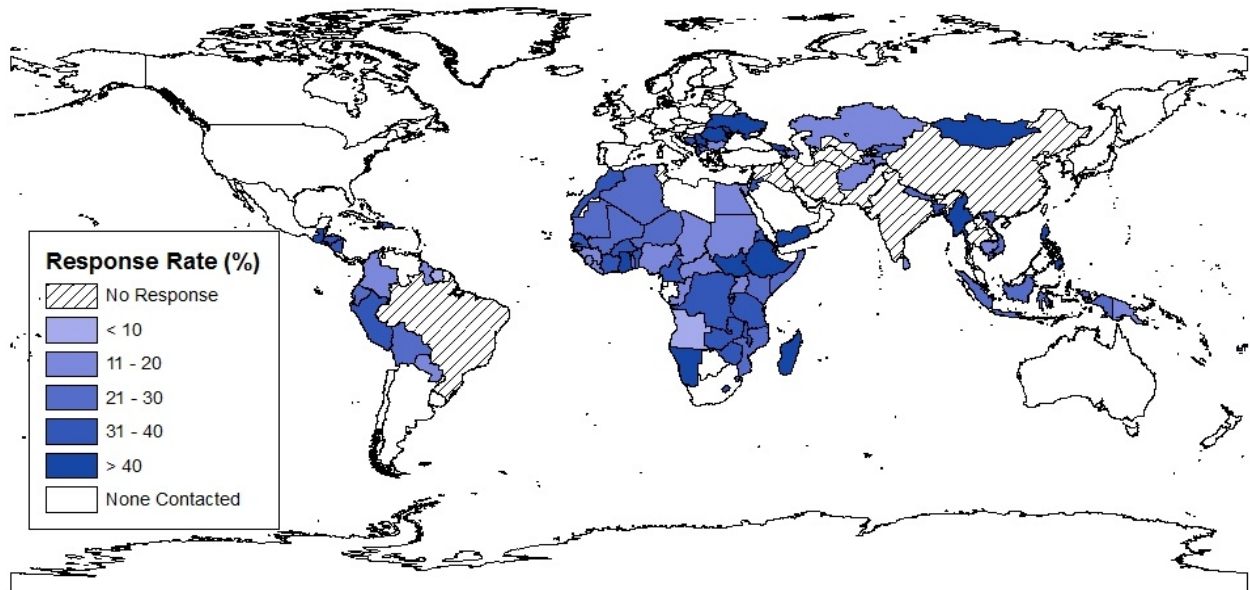
Only 17 countries from our sample of 117 low income and lower-middle income countries had no respondents. These countries were mostly from South Asia and the Middle East. They included countries with a small number of survey recipients (Bhutan, India, and Laos), countries that were candidates for only a few years between 2004 and 2012 (Belarus, Brazil, Equatorial Guinea, Montenegro, and Thailand), countries with communist or closed governance systems (China, Cuba, Iran, Turkmenistan, and Uzbekistan), and countries that have faced significant political instability, transition, or war (Iraq, Syria, Pakistan, and Tunisia).

### **Figure 5.1.2: Response Rate by Country**

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<sup>185</sup> The normalized standard deviation, or coefficient of variance, of country-level response rates equals 0.63, while the normalized standard deviation of successfully contacted survey recipients equals 0.93.

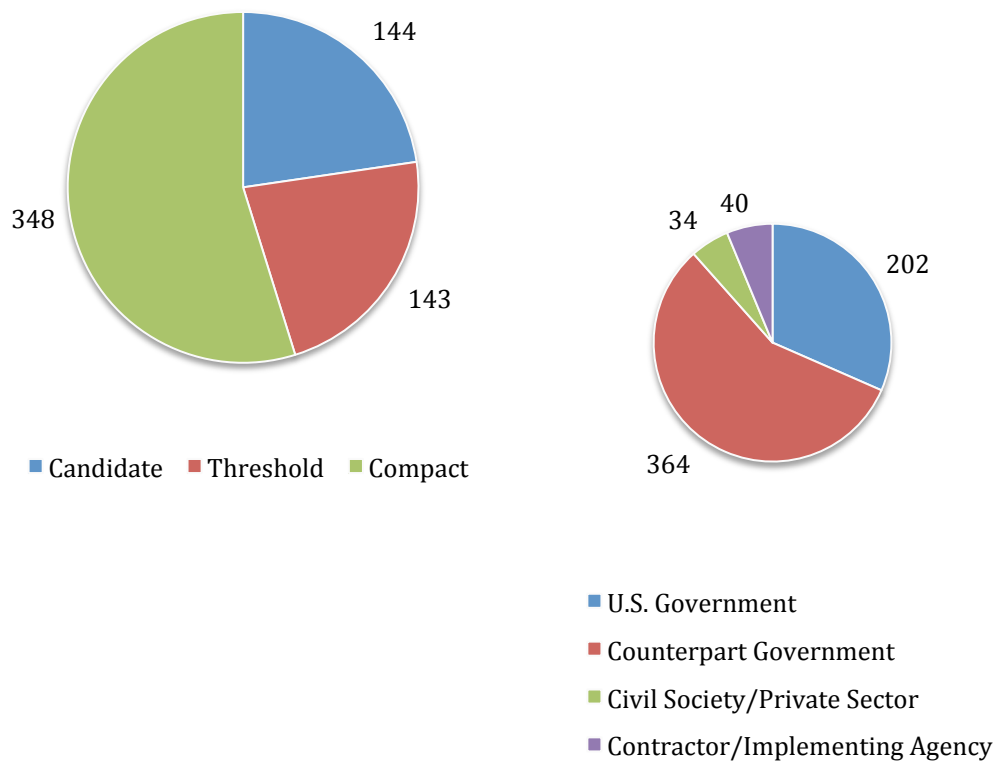
<sup>186</sup> A comparative analysis of the distributions of normalized distances from sample mean values of country-level recipient contact numbers and response rates also supports this interpretation.



For the purposes of analysis, we also placed respondents into discrete subgroups according to two criteria: an “MCA status” category and a stakeholder group. A respondent's MCA status indicates whether he or she worked on MCA policy or programming issues in a Candidate, Threshold, or Compact country from 2004 to 2012.<sup>187</sup> A respondent's stakeholder group indicates whether he or she worked as a representative of the USG, a development country government ("counterpart government"), civil society or the private sector, or a contractor or implementing agency.

<sup>187</sup> "MCA status" is determined as follows. Compact indicates that the plurality of a given respondent's years spent working on MCA issues occurred while his or her country was Compact eligible or actively involved in Compact development or implementation. Threshold indicates that the plurality of a respondent's years spent working on MCA issues in his or her country occurred while that country was Threshold eligible or actively involved in Threshold development or implementation. Candidate indicates that the plurality of a respondent's years spent working on MCA issues neither occurred while his or her country was Compact or Threshold eligible nor involved in Compact or Threshold Program development or implementation. In this category, we also include respondents who worked in countries that would have been MCA candidate countries if not for a statutory prohibition.

**Figure 5.1.3: Distribution of Respondents, by MCA Status Category and Stakeholder Group**



The two pie charts in Figure 5.1.3 show the distribution of survey respondents by MCA status category and stakeholder group. Roughly 22% of the 640 survey respondents conducted their MCA-related work in Candidate countries. Another 22% did so in Threshold countries, while the remaining 54% performed their MCA work in Compact countries. As for stakeholder groups, we identified 57% of survey respondents as being representatives of counterpart governments. Just over 200, or 32%, worked for the USG. Only 6.25% of respondents worked as representatives of civil society or the private sector. 5.31% of respondents served as contractors or implementing agency representatives.

As explained in greater detail in Appendix D, we implemented a weighting scheme to match the distribution of respondents from each of the three MCA status categories found within each stakeholder group to that of the overall sample. Additionally, we developed a separate weighting scheme to fit the distribution of stakeholder group respondents found within each

MCA status category group to that of the overall sample.<sup>188</sup> The use of un-weighted data would have yielded biased comparisons of aggregate results between stakeholder and MCA status groups. Without assigning weights, for example, the aggregated data for Compact country respondents would have represented the views of counterpart government officials more heavily than USG officials. This would have rendered inaccurate comparative evaluations of aggregated results across respondent subgroups.

We managed to secure the participation of many senior officials from the USG and developing country governments. As shown in Tables 5.1.1 and 5.1.2, seventy-seven respondents worked on MCA issues while serving as U.S. Ambassador, Chargé d’Affaires, or Deputy Chief of Mission. Thirty-one respondents were USAID Mission Directors or Deputy Mission Directors. Twenty-eight served as MCC Resident Country Directors, Deputy Resident Country Directors, or

**Table 5.1.1: Position Types of USG Respondents**

Position Type	Number of Respondents	% of U.S. Government Respondents	% of Total Respondents
US Ambassador, Chargé d’Affaires, or Deputy Chief of Mission	77	38.1%	12.0%
USAID Mission Director or Deputy Mission Director	31	15.3%	4.8%
MCC Resident Country Director, Deputy Resident Country Director, Country Director, or Associate Country Director	28	13.9%	4.4%
Other US Embassy/State Department Officials	9	4.5%	1.4%
Other USAID Officials	39	19.3%	6.1%
Other MCC Officials	16	7.9%	2.5%
Other US Executive Branch Officials	2	1.0%	0.3%

**Table 5.1.2: Position Types of Counterpart Government Respondents**

Position Type	Number of Respondents	% of Counterpart Government Respondents	% of Total Respondents
Head of State or Government (e.g. President, Prime Minister, King)	5	1.4%	0.8%
Chief of Staff, Adviser, or Assistant to the President or Prime Minister	27	7.4%	4.2%

<sup>188</sup> With the exception of question one, we present all weighted responses to attitudinal questions as aggregate percentages by subgroup.

Head of a Government Agency (e.g. Minister, Secretary, Attorney General)	93	25.5%	14.5%
Vice Minister, Deputy Minister, Assistant Minister, State Minister, Attorney General	11	3.0%	1.7%
Secretary General, Permanent Secretary, or Director General	12	3.3%	1.9%
Chief of Staff, Chief of Cabinet, Advisor/ Assistant to the Minister	12	3.3%	1.9%
Other Executive Branch Officials	41	11.3%	6.4%
MCA Officials	156	42.9%	24.4%
Ambassador, Chargé d'Affaires, or Deputy Chief of Mission in Washington D.C.	5	1.4%	0.8%
Member of Parliament	2	0.5%	0.3%

Associate Country Directors. Another fifty-five respondents worked in some other country-specific capacity for USAID or MCC. As for counterpart government respondents, we received responses from five heads of state or government; ninety-three ministers or heads of government agencies; twenty-seven chiefs of staff and advisers to the head of state or government; one hundred and fifty-six MCA officials; and forty-one other executive branch officials.<sup>189</sup>

## 5.2 Are We Measuring What We Think We Are Measuring?

The data from the 2012 MCA Stakeholder Survey provide a valuable opportunity to test the construct validity of the MCC Effect indicators presented in this thesis. We included two questions in the survey—a version that minimized respondent burden and a more demanding version—that seek to measure the same empirical phenomenon: the policy influence of the MCA eligibility criteria among developing country governments. Readers will recall that an MCC Effect indicator was constructed in Chapter 3 by implementing a detailed qualitative coding scheme that relies on direct correspondence with senior developing country officials and tens of thousands of unclassified or publicly available government documents, speeches, media reports, and country case studies. Drawing inspiration from Kelley (2004a, 2004b), I used the archival data to trace the reform efforts of governments and the motivations for the policy decisions and actions. With these formally coded data and the independent source of MCC Effect data from the 2012 MCA Stakeholder Survey, one can probe the plausibility of the assumption these different indicators of the MCC Effect measure what they purport to measure.

<sup>189</sup> Here we use the term "MCA" to refer to the institutional entities in developing countries that are responsible for MCA Compact management and implementation (e.g. MCA Benin, Fomilenio, MCA Madagascar, L'Agence du Partenariat pour le Progrès).



The issue of construct validity is understudied and underappreciated among scholars of international relations, international political economy, and comparative politics who study the policy influence of external conditionality and socialization tools, such as performance-based aid and debt relief schemes, international organization accession procedures, watch lists, blacklists, and other cross-country benchmarking initiatives (Thomas 2009).<sup>190</sup> Much of the existing literature tacitly or explicitly assumes that formal adherence to a set of international norms or standards—or participation in an externally-sponsored resources-for-reform agreement—is a reliable and effective way to measure domestic reform efforts to reap external rewards (Joyce 2006; Pitlik et al. 2010). Other scholars in this field use outcome variables to draw inferences about government behavior (Vreeland 2003; Stone 2004; Dreher and Vaubel 2003; Ölcer 2009; Öhler et al. 2012; Kilby 2009; Montinola 2010). The central weakness of this approach is that many of the outcome indicators employed (e.g. fiscal balance, inflation, infant mortality, corruption) are influenced by both (a) policy decisions and actions taken by governments, and (b) factors outside the control of governments. Corruption indicators often tick upwards or downwards for reasons that have nothing to do with changes in a government's performance or behavior—in particular, imprecise measurement methods (Knack 2007; Arndt and Oman 2006). Fiscal balance indicators can swing wildly from year to year as the result of natural disasters, debt relief, and natural resource revenue windfalls (IMF and World Bank 2011). Indicators of inflation can be significantly influenced by changes in the global economic environment, fraudulent statistical information, and backward data revisions (Gelos and Ustyugova 2012; Samuel 2013). Thus, if one seeks to measure how governments alter their behavior in response to external pressures, it is not obvious that reliance on outcome indicators is a fundamentally sound approach.<sup>191</sup> At the very least, if one going to assume that changes in outcome indicators capture changes in government behavior, one ought to make reasoned and explicit justifications for their use of measures with potentially high noise-to-signal ratios. This is currently the exception rather than the rule among social scientists who study these issues.

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<sup>190</sup> Herrera and Kapur (2007) argue that this statement holds true for the political science writ large.

<sup>191</sup> As Herrera and Kapur (2007: 367) point out, "if the connection between what is actually measured and what is purported to have been measured is tenuous (or absent altogether, in some cases), then the inferential relationship between cause and effect makes little sense."

In this thesis, I have attempted to advance the methodological state of the art by systematically collecting evidence on whether, to what extent, when, and how governments altered their policy behavior in order to avail themselves of benefits provided through an externally-sponsored resources-for-reform agreement. This narrow sub-field of the academy has not done a particularly good job of systematically collecting or analyzing information about the policy decisions and actions that senior decision-makers in developing countries take in response to external incentives and pressures.<sup>192</sup> By seeking to correct this problem, I hope to make a valuable contribution to the international political economy literature.

In this section, I undertake five separate tests of construct validity. I first test whether cross-country variation in the MCC Effect, as measured through (a) formal coding of correspondence with senior developing country officials and open source data (e.g. government documents, speeches, media reports, and country case studies) and (b) elite survey data, is similar. Second, I evaluate whether and to what degree we observe correspondence between formally-coded indicators and survey-based measures of the MCC Effect at the *policy domain level*. Third, I undertake a battery of comparisons at the *country-policy domain level*. Fourth, I randomly sample five specific reforms cited by survey respondents and use qualitative process-tracing methods in order to analyze the reliability of these purported MCC Effects identified by policy elites in developing countries. Finally, I exploit independent sources of time-varying data from the MCA Stakeholder Survey and the formally coded dataset from Chapter 3 to gauge whether these sources tell a similar story about whether the MCC Effect has strengthened or weakened over time.

In principle, if the survey-based method and the formal coding-based method of measuring the MCC Effect are capturing the same underlying phenomenon at the *country-level*, one would expect these methods to yield cross-country indicators that correspond with each other. In order to test if this is indeed the case, I first generated country-level data on the MCC Effect from the 2012 MCA Stakeholder Survey. I did this by averaging responses to Question 23 (see Appendix C) from all survey participants who worked in the same country. Question 23 asked respondents to characterize the overall impact of the MCA eligibility criteria on the reform efforts of a particular country as "not impactful at all" (1), "marginal to a few important reform efforts" (2), "central to a few important reform efforts" (3), and

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<sup>192</sup> Kelley (2004a, 2004b) is an important exception.

"instrumental to many important reform efforts" (4). In countries where at least one respondent selected category 3 or category 4, I treat those countries as places where the MCA eligibility criteria had a non-trivial impact on domestic reform efforts. I then collapsed the country-issue-domain-year data on MCC-influenced reform adoption and implementation from Chapter 3 into country-level data without variation across policy domains or time.<sup>193</sup> A simple calculation of the Pearson's correlation coefficient reveals that these two indicators exhibit a positive and statistically significant correlation of .44.<sup>194</sup>

As a robustness check, I collapsed the country-policy-domain-year data on MCC-influenced reform adoption and implementation (from Chapter 3) into an indicator measured at the country-policy-domain level. I did this by creating an indicator that takes a value of 1 if the MCC Effect was present in a given country-policy domain at any point during the seven year study period, and a value of 0 otherwise. I undertook an additional transformation to build a cross-sectional sample that could be correlated with a survey-based measure of the MCC Effect. I collapsed these data into country-level data by summing the total number of policy domains in each country where there was evidence of an MCC Effect during the 7-year study period. This indicator is a rough measure of the *scope* of the MCC Effect in a given country. It demonstrates a positive and statistically significant correlation of .52 with the country-level indicator of the MCC Effect derived from Question 23 of the MCA Stakeholder Survey.

The data from Chapter 3 and the 2012 MCA Stakeholder Survey also make it possible to assess the reliability of MCC Effect measurements *across* 17 policy domains. My colleagues and I asked participants in the MCA Stakeholder Survey to answer several questions designed to assess the policy influence of the MCA eligibility criteria. In Question 19 (see Appendix C), respondents received the following prompt:

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<sup>193</sup> As described in Appendix A, for each country-policy-domain-year, we measure whether there is any evidence that the MCA eligibility criteria influenced (a) reform adoption and (b) reform implementation. Here we collapse these two dummy variables in a single measure of influence on "reform adoption or implementation."

<sup>194</sup> An alternative method of measurement is to average the indicator values (ranging from a minimum value of 1 to a maximum value of 0) from all survey respondents within a given country to generate a country-level indicator of the MCC Effect. This transformation yields a cross-country indicator that demonstrates a positive and statistically significant bivariate correlation of .405 with the cross-country version of the MCC-influenced reform adoption and implementation data from Chapter 3.

*"Below you will find a list of 17 MCA eligibility indicators. To the best of your knowledge, if the domestic authorities in [Country Name] undertook a specific policy adjustment or reform to improve the performance of [Country Name] on a particular MCA eligibility indicator, please select that indicator."*

Respondents were then given the opportunity to select one or more boxes corresponding to the 17 MCA eligibility indicators. At the end of the survey (in Question 33), we asked each respondent to briefly describe, in his or her own words, "at least one of the policy adjustments or reforms that were undertaken by the domestic authorities between 2004 and 2012 to improve the performance of (Country) on the MCA eligibility criteria." Our research team subsequently coded these open-ended responses (see Appendix E) regarding specific reforms undertaken by government into the 17 policy domains measured by the MCA eligibility indicators. For ease of exposition, I refer to the former question as a "tick box" MCC Effect question and the latter question as the "open ended" MCC Effect question. These two different ways of measuring the same underlying phenomenon were included in the survey to gauge whether and to what degree the areas of MCC's purported policy reform influence could be corroborated with information about the adoption and implementation of specific reforms.

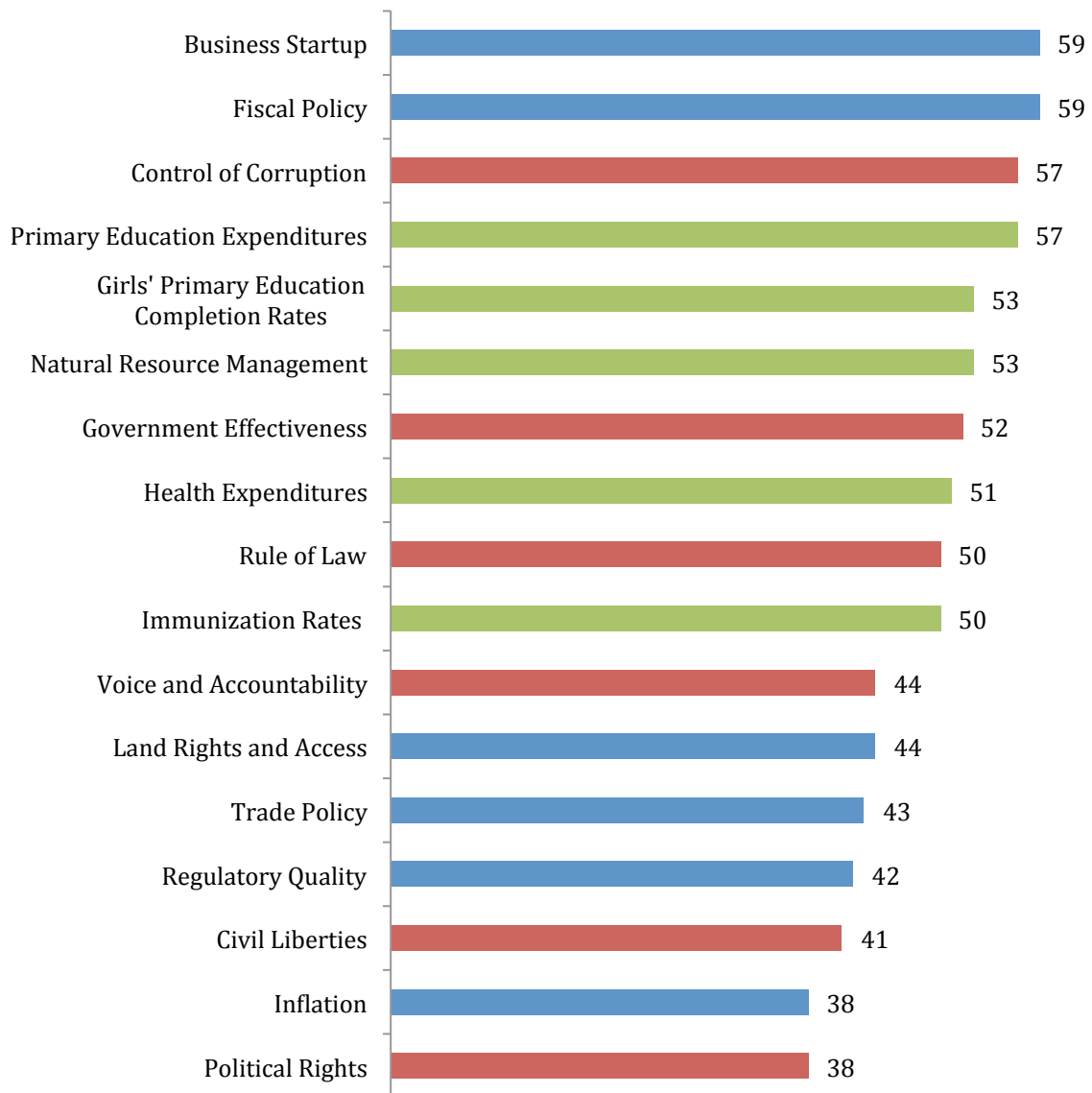
In order to account for the fact that some countries had many respondents and other countries had few respondents, I first transformed the respondent-level "tick box" survey data into country-level data to eliminate the risk of double-counting (i.e. counting the same reform/adjustment undertaken by a country more than once by virtue of having many respondents from the same country with "redundant" information). A specific MCA eligibility indicator was identified as "influential" in a given country if at least one respondent from that country indicated that the domestic authorities undertook a specific policy adjustment or reform to improve their country's performance on that indicator. These binary, country-level estimates were then aggregated across all countries in the sample.

The cross-policy domain influence of the eligibility indicators is represented in Figure 5.2.1. According to survey respondents from 82 of the 100 sample countries, 67 governments undertook reforms to improve performance on at least one of the 17 MCA eligibility indicators. At the upper bound, the Fiscal Policy and Business Start-Up indicators exerted policy influence in 59 countries. At the lower bound, the Inflation indicator registered

influence in 34 countries. 10 of the 17 eligibility indicators had a policy impact in at least 50 countries.

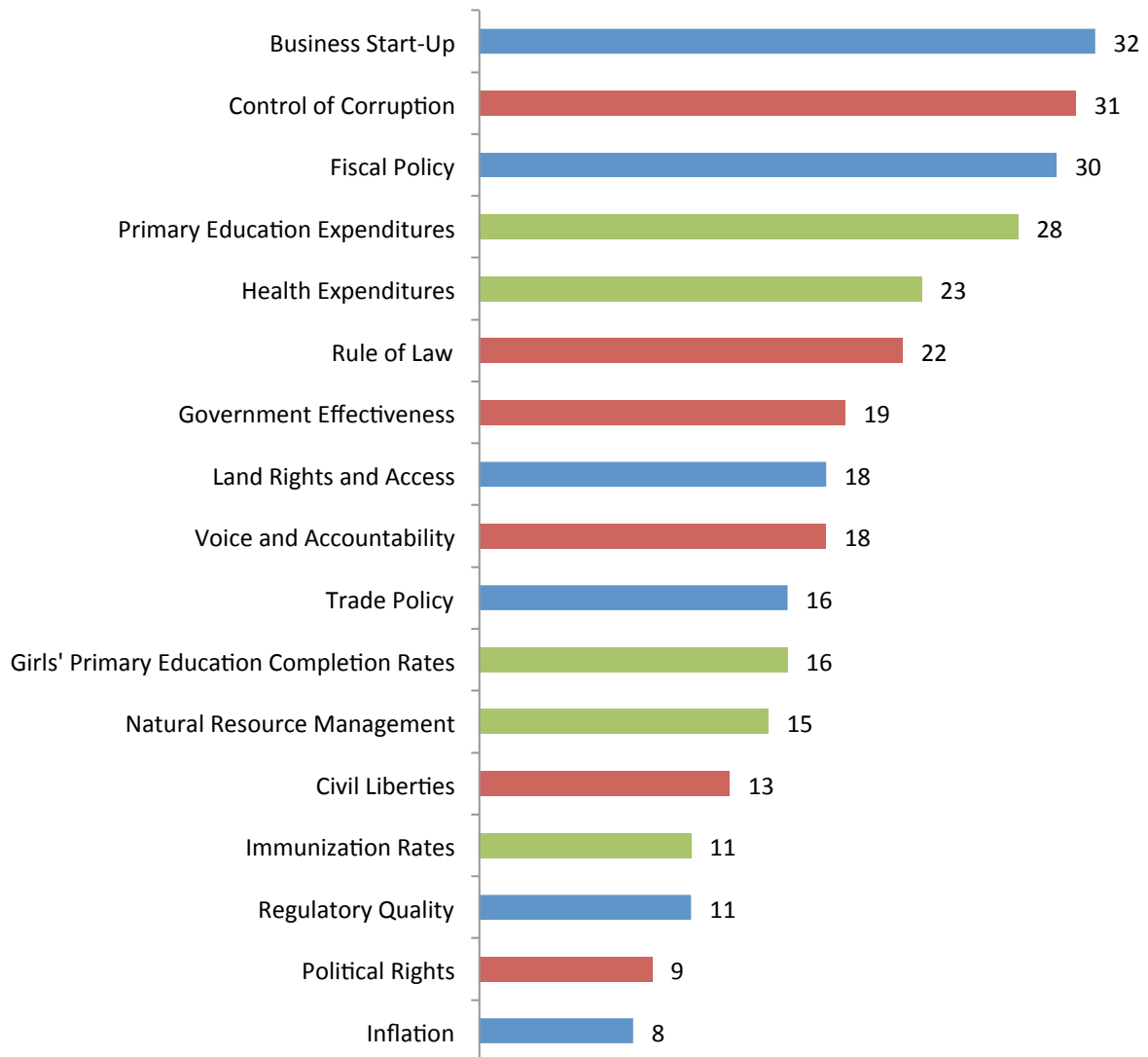
By way of comparison, I also transformed the open-ended MCC Effect data (from Question 33 in Appendix C) into binary, country-level data. I did this by coding each of the reforms cited by respondents into one of the 17 MCA eligibility indicator categories. Again, a specific MCA eligibility indicator was identified as “influential” in a given country if at least one respondent from that country indicated that a reform was undertaken to address the indicator. Respondents from 67 countries identified specific reforms undertaken to improve performance on MCA eligibility indicators. Like the “tick box” survey data, responses to Question 33 indicate that the Business Start-Up indicator was most influential and the Inflation indicator was least influential. The influence of the eligibility indicators, as determined by the open-ended MCC Effect data, is represented in Figure 5.2.2.

**Figure 5.2.1: The Policy Influence of the MCA Eligibility Indicators, Survey Question 19**



\* Policy influence is measured here by the number of countries (out of 82) in which at least one respondent indicated that a policy reform or adjustment was undertaken to improve the score of his or her country on a specific MCA eligibility indicator. Red represents indicators from the "Ruling Justly" category. Green represents indicators from the "Investing in People" Category". Blue represents indicators from the "Economic Freedom" category.

**Figure 5.2.2: The Policy Influence of the MCA Eligibility Indicators, Survey Question 33**



\* Policy influence is measured here by the number of countries (out of 82) in which at least one respondent indicated that a policy reform or adjustment was undertaken to improve the score of his or her country on a specific MCA eligibility indicator. Red represents indicators from the "Ruling Justly" category. Green represents indicators from the "Investing in People" Category". Blue represents indicators from the "Economic Freedom" category.

When one rank orders the 17 MCA eligibility criteria according to their reported influence in survey questions 19 and 33, a very strong, positive, and statistically significant correlation (.806) is observed, which suggests that (a) participants in the 2012 MCA Stakeholder Survey are knowledgeable about the policy influence of the MCA eligibility criteria, and (b) the construct validity of our survey-based measures of the MCC Effect is strong.

Table 5.2.1 compares the two survey-based measures of the cross-policy domain influence of the MCC Effect with a comparable measure from Chapter 3. For the purposes of comparison, I use the absolute number of MCC Effects identified through formal coding of archival data.



These three different measures of the cross-policy domain influence of MCC Effect (in Table 5.2.1) yield fairly consistent results. The MCA eligibility criteria identified as most and least influential are similar across measurements. Across all three MCC Effect measures, Business Startup and Control of Corruption are among the three most influential eligibility criteria. Inflation, Civil Liberties, and Regulatory Quality all consistently number among the five least influential MCA eligibility indicators. Inflation is the least influential indicator according to each of the three measures of the MCC Effect.<sup>195</sup>

One also finds moderately strong, positive, and statistically significant correlations between a rank ordered measurement of MCA eligibility indicator influence from Chapter 3 (based on formal coding of official documentation) and the two rank ordered measurements of MCA eligibility indicator influence acquired through survey responses. The bivariate correlation between the rank ordered measurement of MCA eligibility indicator influence from Chapter 3 and the rank ordered measurement of MCA eligibility indicator influence from survey question 19 (the "tick box" version) is .639. The bivariate correlation between the rank ordered measurement of MCA eligibility indicator influence from Chapter 3 and the rank ordered measurement of MCA eligibility indicator influence from survey question 33 (the "open-ended" version) is .561. The fact that the qualitative coding of official documentation, which is totally unrelated to survey responses, is strongly correlated with the survey data suggests that these indicators (imperfectly) measure the same underlying empirical phenomenon.

**Table 5.2.1: Comparison of 3 Measures of the MCC Effect Across Policy Domains**

"Tick Box" Survey Question (Question 19)	Qualitative Coding of Survey Question 33	Qualitative Coding of Official Documentation from Chapter 3
1. Business Startup 2. Fiscal Policy 3. Control of Corruption	1. Business Startup 2. Control of Corruption 3. Fiscal Policy	1. Control of Corruption 2. Business Startup 3. Immunization Rates

<sup>195</sup> At the same time, there are some significant differences in the results, depending on the measurement method employed. The outsized influence of the Fiscal Policy indicator reported by survey respondents, for example, does not align closely with the Chapter 3 results derived from formally coded data. This discrepancy merits further exploration. One interpretation of why survey respondents identified Fiscal Policy as particularly influential is that (a) many Threshold countries designed programs to more effectively manage public expenditures and improve revenue collection, and (b) a significant number of respondents may be aware of these reforms. However, another plausible explanation is that the revenue generations and/or macroeconomic benefits gained from improved performance create a stronger incentive to respond to external reform pressures. That is to say, fiscal policy reforms may be particularly attractive to developing country reformers because they provide substantial collateral benefits to the government independent of the benefits derived from achieving MCA eligibility. The latter explanation seems more compelling than the former in light of the fact that the formally coded data from Chapter 3 do not point to Fiscal Policy as an indicator of particularly strong policy influence.

4. Primary Education Expenditure	4. Primary Education Expenditure	4. Girls' Primary Education Completion Rates
5. Natural Resource Management	5. Health Expenditures	5. Land Rights and Access
6. Girls' Primary Education Completion Rate	6. Rule of Law	6. Rule of Law
7. Government Effectiveness	7. Government Effectiveness	7. Trade Policy
8. Health Expenditures	8. Land Rights and Access	8. Fiscal Policy
9. Immunization Rates	9. Voice and Accountability	9. Health Expenditures
10. Rule of Law	10. Trade Policy	10. Government Effectiveness
11. Land Rights and Access	11. Girls' Primary Education Completion Rates	11. Natural Resource Management
12. Voice and Accountability	12. Natural Resource Management	12. Primary Education Expenditures
13. Trade Policy	13. Civil Liberties	13. Regulatory Quality
14. Regulatory Quality	14. Immunization Rates	14. Political Rights
15. Civil Liberties	15. Regulatory Quality	15. Voice and Accountability
16. Political Rights	16. Political Rights	16. Civil Liberties
17. Inflation	17. Inflation	17. Inflation

One can go a step further and measure the degree to which survey-based indicators of the MCC Effect and the formal coding-based method of measuring the MCC Effect correlate at the *country-policy domain level*. Table 5.2.2 presents a battery of t-tests to identify the presence and strength of statistical relationships between (a) the “tick box” survey data from Question 17 from the MCA Stakeholder Survey, (b) the qualitative coding of open-ended responses to Question 33 from the MCA Stakeholder Survey, and (c) and the formal coding-based measurement method from Chapter 3. The results suggest that, regardless of the method used to measure the MCC Effect at the country-policy domain level, the same underlying empirical phenomena is being captured. To be sure, the data are noisy, and this measurement imprecision is likely attributable to formal coding that was undertaken with some (unknown) amount of missing information, human error in the formal coding process, and various types of bias in the survey data (e.g. selection, non-response, social desirability bias).

**Table 5.2.2: Construct Validity Tests at the Country-Policy Domain Level**

MCA Indicator	Q17 x Q33	Q17 x Formal Coding	Q33 x Formal Coding
<b>Political Rights</b>	0.3297*** (0.0008)	0.2930*** (0.0031)	0.2485** (0.0127)
<b>Civil Liberties</b>	0.2823*** (0.0044)	- 0.0274 (0.7866)	0.1063 (0.2924)
<b>Voice and Accountability</b>	0.4237*** (0.0000)	0.2303** (0.0212)	0.0372 (0.7133)
<b>Government Effectiveness</b>	0.4143*** (0.0000)	0.1961* (0.0505)	0.1613 (0.1089)
<b>Rule of Law</b>	0.4828*** (0.0000)	0.2526** (0.0112)	0.3741*** (0.0001)
<b>Control of Corruption</b>	0.4948*** (0.0000)	0.3486*** (0.0004)	0.5569*** (0.0000)

<b>Immunization Rates</b>	0.3516*** (0.0003)	0.2949*** (0.0029)	0.4854*** (0.0000)
<b>Health Expenditures</b>	0.3456*** (0.0004)	0.1634 (0.1043)	0.2622*** (0.0084)
<b>Primary Education Expenditures</b>	0.3617*** (0.0002)	0.2383** (0.0170)	0.1781* (0.0763)
<b>Girls' Primary Education Completion Rates</b>	0.3563*** (0.0003)	0.2777*** (0.0052)	0.3740*** (0.0001)
<b>Natural Resource Management</b>	0.2273** (0.0230)	0.1241 (0.2186)	0.4176*** (0.0000)
<b>Regulatory Quality</b>	0.1541 (0.1258)	0.0331 (0.7438)	- 0.0718 (0.4780)
<b>Business Start Up</b>	0.5283*** (0.0000)	0.4556*** (0.0000)	0.4911*** (0.0000)
<b>Land Rights and Access</b>	0.3713*** (0.0001)	0.3163*** (0.0013)	0.2059** (0.0399)
<b>Trade Policy</b>	0.3923*** (0.0001)	0.0417 (0.6804)	- 0.0282 (0.7810)
<b>Inflation</b>	0.0996 (0.3242)	- 0.0721 (0.4757)	- 0.0296 (0.7697)
<b>Fiscal Policy</b>	0.3802*** (0.0001)	0.1297 (0.1985)	0.0184 (0.8560)

Two-tailed t-test p-values in parentheses: \* p<0.10, \*\* p<0.05, \*\*\* p<0.01.

To further probe the construct validity of my survey-based measurements of the MCC Effect, I randomly sampled 5 specific reforms cited in open-ended responses to Question 33 of the MCA Stakeholder Survey, and employed qualitative process-tracing methods to analyze the reliability of these self-reported MCC Effects identified by policy elites in developing countries. Of the five reforms identified by the 5 different survey respondents, I was able to independently corroborate with non-survey based sources of information that all 5 reforms were apparently informed, inspired, or otherwise influenced by the MCA eligibility criteria.<sup>196</sup> This cross-checking exercise suggests that (a) our research team effectively targeted a population of policy elites with detailed knowledge about the strength and scope of the MCC Effect in their respective countries; and (b) this cohort is capable of supplying reliable information about specific reforms or policy responses undertaken in response to the MCA eligibility criteria.

<sup>196</sup> The five randomly sampled survey respondents identified the following reforms: the establishment of an Anti-Corruption Commission in Timor-Leste, the creation of a business registration center (le Centre de Facilitation des Entreprises) in Côte d'Ivoire, the introduction and implementation of a value added tax legislation in Guyana, efforts to reduce time and procedural complexity of business registration in El Salvador, and a push to increase childhood immunization rates in Mozambique. I verified the apparent influence of the MCA eligibility criteria with the following sources: MCA Timor Leste 2008; Klemm 2009; Qayumi 2009; World Bank 2007; Newton et al. 2007; MCC 2013b; National Committee for the Eligibility of Côte d'Ivoire to the Millennium Challenge Corporation 2013; Republic of Mozambique 2008; Correspondence with IMF Guyana Official on 9 May 2007).

As a final test of construct validity, I exploit the independent sources of *time-varying* data from the MCA Stakeholder Survey and the formally coded dataset from Chapter 3 to gauge whether these sources tell a similar story about whether the MCC Effect has strengthened or weakened over time. The survey data suggest that the influence of the MCA eligibility criteria has increased over time.<sup>197</sup> As shown in Figure 5.2.3, the weighted mean score provided by all respondents to question 23 increased from 2.66 in 2004 to 2.76 in 2012.<sup>198</sup> This growth in the policy reform influence of the MCA eligibility criteria was even greater according to respondents who reported that they were familiar with MCA issues in a given year, improving from 2.66 in 2004, to 2.89 in 2012.<sup>199</sup> However, this increase is not monotonic: the lowest overall score occurs in 2005 for all respondents, and in 2008 for all respondents who are familiar with MCA policy or programming issues.

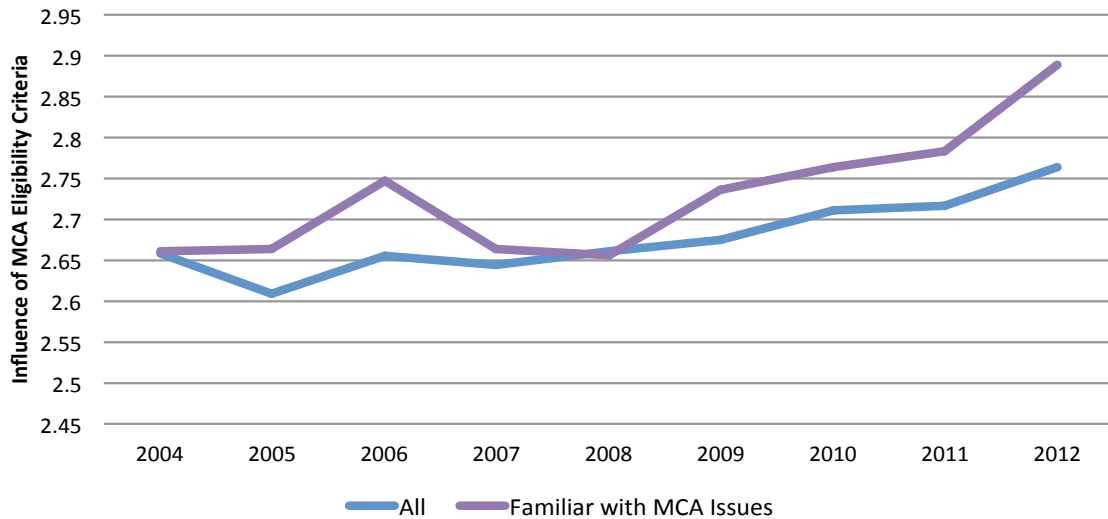
### Figure 5.2.3: Increasing Impact of MCA Eligibility Criteria Over Time

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<sup>197</sup> Öhler et al. (2012) report results that suggest the policy influence of the MCA eligibility standards—in particular, the Control of Corruption standard—has waned over time (Öhler et al. 2012). The results from the 2012 MCA Stakeholder Survey provide evidence of a different pattern. Analysis of time-varying survey responses suggests that the MCA eligibility criteria have exerted greater influence over time.

<sup>198</sup> Responses values were calculated on a linear scale from one to four. A score of one corresponds to a response of “not at all impactful”, two to “marginal to a few important reform efforts,” three to “central to a few important reform efforts”, and four to “instrumental to many important reform efforts.” Weights for the inter-temporal portions of question 23 were produced to reflect the likelihood that an individual respondent’s answer was given in reference to a specific year. For example, for 2004, the response of an individual who had indicated service during all nine years of the period 2004-2012 was given a weight of one, while the response of an individual having served only in 2004 was assigned a weight of nine. The mean score for the overall sample in 2004 reflects the opinions, at these weights, of all respondents who indicated public service in 2004 according to question 26. The mean score calculated for MCA familiar respondents in 2004 reflects a similar weighting scheme, instead using the years provided by answers to question 27.

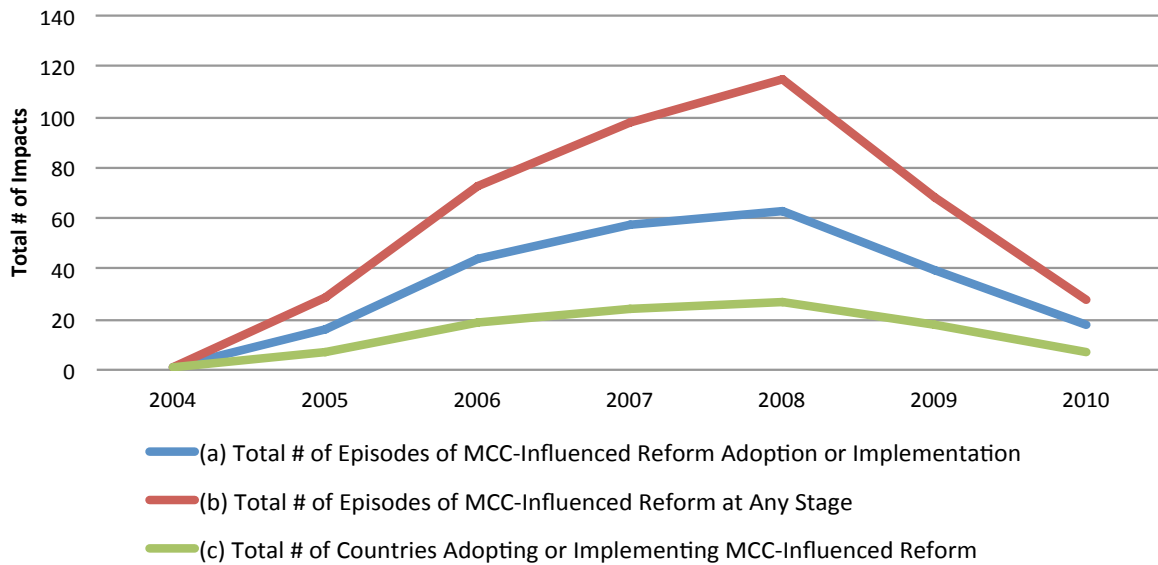
<sup>199</sup> Familiarity with MCA policy or programming issues by year was determined using answers from question 27.



The formally coded dataset from Chapter 3 reveals a similar, but not identical, pattern.<sup>200</sup> I attempted to measure longitudinal variation in the MCC Effect by calculating (a) the total annual number of episodes of MCC-influenced reform adoption or implementation at the country-policy domain level, (b) the total annual number of episodes of MCC influence at any stage of the policymaking process (agenda setting, reform design, reform adoption, and reform implementation) at the country-policy domain level and (c) the total number of countries in a given year that adopted or implemented an MCC-inspired reform. Figure 5.2.4 presents these three measures of longitudinal variation in the MCC Effect. In each case, the number of MCC-inspired policy responses undertaken rises steadily until it reaches a high point in 2008, and then drops back down to lower levels.

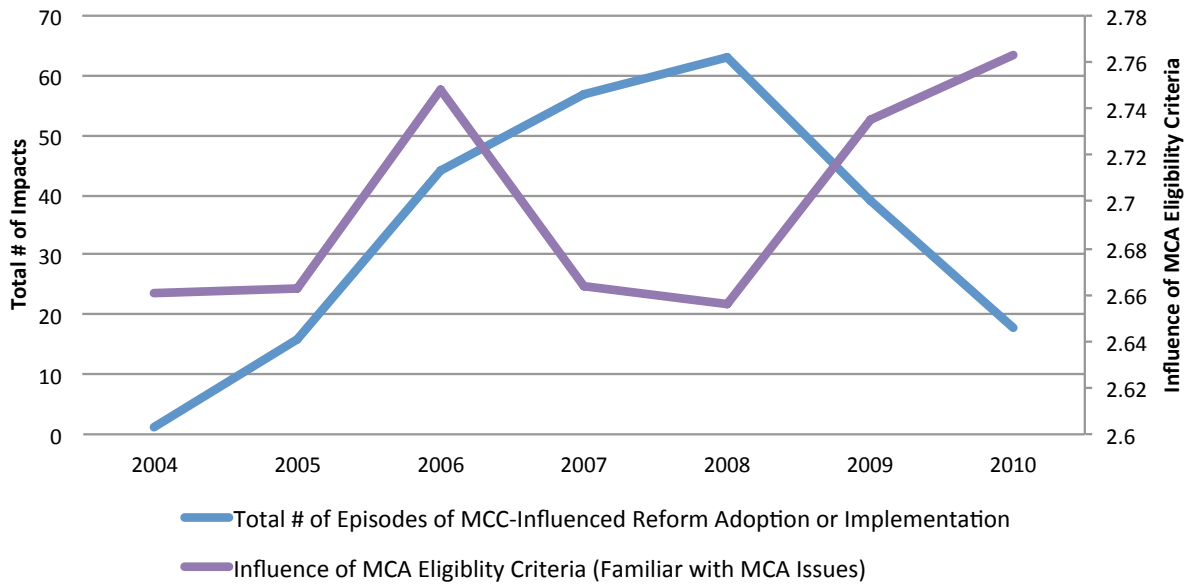
**Figure 5.2.4: Longitudinal Variation in the MCC Effect Based on Chapter 3 Dataset**

<sup>200</sup> The formally coded dataset covers the period 2004-2010. The MCA Stakeholder Survey covers the period 2004-2012. Therefore, to ensure comparability, I first truncated the survey dataset to exclude information from 2011 and 2012.



A direct comparison of the total annual number of episodes of MCC-influenced reform adoption or implementation at the country-policy domain level against the time-varying data from Question 23 of the MCA Stakeholder Survey about the influence of the MCA eligibility criteria gives further insight into the relationship between longitudinal variation in the influence of the MCA eligibility criteria and the timing of reform. Figure 5.2.5 shows that the measure of the influence of the MCA eligibility criteria seems to follow episodes of MCC-influenced reform adoption or implementation. After the initial high values of the influence of the MCA eligibility criteria as measured by Question 23 in the two years following the inception of the MCC, this measure reached an all-time low in 2008 among those familiar with MCA issues, the same year that the total number of episodes of MCC-influenced reform adoption or implementation reached an all-time high. The subsequent increase in the survey-measured influence of the MCA eligibility criteria suggests that the perceived influence of the MCA eligibility criteria may be highest after developing country policymakers and practitioners are able to fully see the impacts of reforms that have been adopted or implemented.

**Figure 5.2.5: MCC-Influenced Reform Adoption or Implementation and Influence of the MCA Eligibility Criteria**



In summary, it is difficult to directly measure the policy influence of the MCA eligibility criteria with high level of precision. But it is possible. And, as I will soon argue at greater length, this approach has a number of advantages over the traditional methodologies employed by scholars of IR, IPE, and comparative political economy.

### 5.3: The Influence of the MCA Eligibility Criteria in Comparative Perspective

In Chapters 3 and 4, I presented evidence that the use of the MCA eligibility criteria to allocate U.S. foreign assistance has influenced the design, adoption, and implementation of governance, economic, social, and environmental reforms in a wide range of developing countries. However, the analysis in those chapters begs a broader question: how much policy influence do the MCA eligibility requirements wield vis-à-vis other tools of external conditionality and socialization? Developing country leaders confront a vast array of external actors and pressures seeking to influence their policy priorities and decisions: the Heavily Indebted Poor Countries Initiative, the Extractive Industries Transparency Initiative, the Millennium Challenge Account, the World Trade Organization, the World Bank/IFC *Doing Business* Project, the European Neighborhood Policy, the African Growth and Opportunity Act, the Ibrahim Prize for Excellence in African Leadership, the Financial Action Task Force blacklist, and so forth. The existence of this complex global patchwork quilt of incentives, sanctions, and moral suasion tools raises a set of questions. Given limited time, money,



technical expertise, and political capital to expend on fulfilling the requirements of any donor or international organization, how do developing country officials prioritize their efforts? Which of these reform promotion tools exert the most policy reform influence and why?

To shed light on this issue, participants in the 2012 MCA Stakeholder Survey were asked to identify—from a list of 18 options—the three external assessments of government performance that they thought had the greatest influence on the policy direction of their government (or, in the case of USG respondents, their host government) during their period of service between 2004 and 2012. The scores reported in Figure 5.3.1 are equal to the number of times a specific assessment was selected as one of the three most influential assessments, discounted by overall donor policy influence (as reported in question 2 of the survey) and the assessment influence consistency score (as reported in question 4 of the survey).<sup>201</sup> Overall, survey respondents ranked the MCA eligibility criteria as the most influential external assessment of government performance. The next three most influential assessments included the United Nations' Millennium Development Goals, the IMF's country assessments of macroeconomic performance, and the World Bank's *Doing Business* Report. The GAVI Alliance Performance-Based Funding Scheme was rated as the least influential assessment.<sup>202</sup>

One particularly striking comparison is the difference in the level of policy influence exerted by the MCA eligibility criteria and the World Bank's Country Policy and Institutional Assessment (CPIA) and Performance-Based Resource Allocation System. The MCC's system and the World Bank's model for allocating resources to developing countries are remarkably similar in several respects. The MCC uses 17 policy indicators to measure a country's performance; the World Bank uses 16 indicators. The MCC organizes these indicators into 3 categories: governance, economic policy, and social and environmental policy. The World

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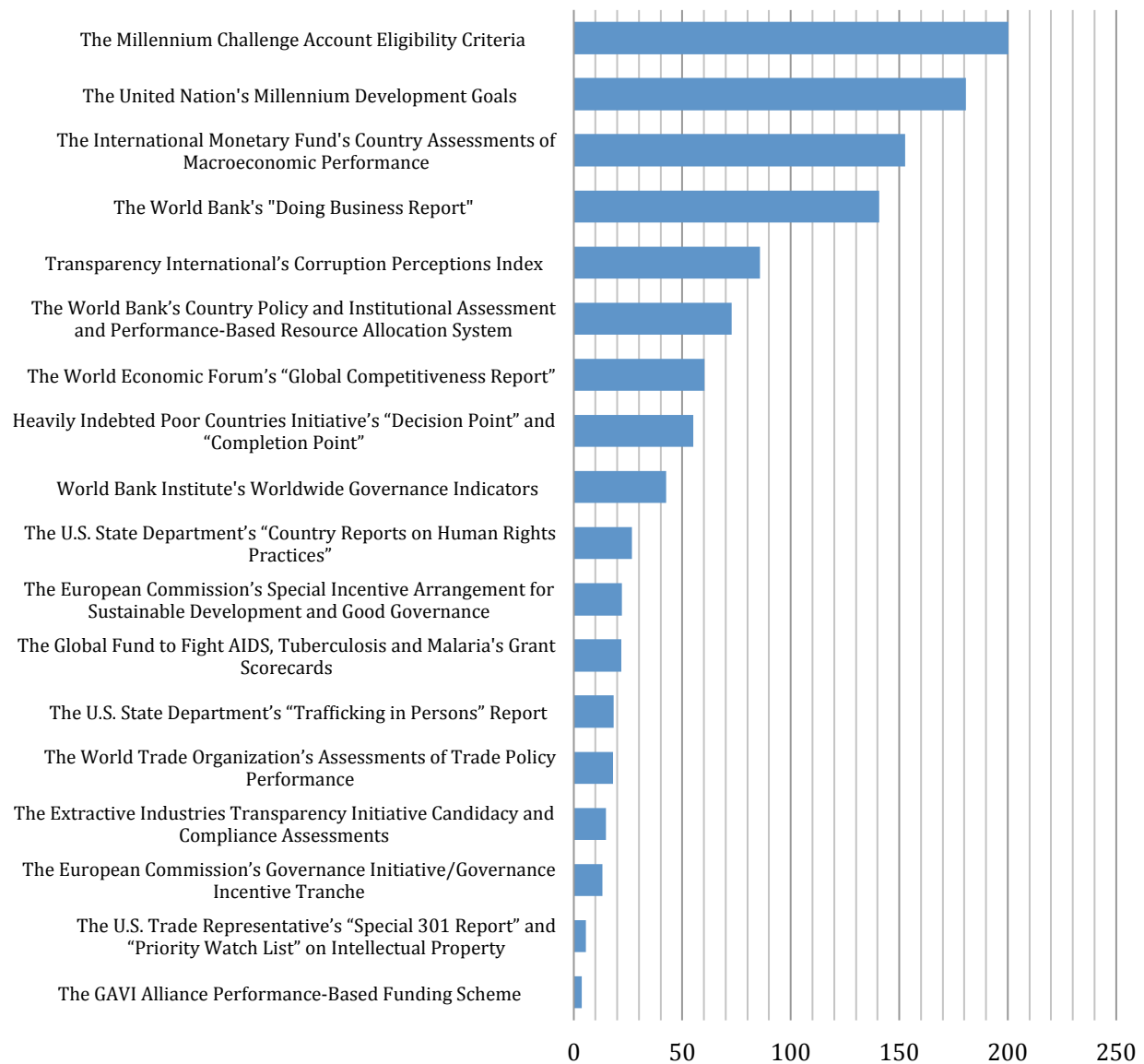
<sup>201</sup> Each external assessment was given an initial score of either one or zero for each respondent, depending on whether or not the respondent has selected the assessment as being among the top three most influential. Then, all scores corresponding to a question two answer “never” were multiplied by 1/4, “rarely” by 2/4, “sometimes” by 3/4, and “frequently” by 4/4. Answers were again weighted according to responses from question 4 as follows: all scores corresponding to an answer of “not at all consistent” were multiplied by 1/4, “not very consistent” by 2/4, “somewhat consistent” by 3/4, and “very consistent” by 4/4. These weighted scores were then aggregated to produce a relative measure of external assessment influence that accounts for the absolute level and consistency of donor and external assessment influence in the country of each respondent.

<sup>202</sup> This finding may be attributable to the fact that a limited number of health policy experts were included in this survey. In future survey work, I plan to ask sectoral policy experts about the influence of external financial and reputational incentives that are directly applicable to their domain of policy expertise.

Bank does the same (de Janvry and Dethier 2012). Both institutions update their indicators annually and tie the provision of financial resources to a country's performance on these indicators (Hout 2007). Yet the MCA eligibility indicators appear to have substantially more policy influence than the indicators used by the World Bank to allocation IDA resources. The survey data do not help explain why we observe this difference, but the visibility and "high stakes" nature of the MCA competition are two plausible conjectures. Whereas the CPIA data are buried in spreadsheets and not emphasized by the World Bank's public outreach team, the data used to make MCA eligibility assessments are published online in easy-to-read "scorecards" that visually demonstrate (with "green lights" and "red lights") whether a countries passes or fails a given policy performance category. Also, whereas access to MCA funding is an "all or nothing" competition for funds, the World Bank uses the CPIA data modulates a country's resource envelope on a sliding scale.

Another interesting pattern that one observes in the data is that external assessments tied to possible financial rewards (e.g. the MCA eligibility criteria, HIPC Decision Points and Completion Points, the Global Fund's Grant Scorecards) do not appear to exert substantially more policy influence than cross-country benchmarking initiatives and moral suasion tools, such as the World Bank's *Doing Business* Report, the UN's Millennium Development Goals, and Transparency International's *Corruption Perceptions Index*. Some of the most influential external assessments have no direct effect on the aid allocation decisions of donor agencies. For example, of the World Bank's CPIA has a far greater impact on access to official development assistance than the *Doing Business* Report. Yet the survey findings suggest that the *Doing Business* report exerts significantly more influence on the policy direction of governments in the developing world. This pattern suggests that the policy influence of external assessments may have more to do with signaling credibility to investors, creditors, and donor agencies than directly influencing specific aid allocation decisions (Andrews 2013). It also suggests, that independently of whether there is a direct link to a financial reward, cross-country benchmarking exercises provide non-trivial reputational benefits that motivate governments to adjust their domestic policy behavior (Sharman 2009, 2011; Schueth 2011; Kelley and Simmons 2013).

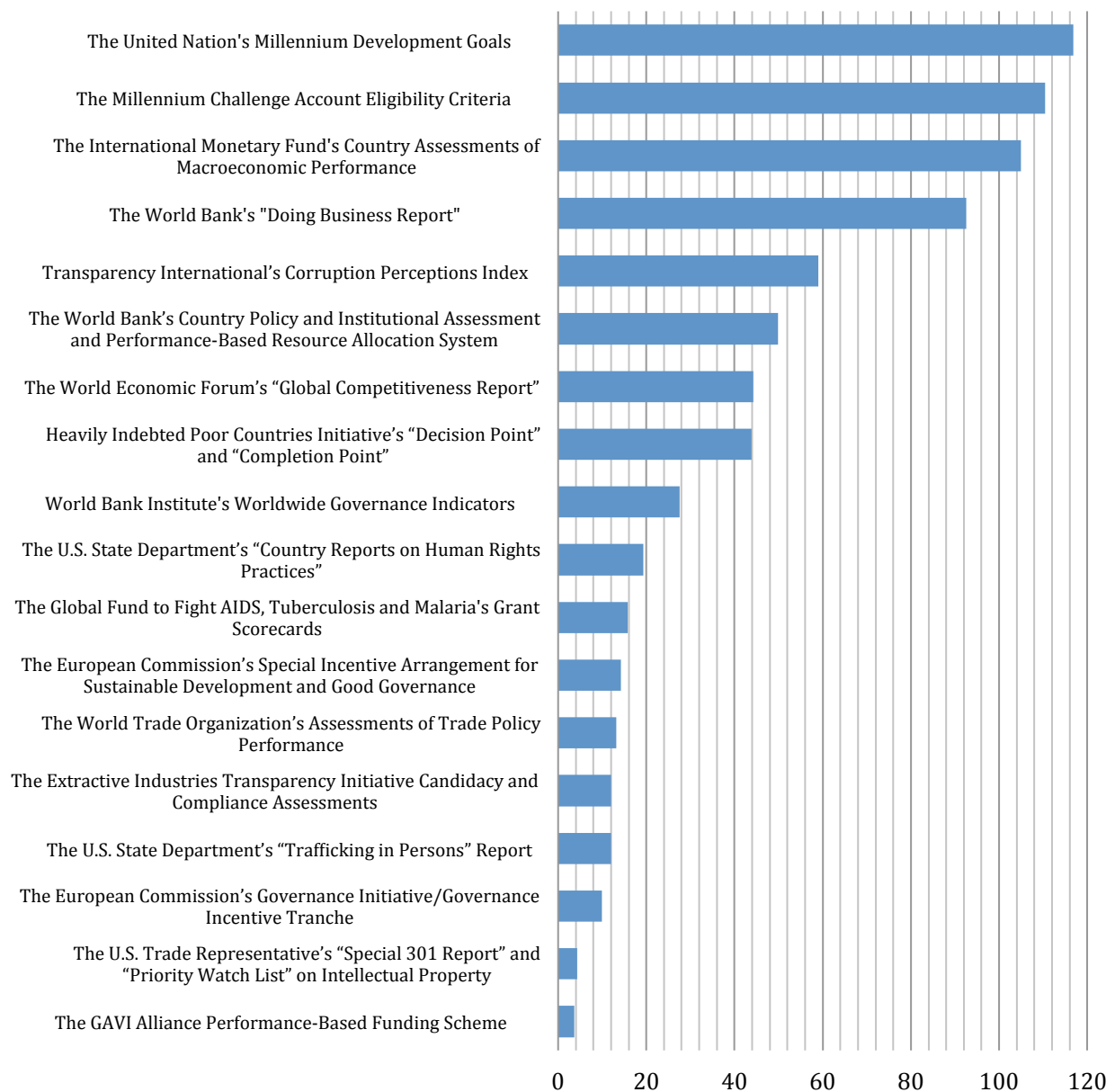
**Figure 5.3.1: The Influence of External Assessments of Government Performance**



To check for potential bias in our sample, I repeated the above analysis, but excluded the responses of any representative of the MCC or an in-country MCA institution. I did this to ensure that the finding of outsized influence was not determined primarily by individuals who work for the MCC or the various MCAs in developing countries. As shown in the chart below, omission of MCC and MCA responses provides further evidence of the high level of policy influence exerted by the MCA eligibility criteria. While the top ranking falls to U.N. Millennium Development Goals (MDGs), the MCA eligibility criteria still occupies a position as the second most influential external assessment of government performance.<sup>203</sup>

<sup>203</sup> In comparison to the overall sample, there are only a couple of other differences. The European Commission's Special Incentive Arrangement for Sustainable Development for Good Governance fell from eleventh to twelfth place and the U.S. State Department's "Trafficking in Persons" Report fell two slots to

**Figure 5.3.2: The Influence of External Assessments of Government Performance, Excluding MCC/MCA Staff Responses**



The network graph provided in Figure 5.3.3 provides a visual representation of the network of external assessment influence, as reported by participants in the 2012 MCA Stakeholder Survey. The darkness of each external assessment “node” corresponds to the number of other assessments with which each assessment shares a “tie,” represented here as a line. Two assessments are counted as sharing a tie if they were both identified as being among the three most influential external assessments of government performance *at least once*. The darkness and thickness of a line indicates the *number of times* that a tie between two external

assessments is shared. The GAVI Alliance's Performance-Based Funding Scheme remains the least influential external assessment of government performance.

assessments was so identified. The network graph depicts the 11 most broadly influential external assessments of government performance, of which the MCA eligibility criteria is the most prominent.<sup>204</sup> The MCA eligibility assessment has the highest degree centrality (17) and eigenvector centrality of any external assessment in the entire network. Degree centrality, in this context, is reflected by the darkness of each node, and equals the number of other assessments to which a given assessment is connected. Eigenvector centrality captures (a) degree centrality of a given assessment and (b) the degree centrality of its connections.

One can see that the MCA eligibility assessment not only shares strong ties with the three other most influential assessments (the U.N. MDGs, IMF Country Assessments of Macroeconomic Performance, and the World Bank's *Doing Business* Report), but it also has the highest betweenness centrality of any assessment (5.02). Thus, the MCA eligibility assessment is effectively a connector, lying in the middle of otherwise dissimilar—and largely disconnected—external assessments of government performance.<sup>205</sup> The high betweenness centrality and network proximity of the MCA eligibility assessment suggest two tentative findings.<sup>206</sup> First, compared to other external assessments of government performance, the MCA eligibility assessment is an instrument of significant policy influence. Second, the MCA eligibility assessment provides a bridge between—and complement to—different types of reform promotion tools.

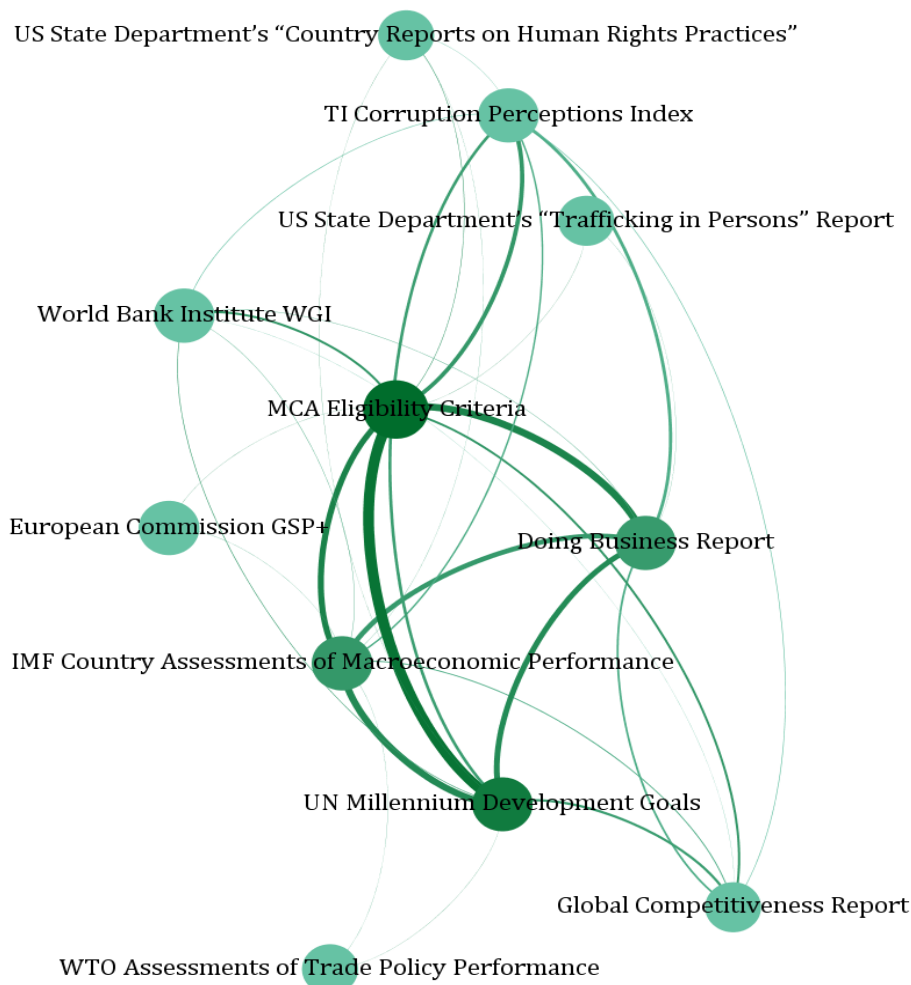
### **Figure 5.3.3: The Network of External Assessment Influence**

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<sup>204</sup> More precisely, the network graphs contained in this chapter only show the external assessments that were selected together with at least 15 other external assessments by at least ten respondents per tie. To appear in these graphs, an assessment not only has to have connections to many other assessments, but these connections must also be conceptually strong and recorded by multiple respondents.

<sup>205</sup> Betweenness centrality measures the number of shortest paths between two assessments on which a given node lies. It appears that the MCA eligibility assessment may serve as a "bridge" between (a) bilateral and multilateral reform promotion tools, and (b) external assessments of democratic governance and economic policy.

<sup>206</sup> In the production of each of our network graphs, I employed the Force Atlas algorithm available through the network visualization software *Gephi*. Force Atlas is a linear-linear network model algorithm that makes the space between two nodes proportional to the distance, or number of jumps, between them. Thus, the network graphs can be used for qualitative as well as quantitative analysis.

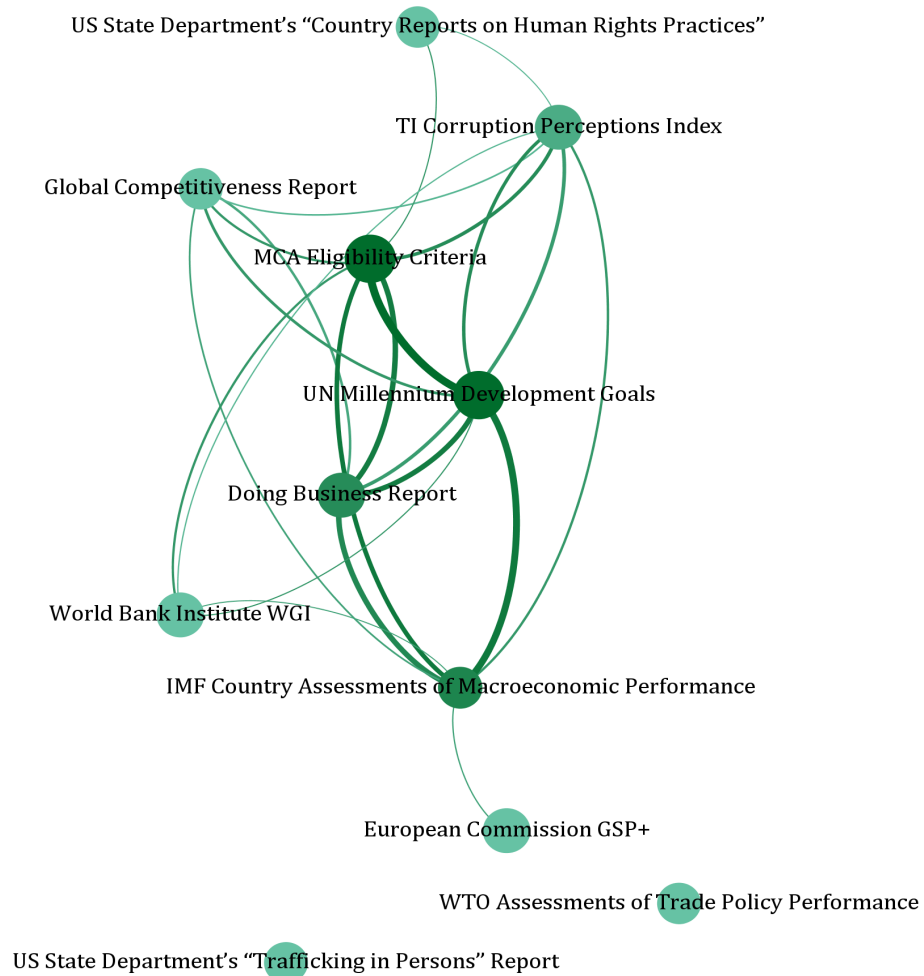


In order to probe for bias in the sample, I generated a second network graph that provides a visual representation of the network of external assessment influence without including any responses from representatives of the MCC or in-country MCA institutions. The MCA eligibility assessment again registered the highest degree centrality (16) of any external assessment, though it now shares this distinction with the MDGs, Transparency International's *Corruption Perceptions Index*, the IMF's Country Assessments of Macroeconomic Performance, and the World Bank's *Doing Business* Report.

In comparison to the network graph based on the full sample, the MCA eligibility criteria has a slightly lower, yet still very high, eigenvector centrality (0.978) that is only below the eigenvector centralities of the IMF's Country Assessments of Macroeconomic Performance, the *Doing Business* Report, and the UN's Millennium Development Goals. Similarly, the betweenness centrality score of the MCA eligibility criteria falls only marginally from 5.02 to 4.51. Thus, among a wide range of policymakers and practitioners from 100 developing

countries, I find that the MCA eligibility assessment is perceived to be a highly influential policy instrument.

**Figure 5.3.4: The Network of External Assessment Influence, Excluding MCC/MCA Staff**



### Responses

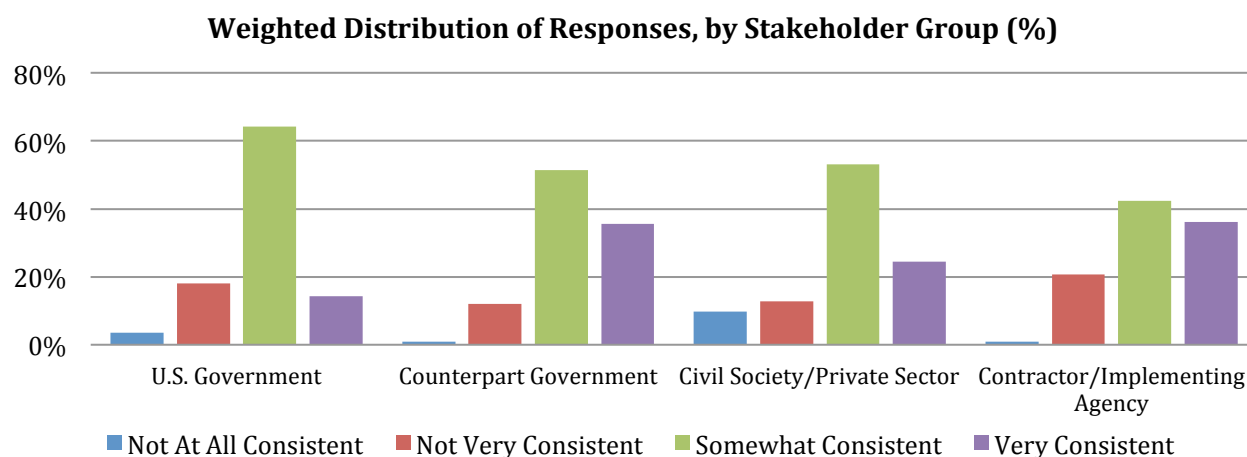
Given that the influence of any external assessment might be transitory, participants in the 2012 MCA Stakeholder Survey were also asked to consider whether the assessments they identified as most influential exerted such influence *consistently* over time. A majority of respondents across all stakeholder groups and MCA status categories reported that the influence of these assessments was at least "somewhat consistent", which suggests a basic measure of reliability. Counterpart government respondents—who are, in effect, the "targets" of external instruments of policy influence—expressed the strongest views of consistency in influence. 87% of the counterpart government cohort reported that the influence of the three most influential external assessments was "somewhat consistent" or "very consistent". This



finding is also significant in light of the fact that counterpart government respondents, as a group, have substantially more in-country experience than any other respondent group.<sup>207</sup>

**Figure 5.3.5: Weighted Distribution of Responses to Question 4, by MCA Status Category and Stakeholder Group (%)**

*Question 4: Over the course of your period(s) of service in [Country Name] between 2004 and 2012, how CONSISTENT was the influence of these three most influential external assessments in [Country Name]?*



*Distribution of Responses to Question 4, Overall Sample (%)*

	Not At All Consistent	Not Very Consistent	Somewhat Consistent	Very Consistent	N
All	2.7%	15.3%	55.0%	26.9%	587
Candidate	4.1%	15.8%	46.7%	33.4%	131
Threshold	0.9%	17.5%	57.6%	24.0%	134
Compact	1.9%	12.8%	57.5%	27.8%	320
U.S. Government	3.5%	18.0%	64.3%	14.2%	186
Counterpart Government	0.9%	12.1%	51.5%	35.5%	335
Civil Society/Private Sector	9.7%	12.7%	53.1%	24.5%	32
Contractor/Implementing Agency	0.9%	20.7%	42.4%	36.1%	35

<sup>207</sup> Nearly 60% of counterpart government respondents reported (in question 23) having at least eleven years of in-country experience, while only 15% of the remaining respondent groups reporting having a similar amount of in-country experience. Thus, counterpart government respondents are arguably in a much better position to judge the consistency of influence than any other stakeholder group.

In order to further gauge the influence of competing reform promotion tools, respondents who indicated (in question 21 of the survey) that the MCA eligibility standards had no significant domestic policy influence ("not impactful at all" or "marginal to a few important reform efforts") were also asked to account for this lack of influence. Respondents identified a lack of awareness about the MCA eligibility criteria and policy priority alignment as the primary reasons for limited influence on the domestic reform efforts of developing country governments. See Table 5.3.1. The statement that "there was little awareness of the MCA eligibility indicators among the domestic authorities" received the highest share of agreement or strong agreement (61.1%).<sup>208</sup> However, a majority of respondents (60.9%) *disagreed* with the notion that the focus of domestic authorities on achieving financial or reputational rewards from another donor agency or international organization diminished the reform influence of the MCA eligibility criteria. Among the stakeholder groups, USG respondents (64.2%) and counterpart government respondents (55.5%) both disagreed or strongly disagreed with this statement.<sup>209</sup>

55.4% of candidate country respondents agreed with the idea that the pursuit other external awards effectively "crowded out" the MCA. However, neither a majority of Threshold country respondents nor a majority of Compact country respondents agreed with this idea. 54.5% and 70.6% of respondents from these cohorts disagreed, respectively. This perception gap between those inside and outside of the "MCC family" may reflect a selection effect: countries that have already achieved Threshold or Compact status may—at least to some degree—have already opted into a cohort of countries that consciously prioritize the pursuit of MCA rewards over other external (financial and reputational) rewards.<sup>210</sup>

**Table 5.3: Distribution of Responses to Question 22, Overall Sample (%)**

	Strongly Disagree	Disagree	Agree	Strongly Agree	N
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<sup>208</sup> Yet only 45.5% of respondents agreed or strongly agreed the domestic authorities did not understand the steps that would need to be taken to achieve MCA eligibility criteria.

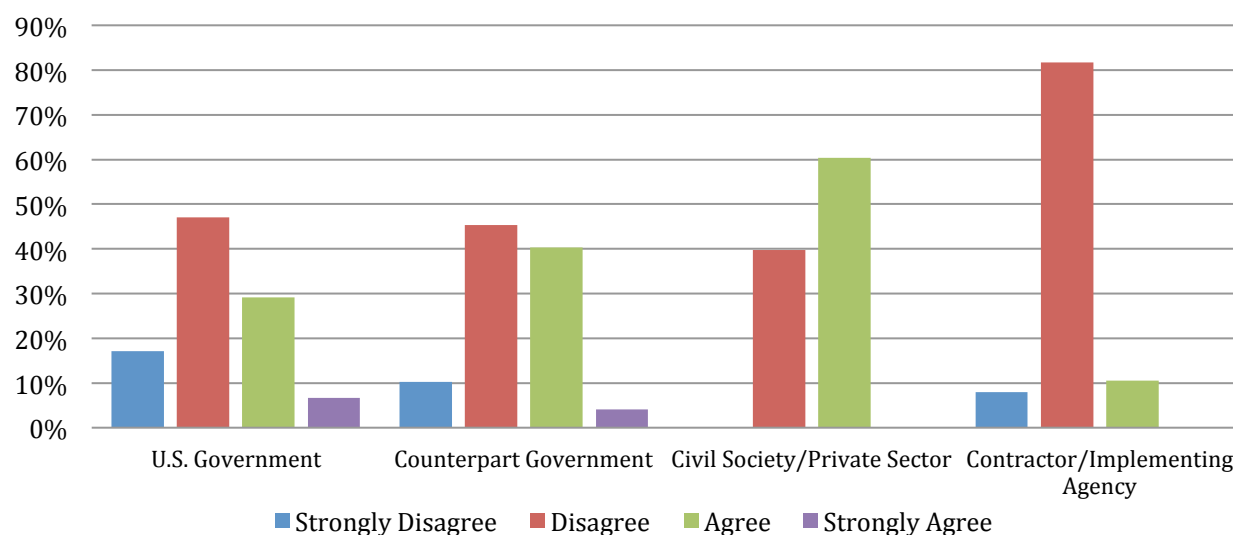
<sup>209</sup> Yet 60.3% of civil society/private sector respondents agreed that the lure of other external rewards diminished the influence of the MCA eligibility criteria.

<sup>210</sup> While some Threshold and Compact countries have made a conscious effort to join the "MCC family" (Johnson-Sirleaf 2008b), this is not necessarily the case with all other MCC partner countries. An alternative explanation is that countries may become "path dependent" once they achieve Threshold or Compact eligibility. That is to say, once a country has decided to prioritize the pursuit of MCA-related financial or reputational rewards, the cost of abandoning this strategy may increase.

the domestic authorities believed it would be too difficult for [Country Name] to meet the MCA eligibility standards."	16.6%	47.6%	28.0%	7.9%	229
the domestic authorities did not understand the steps that would need to be taken to achieve MCA eligibility criteria."	16.7%	37.8%	33.5%	12.0%	233
the domestic authorities were focused on achieving financial or reputational rewards from another donor agency or international organization."	13.5%	47.4%	33.9%	5.2%	230
domestic actors frustrated the efforts of policymakers seeking to introduce policy reforms that would help [Country Name] achieve MCA eligibility."	15.4%	40.1%	37.9%	6.6%	227
the domestic authorities needed technical or financial assistance to support their reform efforts, but they did not receive sufficient assistance."	19.8%	35.8%	34.5%	9.9%	232
U.S. Embassy, USAID, and/or MCC officials did not express much concern or interest to the domestic authorities regarding [Country Name]'s performance on the MCA eligibility indicators."	26.3%	42.8%	21.6%	9.3%	236
the domestic authorities were worried that the U.S. Congress would not sufficiently fund the MCA."	28.0%	49.3%	18.3%	4.4%	229
the domestic authorities were concerned that even if [Country Name] met the formal MCA eligibility criteria, US foreign policy interests might influence the government's ability to access MCA funds."	18.7%	46.5%	25.2%	9.6%	230
the government did not believe its eligibility for funding was at risk of being suspended or terminated."	10.7%	45.3%	34.7%	9.3%	225
there was little awareness of the MCA eligibility indicators among the domestic authorities."	8.8%	30.1%	41.8%	19.3%	239
the areas in which [Country Name] performed poorly on the MCA eligibility indicators did not align with the policy priorities of the domestic authorities."	7.1%	35.6%	43.1%	14.2%	225

**Figure 5.3.6: Weighted Distribution of Responses to Question 22c of the 2012 MCA Stakeholder Survey, by MCA Status Category and Stakeholder Group (%).**

Question 22c: "Please indicate how strongly you agree or disagree with each of the following statements: The MCA eligibility criteria did not have a significant impact on government reform efforts because the domestic authorities were focused on achieving financial or reputational rewards from another donor agency or international organization."



Distribution of Responses to Question 22c, Overall Sample (%)

	Strongly Disagree	Disagree	Agree	Strongly Agree	N
All	13.5%	47.4%	33.9%	5.2%	230
Candidate	12.2%	33.4%	43.3%	11.1%	75
Threshold	8.6%	45.9%	45.5%	0.0%	49
Compact	13.9%	56.7%	26.7%	2.7%	106
U.S. Government	17.1%	47.1%	29.1%	6.6%	99
Counterpart Government	10.2%	45.3%	40.3%	4.1%	99
Civil Society/ Private Sector	0.0%	39.7%	60.3%	0.0%	15
Contractor/ Implementing Agency	7.9%	81.7%	10.5%	0.0%	20

## 5.4 The Durability of MCA-Inspired Reforms

The data from the 2012 MCA Stakeholder Survey also provides a unique opportunity to explore whether the reforms instigated or otherwise influenced by the MCA eligibility criteria are durable. That is to say, do MCA-inspired reforms "stick" or are they often reversed or gradually unwound? Mosley et al. (2004) question the wisdom of the "country

selectivity" model, noting that countries may backslide once donors remove extrinsic incentives for reform. Brown and Tirnauer (2009: 4) also point out that "there are some who believe [MCA-inspired] reforms are shallow or transitory and do not reflect fundamental and long-lived change." A 2012 World Bank report on public financial management reforms concludes that "[g]overnments that seek international recognition or access to major provision of aid or debt relief (such as HIPC) are more likely to let or make [public financial management] reform happen. ... However, the incentives that motivate political commitment can be temporary and could decrease once goals such as international recognition or HIPC completion have been achieved" (World Bank 2012a: 5). Analysts of the European Union's candidate country accession process have raised similar concerns (Rupnick 2007).<sup>211</sup>

The issue of reform durability is critically important. If reforms do not persist when external incentives and pressures are removed, it would be hard to argue that influential policy instruments are in fact *effective*. To address this issue, participants in the 2012 MCA Stakeholder Survey were invited to answer several close-ended and open-ended questions about the MCC Effect and the sustainability of MCA-inspired reforms. In question 16, survey participants were asked to assess the degree to which they agreed with the statement that the MCC's approach of tying a country's eligibility for MCA assistance to measures of policy performance "reduced the likelihood that the government would renege on earlier policy commitments or reverse previously adopted reforms." 61% of respondents agreed with the statement, and only 6.3% of respondents strongly disagreed with this statement. However, respondents from Compact, Threshold, and Candidate countries were divided on this issue. Respondents from Compact and Threshold countries agreed with the statement that the MCC's performance-based aid allocation model reduced the likelihood of reform reversal. But candidate country respondents were more likely to agree than disagree, indicating that the MCC's approach may be less successful at encouraging sustainable reform in countries without Threshold or Compact Programs. These results suggest that one of the limitations of the MCC's model might be transitory policy influence *in candidate countries*.

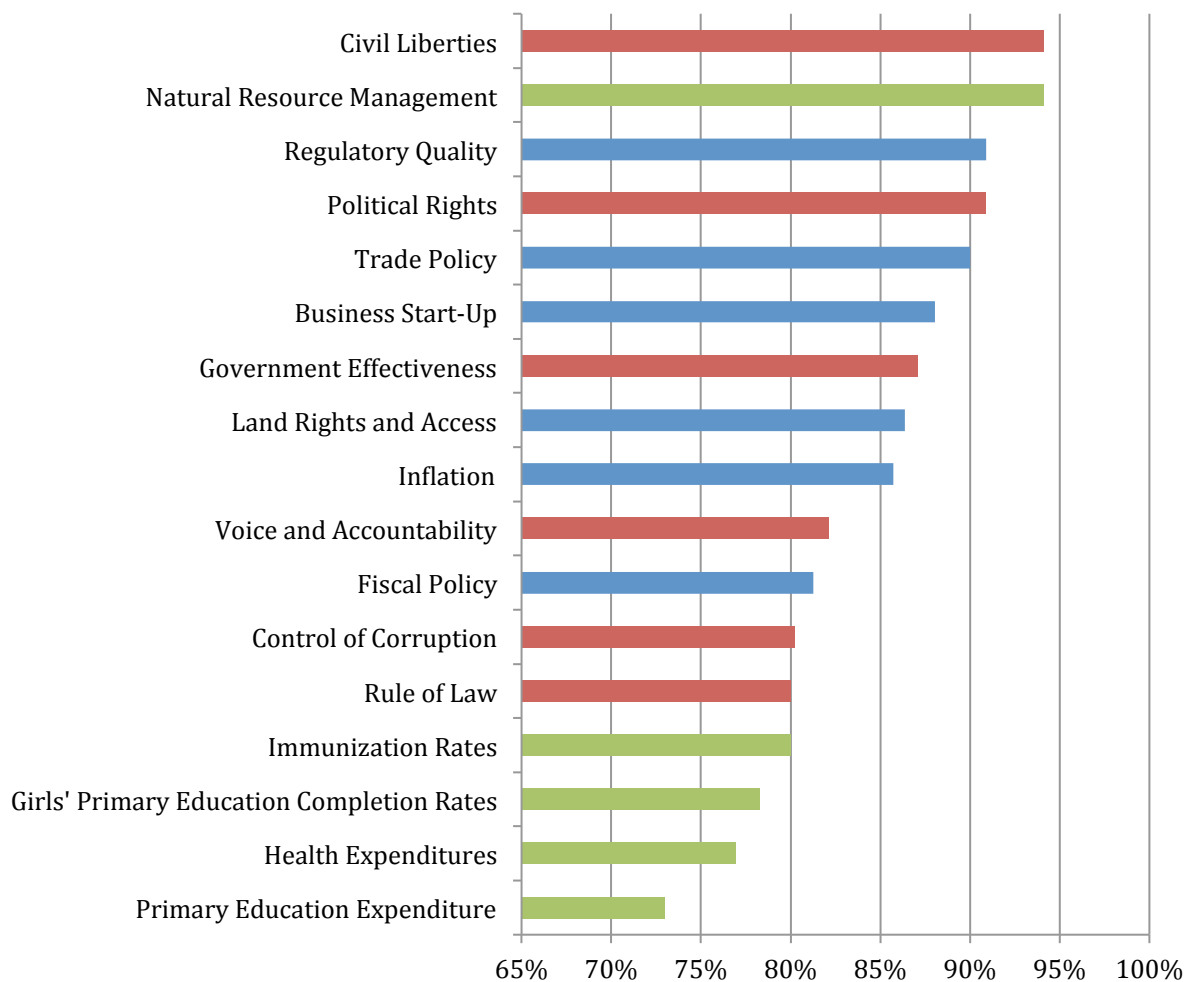
Respondents were also asked to evaluate—in an open-ended format—the sustainability of reforms instigated by the MCA eligibility standards. Specifically, Question 33 asked

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<sup>211</sup> Others argue that concerns about post-EU accession backsliding rest on a weak evidence base (Levitz and Pop-Eleches 2010; Pridham 2007, 2008; Schimmelfennig 2008; Sedelmeier 2008).

respondents to first "briefly describe at least one of the policy adjustments or reforms that were undertaken by the domestic authorities between 2004 and 2012 to improve the performance of [a given country] on the MCA eligibility criteria." Question 34 then asked each respondent to "indicate whether or not the policy reforms you just described have been sustained, expanded, or accelerated since they were undertaken." While the rich qualitative data from these questions cannot be disclosed (because respondents were assured that their individual responses would be kept confidential), one can formally code and quantitatively analyze responses to Questions 33 and 34.

**Figure 5.4.1: Percentage of all Respondents Indicating MCA-Inspired Reforms Were Sustained, Expanded, or Accelerated**



Red represents indicators from the "Ruling Justly" category. Green represents indicators from the "Investing in People" Category". Blue represents indicators from the "Economic Freedom" category.

The data from Questions 33 and 34 suggest that MCA-inspired reforms have largely been sustained over time. Of the 351 respondents who identified MCA-inspired reforms in Question 33, 299 respondents provided enough information in Question 34 to determine

whether the identified reforms were sustained after implementation. These data were categorized by MCA eligibility indicator and coded according to whether respondents indicated the reform had been sustained. A description of the coding scheme used to assess reform sustainability can be found in Appendix E. Reform sustainability responses from all respondent groups are shown in Figure 5.4.1.

Overall, respondents seemed to broadly agree that most MCA-inspired reforms have been sustained.<sup>212</sup> Of the 832 specific reforms that survey participants identified in response to Question 33, respondents claim that 606 of these reforms have been "sustained, expanded, or accelerated since they were undertaken."<sup>213</sup>

However, reform sustainability should ultimately be measured over a period of decades rather than years, and participants in the 2012 MCA Stakeholder Survey used a relatively short reference period to assess the durability of MCA-inspired reforms. Thus, the survey evidence from Question 34 should therefore not be misconstrued as definitive evidence that MCA-inspired reforms will stand the test of time.

In order to further explore this issue, I randomly sampled five MCA-inspired reforms that respondents to Question 33 identified and then independently collected non-survey based sources of evidence to assess the sustainability of these reforms. The random sample yielded the following cases: anti-corruption reform in Peru's police force, fiscal policy reform in Malawi, establishment of a financial intelligence unit in Tanzania to fight corruption and money laundering, efforts to increase childhood immunization and expand girls' education in Benin, and privatization of state-owned enterprises in Kiribati. In Peru, I found that the

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<sup>212</sup> The data presented in Figure 5.4.1 also suggest that reforms in the "Investing in People" category are the least likely to be sustained or accelerated over time. Four of the five eligibility indicators in the "Investing in People" category—Immunization Rates, Girls' Primary Education Completion Rates, Health Expenditures, and Primary Education Expenditures—receive the lowest sustainability ratings. These findings are consistent with the broader literature on the sustainability of reform (Nelson 1999; Grindle 2004; Koeberle et al. 2005; Corrales, 2006). In an essay comparing macroeconomic and health and education reform patterns, Nelson (1999) summarizes a general consensus that exists among political economy experts: "Social sector reforms are a different ball game, with far more actors, less leverage, different fields of play, a much longer playing period (with unpredictable time-outs), and uncertain scoring."

<sup>213</sup> Several respondents identified in response to Question 33 that reforms that were undertaken in their countries but did not give enough information in response to Question 34 to determine whether the reform had been "sustained, expanded, or accelerated since they were undertaken." Without including those reforms identified where sustainability could not be determined, respondents identified 719 total individual reforms and 606 of those reforms were identified as being sustained after implementation. This is essentially the same measurement of sustainability as the one detailed above.



government has not successfully accelerated or expanded efforts to root out corruption in the police force (Author Interview with Senior Law Enforcement Advisor with the U.S. Department of Justice's International Criminal Investigative Training Assistance Program; Author Interview with Former Adviser to Peru's Minister of Interior). In Malawi, I found that fiscal policy deteriorated several years after the period in which the survey respondent identified MCA influence on the government's fiscal policy efforts (World Bank 2012b; IMF 2012). In Tanzania, I found that the financial intelligence unit remains operational, but the government has not significantly expanded its budget or staff to help it successfully execute its responsibilities (Hollyer and Wantchekon 2011; FATF 2012). In Benin, I found that the government has successfully accelerated or expanded efforts to increase childhood immunization and expand girls' education (World Bank 2013b; GAVI Alliance 2013). In Kiribati, the state-owned enterprises that were privatized remain in private hands; however, very little additional progress has been made to date (Government of Kiribati 2012; IMF 2013). Thus, analysis of the random sample suggests that while few MCC-inspired reforms are completely abandoned or reversed, reforms instigated or influenced by the MCA eligibility criteria are often not expanded or accelerated. In 4 out of the 5 cases, I could not find any evidence that the domestic authorities built upon or extended reform efforts initially inspired by the MCA eligibility requirements. This sobering result calls attention to the need for additional research on the *long-run* value of the MCC Effect (and similar policy instruments used by governments and IOs to encourage reform in the developing world).

## 5.5 Indirect Effects and Unintended Consequences

Given the crucial distinction between the *influence* and the *effectiveness* of the MCA eligibility standards as a tool for spurring and sustaining reforms in developing countries, I also used data from the 2012 MCA Stakeholder Survey to address a range of potential indirect effects and unintended consequences. Many development scholars worry that external tools of policy influence will have far-reaching, negative unintended consequences (Collingwood 2003; Kohl and Farthing 2006; Boughton and Mourmouras 2004; Momani 2005a; Zimelis 2011). Critics of the MCC have argued that the MCA eligibility standards might exert outsized policy influence, but divert a government's attention away from higher priority policy issues or limit a government's policy autonomy in a negative manner (Soederberg 2004; Arruñada 2007); that the MCA eligibility standards might lead to an excessive focus on measurement and data quality issues and encourage countries to "game

the system" by following the letter but not the spirit of the law (Global Integrity 2008a, 2008b; Goldsmith 2011; Pham 2009; Delevingne 2010); that rigorous application of the MCA eligibility criteria might impose significant domestic or external audience costs and thus provoke candidate governments to ally themselves with non-DAC suppliers of development finance (Grigoryan 2009; Perera 2009); and that disciplined enforcement of the MCA eligibility criteria may result in unanticipated policy spillover effects, or "blowback" (Phillips 2011).

These issues are not easily captured through the formal coding procedures introduced and implemented in Chapter 3. Therefore, I worked with a research team at the College of William and Mary to design a set of survey questions that would provide a rare window into these important but difficult-to-capture effects of the MCA eligibility standards.

One popular critique of the that the MCA eligibility standards might exert outsized policy influence, but divert a government's attention away from higher priority policy issues or limit a government's policy autonomy in a negative manner (Oya 2006; Chhotray and Hulme 2009; Nissanke 2010; Soederberg 2004; Arruñada 2007). However, this view was flatly rejected by the policymakers and practitioners who participated in the 2012 MCA Stakeholder Survey.<sup>214</sup> The results reported in 5.5.1 indicate that at least 85% of all four respondent stakeholder groups disagreed with the idea that the MCC model drew the government's attention away from important policy issues. USG respondents had the highest rate of disagreement—at 95%. Respondents from Compact, Threshold, and Candidate countries also consistently disagreed with the statement and differences between each group were not statistically significant. Across the three "MCA status" groups, only 4.4% to 12.6% of respondents indicated that the MCC's performance-based aid allocation model limited his or her government's ability to determine its own policy. The results reported in Figure 5.5.2 also indicate that 91% of the senior government officials from developing countries who participated in the survey disagreed or strongly disagreed with the claim that MCC's performance-based aid allocation model had "limited the policy autonomy of the government in a negative manner." Thus, the results from the 2012 MCA Stakeholder Survey suggest that

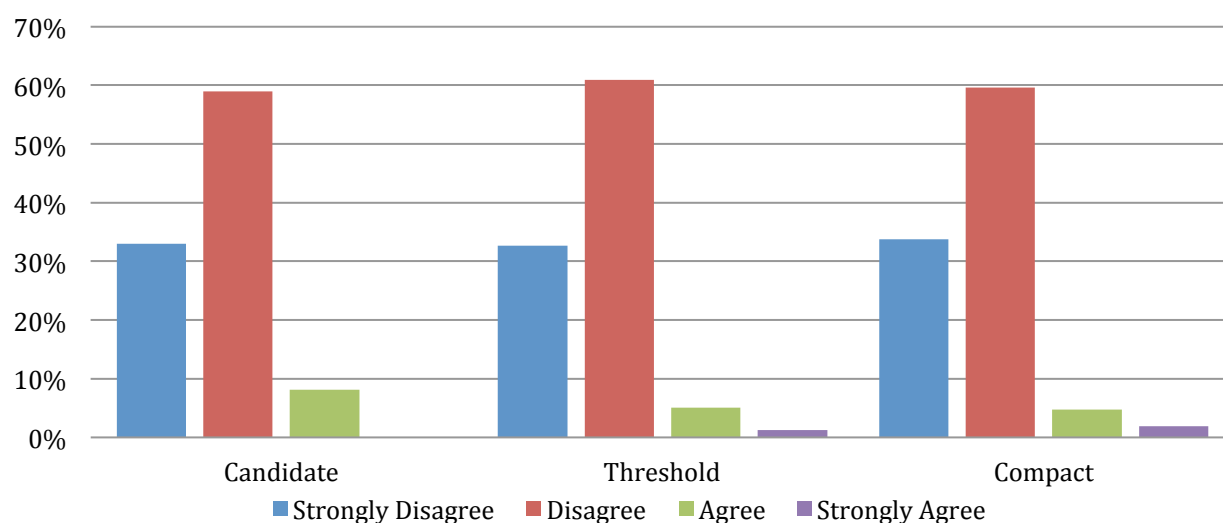
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<sup>214</sup> A recent independent evaluation of the World Bank's Doing Business indicators arrived at a similar conclusion: "the [Doing Business] indicators have not distorted policy priorities or encouraged policy makers to make superficial changes to improve rankings."

the domestic authorities in the developing countries do not view the MCA eligibility criteria as conditions that tightly circumscribe their "policy space" or freedom of action.

**Figure 5.5.1: Weighted Distribution of Responses to Question 14d of the 2012 MCA Stakeholder Survey, by MCA Status Category and Stakeholder Group (%).**

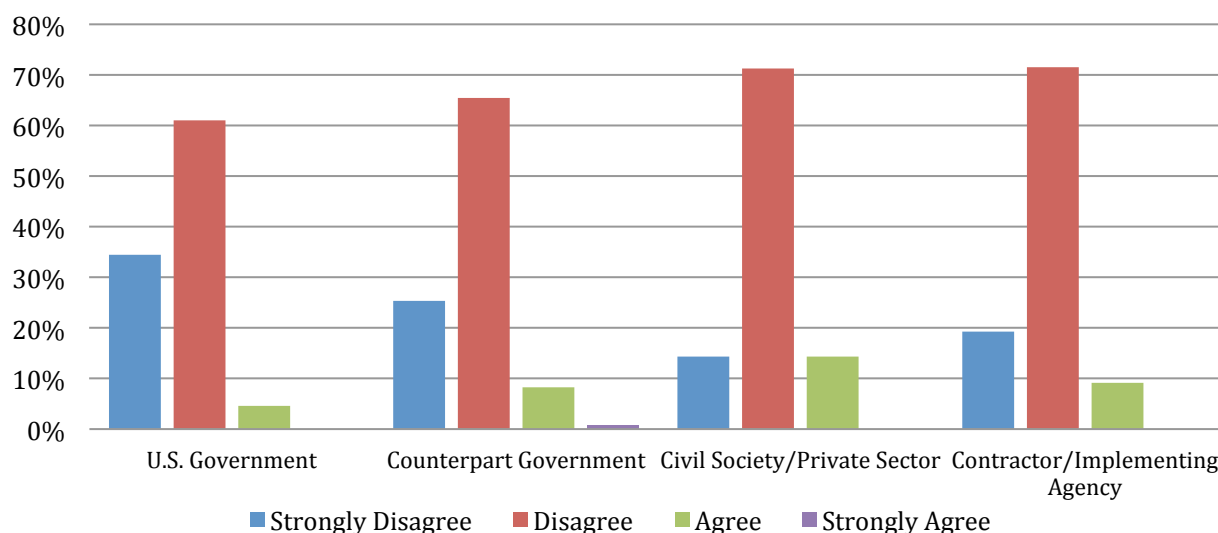
*Question 14d: "Please indicate how strongly you agree or disagree with each of the following statements: "The MCC's approach of tying [Country Name]'s eligibility for MCA assistance to measures of policy performance drew the government's attention away from important policy issues."*



	Strongly Disagree	Disagree	Agree	Strongly Agree	N
All	32.5%	60.3%	5.6%	1.6%	501
Candidate	33.0%	58.9%	8.1%	0.0%	88
Threshold	32.7%	60.9%	5.1%	1.3%	115
Compact	33.8%	59.6%	4.7%	1.9%	298
U.S. Government	32.2%	62.1%	5.7%	0.0%	164
Counterpart Government	32.1%	59.8%	5.4%	2.7%	280
Civil Society/Private Sector	23.4%	67.9%	8.7%	0.0%	22
Contractor/Implementing Agency	55.9%	42.3%	1.8%	0.0%	35

**Figure 5.5.2: Weighted Distribution of Responses to Question 14f of the 2012 MCA Stakeholder Survey, by MCA Status Category and Stakeholder Group (%).**

*Question 14f: "Please indicate how strongly you agree or disagree with each of the following statements: "The MCC's approach of tying [Country Name]'s eligibility for MCA assistance to measures of policy performance limited the policy autonomy of the government in a negative manner."*



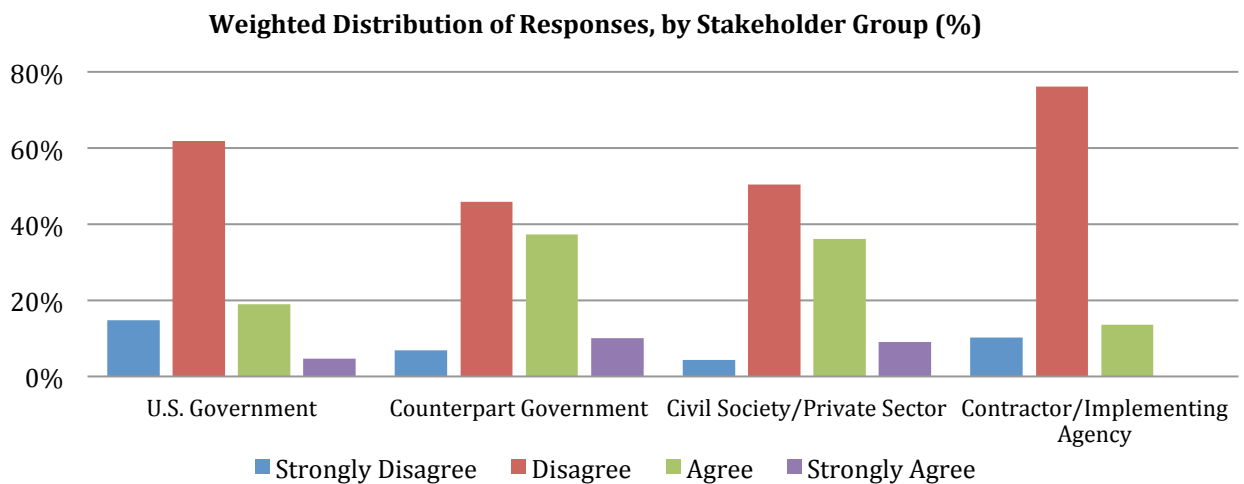
	Strongly Disagree	Disagree	Agree	Strongly Agree	N
All	27.8%	63.7%	8.1%	0.4%	496
Candidate	20.3%	67.1%	11.3%	1.3%	86
Threshold	30.1%	65.7%	4.2%	0.0%	112
Compact	28.7%	63.6%	7.4%	0.3%	298
U.S. Government	34.4%	61.0%	4.6%	0.0%	160
Counterpart Government	25.4%	65.5%	8.3%	0.7%	278
Civil Society/Private Sector	14.3%	71.3%	14.3%	0.0%	21
Contractor/Implementing Agency	19.3%	71.5%	9.2%	0.0%	37

Another criticism of the MCC is that its strong emphasis on performance benchmarking might induce "gaming" behavior (Global Integrity 2008a, 2008b; Pham 2009; Delevingne 2010). This phenomenon has been documented in other high stakes competitions for funding or external validation (Cullen and Randall 2006; Jacob 2005; Carter et al. 1990; Wynia et al. 2000; Hood 2006; New York Times 2008). The evidence from the 2012 MCA Stakeholder Survey is only suggestive on this point, but it does reveal an important wedge between "the USG perspective" and the "developing country government" perspective. I find statistically

significant differences in responses from USG and counterpart government respondents. While nearly 77% of all USG survey respondents disagreed with the statement that the MCC's performance based aid allocation model had "led to an excessive focus on measurement and data quality [issues]", only 53% of their counterpart government respondents disagreed with the same statement. That is to say, only slightly more counterpart government disagreed than agreed with the idea that the MCC model had resulted in measurement myopia. This finding suggests an important gap in the perceptions and experiences of USG officials and their developing country counterparts. USG policymakers and practitioners seem to perceived the MCC's "what gets measured gets done" approach as a useful way to guide, inform, and inspire policy reform efforts. Developing country officials were not so sure. While roughly half of this cohort thought that the MCC's approach was useful, the other half worried about the unintended consequences of an unhealthy fixation on measurable indicators.

**Figure 5.5.3: Weighted Distribution of Responses to Question 14g of the 2012 MCA Stakeholder Survey, by MCA Status Category and Stakeholder Group (%)**

*Question 14g: "Please indicate how strongly you agree or disagree with each of the following statement: "The MCC's approach of tying [Country Name]'s eligibility for MCA assistance to measures of policy performance led to an excessive focus on measurement and data quality."*



Weighted Distribution of Responses, by MCA Status Category and Stakeholder Group (%)

	Strongly Disagree	Disagree	Agree	Strongly Agree	N
All	10.4%	51.5%	30.5%	7.6%	499
Candidate	14.4%	54.1%	28.0%	3.5%	86
Threshold	9.7%	50.5%	32.0%	7.9%	112
Compact	8.3%	54.8%	28.6%	8.4%	301
U.S. Government	14.7%	61.8%	18.9%	4.6%	162
Counterpart Government	6.8%	45.9%	37.3%	10.1%	280
Civil Society/Private Sector	4.3%	50.5%	36.1%	9.0%	22
Contractor/Implementing Agency	10.2%	76.1%	13.6%	0.0%	35

A passage from a 2008 U.S. Embassy cable dispatch (made available by the *Wikileaks* website) may provide some indication of why the MCC's indicator-based model might be perceived by some developing country policymakers as problematic. In April 2008, the U.S. Chargé d' Affairs at the US Embassy in San Salvador relayed to Foggy Bottom a conversation with Manuel Hinds, a respected local economist and former Minister of Finance in El Salvador. Michael Butler, the second in command at the U.S. Embassy, pointed out that "in [Hinds'] view, official statistics significantly understate El Salvador's economic growth over the past decade." He explained that "Hinds believes there are two problems with current measurements. First, the indices for measuring economic growth are based on an economic census completed in 1990. Certain sectors in the modern economy, like fast food and services, are either missing or significantly underweighted. Hinds estimated that, using a more realistic measure of activity, growth would have been about 6% per year over the last several years. Likewise, the latest population census (which are public though still not official) indicated that El Salvador has about a million fewer people than previously estimated. The lower population figure would, [Hinds] said, boost per capita GDP growth considerably even under the old index. Hinds added that the government has calculated growth figures based on a more accurate economic survey, but the administration won't release the numbers for political reasons. He stated that former Technical Secretary (Chief of Staff to the President) Eduardo Zablah told him that better growth figures *would have imperiled El Salvador's chances of receiving a Millennium Challenge Compact.*" (Butler 2008, emphasis added).

The implication from this cable dispatch is that Salvadoran authorities worried accurate economic growth statistics would have placed the country in a higher income bracket and diminished their prospects for MCC Compact funding. This incentive to under-report economic growth suggests that the annual competition for MCA funding has far-reaching effects in the developing world and that

some of these effects may not promote good development policy and practice. Research suggests that a robust statistical system is critically important to ensure that donor agencies and governments in developing countries do not misallocate scarce public resources (Jerven 2013).

## 5.6 Tracing Causal Processes

Another limitation of the analysis presented in Chapters 3 and 4 is that it revealed little about the causal processes through the MCA eligibility criteria exert influence on reform efforts in developing countries. The 2012 MCA Stakeholder Survey again offers a rare glimpse into some of the factors that shape government responses and non-responses to the MCA eligibility criteria.

Chapter 3 raised the question of whether and when governments in the developing world undertake reform efforts to achieve *financial* or *reputational* benefits of MCA eligibility.<sup>215</sup> This question is difficult to answer because when countries achieve MCA eligibility, they simultaneously reap the financial and reputational benefits. Thus, from a causal inference standpoint, it is difficult to parse out the reform-inducing effect of the MCA "seal of approval" from the reform-inducing effect of attaching a large financial incentive to improved performance vis-à-vis the MCA eligibility criteria. This is an area where surveys of policy elites can add value to our understanding of the factors that motivate senior government officials to pursue costly and difficult reforms (Gray and Slapin 2012). Elite surveys make it possible to collect information about some of the factors that policymakers take into account when setting priorities and taking decisions (Steen 2003; Taylor 2011; Jennings and Hall 2011).

To this end, participants in the 2012 MCA Stakeholder Survey were asked to indicate whether the MCC's approach of tying a country's eligibility for assistance to measures of policy performance "created a way for the government to highlight its credentials to private investors." Overall, survey respondents generally agreed (57.8%) or strongly agreed (9.5%) with this idea. The results reported in Figure 5.6.1 indicate that a majority of respondents from all four stakeholder groups agreed or strongly agreed with the statement. Interestingly, the strongest support for this idea was found among senior government officials from developing countries: 70.3% of the counterpart government officials who participated in the survey reported that the MCC's approach of tying a

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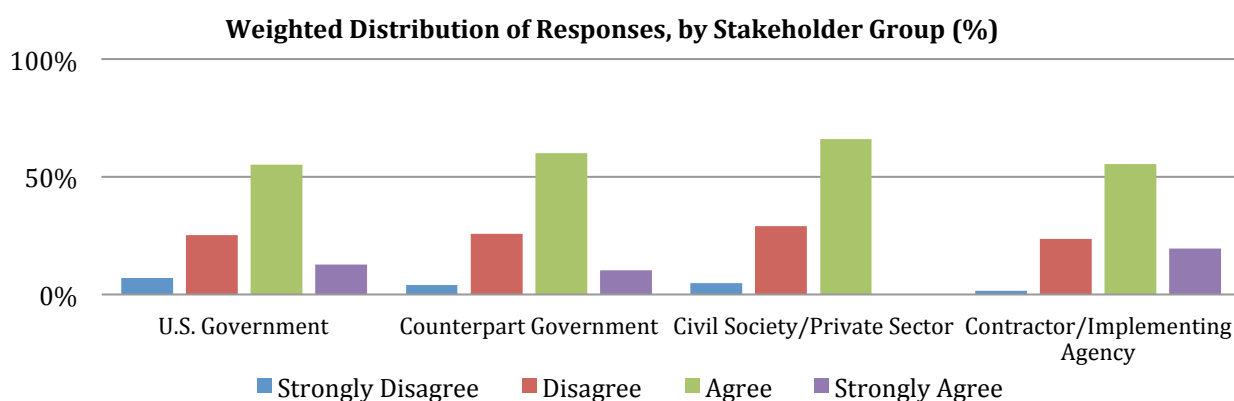
<sup>215</sup> Arndt and Oman (2006: 36-38) claim that private investors use independent measures of governance to make investment decisions. Journalistic accounts support this claim. In 2012, the New York Times ran a story, featuring a investment fund manager who had decided to double down on investments in Egypt after monitoring its performance on the World Bank's Ease of Doing Business index. He said that "[o]ne of the things that attracted us to Egypt was that the World Bank had improved its 'ease of doing business' rating. ...Egypt had become more hospitable to investment. From 2004 to 2007, it had the single greatest improvement in 'ease of doing business' of any country in the world" (Luongo 2012).



country's eligibility for assistance to measures of policy performance "created a way for the government to highlight its credentials to private investors." The survey data also demonstrate that, while most respondents from Compact and Threshold countries believe that the MCC's country selectivity model has helped the domestic authorities call attention to their domestic policy accomplishments, this view enjoys less support among respondents from candidate countries. This finding may reflect the fact that the domestic authorities in these countries have no reputational or financial reward from the MCC to showcase.

**Figure 5.6.1: Weighted Distribution of Responses to Question 14c of the 2012 MCA Stakeholder Survey, by MCA Status Category and Stakeholder Group (%).**

*Question 14c: "Please indicate how strongly you agree or disagree with each of the following statement: "The MCC's approach of tying [Country Name]'s eligibility for MCA assistance to measures of policy performance created a way for the government to highlight its credentials to private investors."*



Weighted Distribution of Responses, by MCA Status Category and Stakeholder Group (%)

	Strongly Disagree	Disagree	Agree	Strongly Agree	N
All	5.7%	27.0%	57.8%	9.5%	493
Candidate	10.6%	30.3%	56.6%	2.6%	88
Threshold	2.7%	26.6%	58.3%	12.4%	113
Compact	4.0%	23.7%	58.8%	13.5%	292
U.S. Government	7.1%	25.1%	55.2%	12.6%	160
Counterpart Government	3.9%	25.8%	60.0%	10.3%	275
Civil Society/Private Sector	4.9%	29.0%	66.1%	0.0%	21
Contractor/Implementing Agency	1.7%	23.5%	55.4%	19.4%	37

The data from the 2012 MCA Stakeholder Survey also provide a unique opportunity to probe *how* the application of the MCA eligibility standards exerts influence on the policymaking process in "target" countries. Does the desire to achieve MCA eligibility have outsized influence at the

agenda-setting stage of the policymaking process?<sup>216</sup> Or does it embolden decision-makers to pursue reforms that the government has already prioritized? Furthermore, how has the USG's decision to reward countries that improve their performance on the MCA eligibility criteria influence pro-reform and anti-reform actors within developing countries? Vreeland (2003) suggests that international organizations and donor agencies may exert influence by shoring up support for domestic reformers whose policy preferences are already aligned with their own policy preferences. Others have proposed that extrinsic incentives for reform introduced by an international organization or donor agency could also have the effect of weakening the domestic bargaining power of those who favor the status quo and oppose reform (Jacoby 2006; Krasner 2009a).

The evidence from the 2012 MCA Stakeholder survey suggests that the MCA eligibility criteria have influenced reform efforts by shaping priorities at the agenda-setting phase of the policymaking process. Survey participants generally agreed (56.4%) or strongly agreed (11.8%) that the MCA eligibility criteria “focused the government’s attention on otherwise neglected policy issues.”<sup>217</sup> Respondents were also asked (in questions 18-20) to identify the specific stages of the policymaking process—agenda setting, reform design, and reform implementation—where individual MCA eligibility indicators exerted influence. Overall, the survey results do not suggest that the influence of the MCA eligibility criteria is disproportionately felt at one particularly stage of the policy making process. The results (from questions 18-20) instead point to relatively consistent influence at the agenda setting, reform design, and reform implementation stages. Thus, there is not much evidence to support the notion that the influence of the MCA eligibility criteria wanes once policymakers shift their attention from agenda setting to designing and implementing reforms.

However, there is one policy domain where the MCC seems to have a particularly strong influence at the agenda-setting stage: Control of Corruption. Survey respondents identified Control of Corruption as being the indicator with the most influence at the agenda-setting phase of the

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<sup>216</sup> For example, the MCC's use of a Control of Corruption "hard hurdle"—a performance criterion that every country must pass to meet the formal Compact eligibility requirements—might induce a government to prioritize otherwise neglected corruption issues.

<sup>217</sup> Compact country and Threshold country respondents registered the highest levels of agreement (at 74.8% and 64.3%, respectively), while candidate country respondents disagreed the most often—at a rate of 43.1%. One way to interpret these data is that the MCC’s performance-based aid allocation model (a) has generally increased the level of priority assigned to some policy issues in developing countries, but (b) exerted relatively less agenda-setting influence in candidate countries. An alternative way of explaining these results is that higher level of reported agenda-setting influence among respondents from Threshold and Compact countries reflects selection bias—that is, decision-makers in Threshold and Compact countries are in some way systematically different from decision-makers in Candidate countries. In light of the evidence gathered from other questions in the 2012 MCA Stakeholder Survey (in particular, questions 17-20), we find the former interpretation more persuasive the latter. However, we cannot definitively answer this question.

policymaking process. This finding suggests that the USG's decision to make the Control of Corruption indicator a "hard hurdle"—a performance criterion that all MCA candidate countries must pass in order to meet the formal Compact eligibility requirements— has prompted governments in the developing world to assign a higher level of priority to anti-corruption reform at the agenda-setting stage of the policymaking process.

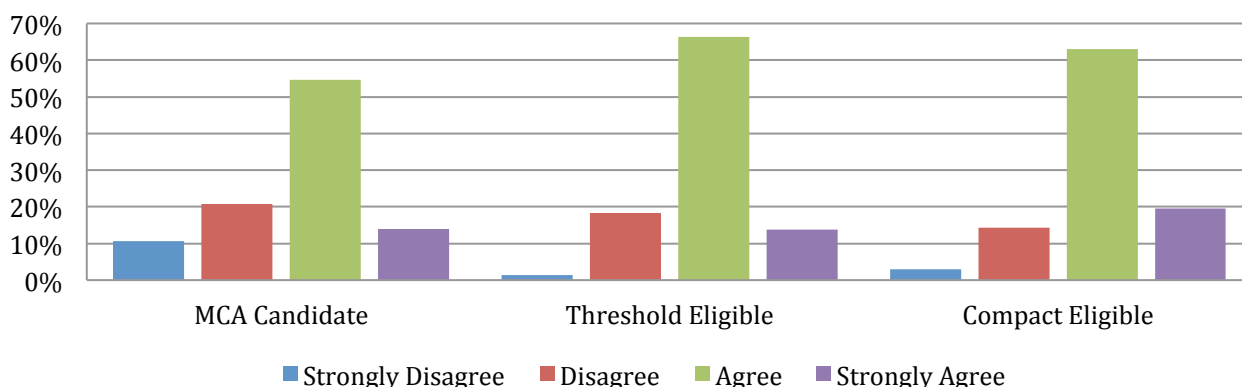
Respondents were also asked a series of questions about the impact that the MCA eligibility standards had on different types of domestic actors involved in the policymaking process. I first sought to examine whether and how the MCA eligibility criteria affected domestic reformers in developing countries. Survey respondents generally agreed (60.8%) or strongly agreed (16.9%) that the MCC's country selectivity model had *strengthened the resolve* of the domestic authorities in developing countries to implement specific reforms. These data are summarized in Figure 5.6.2. At least 69% of respondents from Compact, Threshold, and Candidate countries agreed with the notion that the MCA eligibility criteria strengthened domestic reform resolve.<sup>218</sup> Additionally, I found strong, yet not overwhelming, support (see Figure 5.6.3) for the notion that that the MCC's approach of tying eligibility for assistance to measures of third party indicators of policy performance had helped reform-minded officials in developing countries build domestic coalitions of support. 61.7% of respondents agreed with this idea. Respondents from Threshold countries expressed particularly high levels of agreement (69.4% agreed or strongly agreed), thus suggesting that either Threshold programming or the prospect of an MCC Compact has helped reformers in the developing world build stronger domestic support bases.

**Figure 5.6.2: Weighted Distribution of Responses to Question 14j of the 2012 MCA Stakeholder Survey, by MCA Status Category and Stakeholder Group (%).**

*Question 14j: "Please indicate how strongly you agree or disagree with each of the following statement: "The MCC's approach of tying [Country Name]'s eligibility for MCA assistance to measures of policy performance strengthened the government's resolve to implement reforms in a specific policy area."*

<sup>218</sup> Compact country respondents expressed the highest level of agreement (at 82.7%), while Threshold country respondents expressed a similarly high level of agreement (90.2%). Candidate country respondents expressed the lowest level of agreement (at 69%). One way to interpret these results is that the "MCC Effect" is stronger in Compact and Threshold countries than in Candidate countries. However, these findings could also reflect a selection effect: reform-minded officials in Compact and Threshold countries may use the MCA eligibility criteria to justify policy, regulatory, legislative, or institutional changes that they would have pursued in the absence of external pressure (Vreeland 2003; Kelley 2012).

**Weighted Distribution of Responses, by MCA Status Category (%)**



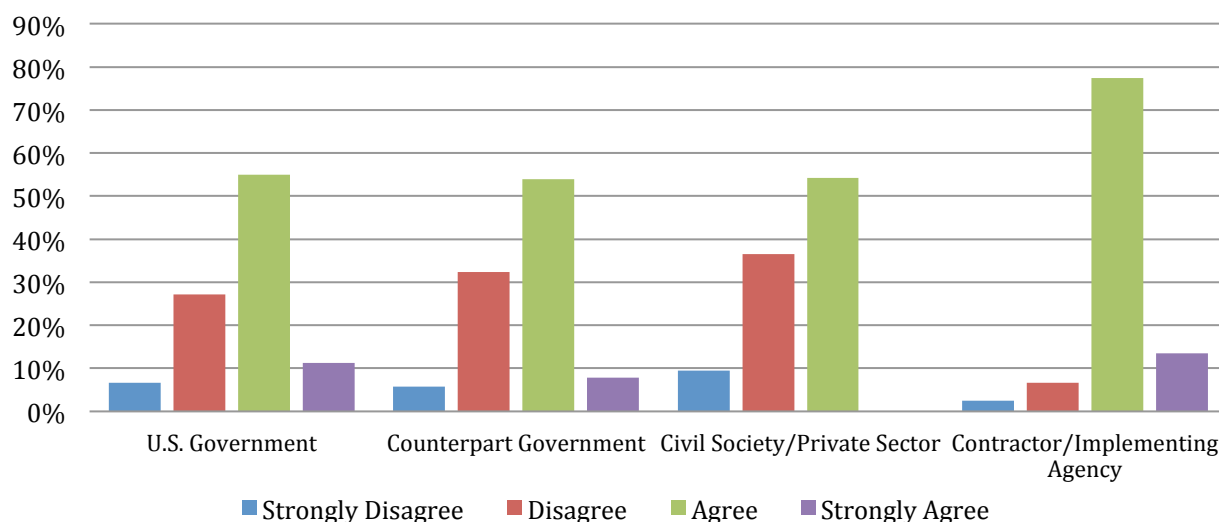
**Weighted Distribution of Responses, by MCA Status Category and Stakeholder Group (%)**

	Strongly Disagree	Disagree	Agree	Strongly Agree	N
All	4.9%	17.3%	60.8%	16.9%	508
<b>MCA Status Category</b>					
Candidate	10.6%	20.8%	54.7%	13.9%	90
Threshold	1.3%	18.4%	66.4%	13.8%	117
Compact	3.0%	14.3%	63.1%	19.6%	301
<b>Stakeholder Group</b>					
U.S. Government	7.8%	18.0%	60.1%	14.1%	164
Counterpart Government	1.9%	15.9%	60.5%	21.6%	286
Civil Society/Private Sector	4.7%	27.5%	67.9%	0.0%	22
Contractor/Implementing Agency	1.7%	5.9%	83.1%	9.3%	36

**Figure 5.6.3: Weighted Distribution of Responses to Question 14k of the 2012 MCA Stakeholder Survey, by MCA Status Category and Stakeholder Group (%).**

*Question 14k: "Please indicate how strongly you agree or disagree with each of the following statement: "The MCC's approach of tying [Country Name]'s eligibility for MCA assistance to measures of policy performance helped reformers within government build domestic coalitions of support."*

**Weighted Distribution of Responses, by Stakeholder Group (%)**



**Weighted Distribution of Responses, by MCA Status Category and Stakeholder Group (%)**

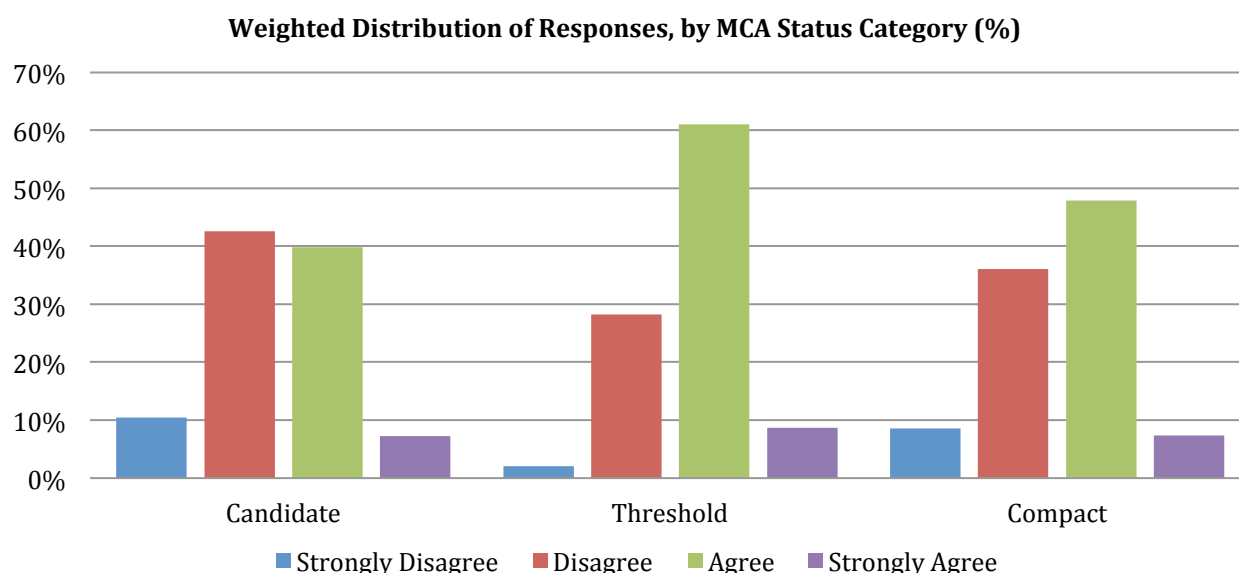
	Strongly Disagree	Disagree	Agree	Strongly Agree	N
All	7.2%	31.0%	53.3%	8.4%	499
Candidate	11.9%	25.8%	60.2%	2.1%	88
Threshold	0.8%	29.8%	60.4%	9.0%	116
Compact	6.2%	29.5%	53.1%	11.2%	295
U.S. Government	6.6%	27.1%	54.9%	11.3%	161
Counterpart Government	5.8%	32.4%	53.9%	7.8%	279
Civil Society/Private Sector	9.4%	36.5%	54.2%	0.0%	22
Contractor/Implementing Agency	2.5%	6.7%	77.4%	13.5%	37

I also asked respondents (see results reported in Figure 5.6.4) how the MCC model influence those domestic actors who *oppose* reform. Slightly more respondents agreed (54.4%) than disagreed (45.6%) that the MCC’s approach helped reformers within government weaken opposition to reform.<sup>219</sup> However, this idea did not enjoy the same level of support (61.7%) that respondents expressed for the idea that the MCC's performance-based aid allocation model helped reformers build domestic coalitions of support. When taken together, these results suggest that the USG's decision to link performance on the MCA eligibility criteria to a set of financial and reputational benefits has (a) strengthened the reform resolve of governments in the developing world, (b) increased the domestic bargaining power of reformers within developing countries, and (c) had particularly strong effects on policymaking in Threshold countries.

<sup>219</sup> However, it is notable that nearly 70% of Threshold country respondents agreed or strongly agreed.

**Figure 5.6.4: Weighted Distribution of Responses to Question 14I of the 2012 MCA Stakeholder Survey, by MCA Status Category and Stakeholder Group (%).**

*Question 14I: "Please indicate how strongly you agree or disagree with each of the following statement: "The MCC's approach of tying [Country Name]'s eligibility for MCA assistance to measures of policy performance helped reformers within government weaken opposition to reform."*



Weighted Distribution of Responses, by MCA Status Category and Stakeholder Group (%)

	Strongly Disagree	Disagree	Agree	Strongly Agree	N
All	8.8%	36.8%	47.8%	6.6%	498
Candidate	10.5%	42.6%	39.8%	7.2%	89
Threshold	2.1%	28.2%	61.0%	8.7%	117
Compact	8.6%	36.1%	47.9%	7.4%	292
U.S. Government	6.6%	35.4%	50.3%	7.8%	162
Counterpart Government	7.8%	38.2%	46.6%	7.3%	277
Civil Society/Private Sector	18.7%	40.9%	40.4%	0.0%	22
Contractor/Implementing Agency	2.5%	12.6%	71.5%	13.5%	37

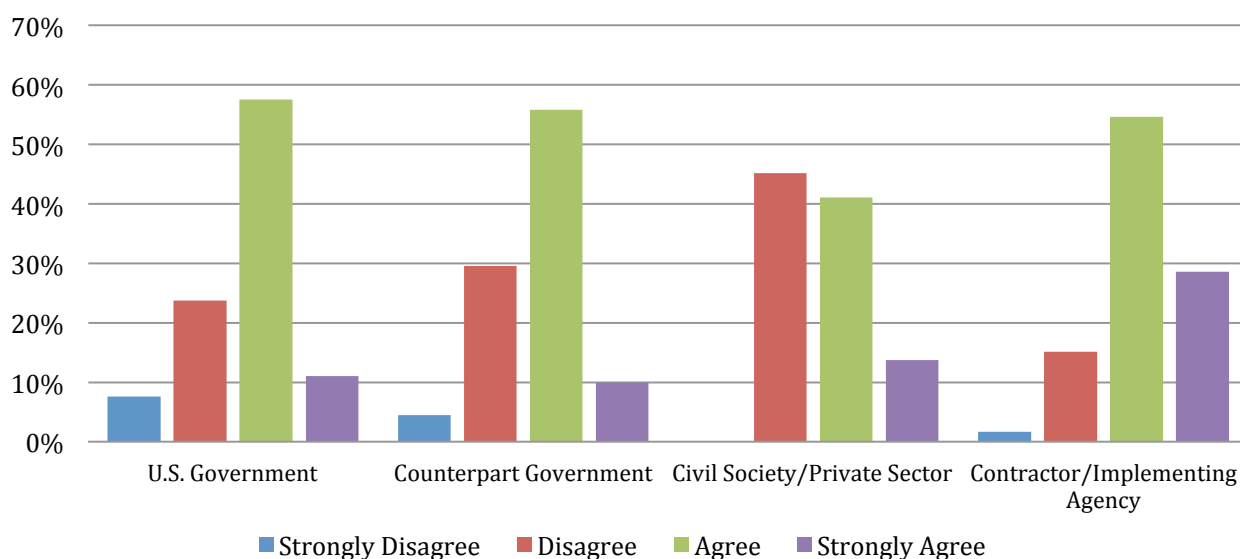
It is also possible that the MCA eligibility criteria have given journalists and activists in the non-governmental sector an independent tool to monitor and advocate for reforms. Diamond (2008: 47) pointed out during the early days of the MCC that the MCA country scorecards were "showing promise as a tool that civil-society actors ... can use to campaign for governance reforms and as an incentive for corrupt governments in need of more aid to reform their ways." Harris (2008) also noted that "[t]he much-praised 'MCC effect' has encouraged civic organizations to urge their governments to reform."

The results from the 2012 MCA Stakeholder Survey (see Figure 5.6.5) suggest that strengthening of civic monitoring and advocacy efforts may indeed be a channel of causal influence through which the MCA eligibility criteria influence reform in developing countries. 67.5% of survey participants indicated that they either agreed or strongly agreed that the MCC’s approach enabled civil society organizations and journalists to more effectively advocate for reform in the countries where they work or previously worked. Respondents from Compact countries were most likely to express strong support for this view, which suggests that the material and reputational rewards that governments derive from Compact eligibility can also be used as a lever by domestic political actors to pressure the government for continued reform.<sup>220</sup>

**Figure 5.6.5: Weighted Distribution of Responses to Question 14m of the 2012 MCA Stakeholder Survey, by MCA Status Category and Stakeholder Group (%)**

*Question 14m: "Please indicate how strongly you agree or disagree with each of the following statement: "The MCC’s approach of tying [Country Name]’s eligibility for MCA assistance to measures of policy performance enabled civil society organizations or journalists to more effectively advocate for reform."*

**Weighted Distribution of Responses, by Stakeholder Group (%)**



**Weighted Distribution of Responses, by MCA Status Category and Stakeholder Group (%)**

	Strongly Disagree	Disagree	Agree	Strongly Agree	N
All	6.0%	26.6%	55.8%	11.7%	504

<sup>220</sup> For example, in November 2007, shortly after MCC released its country scorecards for the Fiscal Year 2008 country selection process, an op-ed entitled *Careful with the 461 Million Dollars!* appeared in a local Salvadoran newspaper. The article called attention to the fact that El Salvador no longer met the eligibility criteria in the Investing in People category, and that increased social investment would likely be necessary if the domestic authorities wanted to retain MCA eligibility criteria (Silva 2007).



Candidate	9.2%	36.8%	50.7%	3.4%	89
Threshold	4.9%	33.1%	55.2%	6.8%	114
Compact	4.1%	22.3%	57.4%	16.3%	301
U.S. Government	7.6%	23.7%	57.6%	11.0%	161
Counterpart Government	4.5%	29.6%	55.8%	10.0%	284
Civil Society/Private Sector	0.0%	45.2%	41.1%	13.7%	22
Contractor/Implementing Agency	1.7%	15.1%	54.6%	28.6%	37

## 5.7 Conclusion

The methodological innovation of this chapter is simple, but powerful. Through a large survey of policy elites, I sought to measure the policy influence of the MCA eligibility criteria, as experienced and perceived by policymakers and practitioners in MCA "target countries." Existing research on external tools of conditionality and socialization relies upon indicators that *proxy* the actual phenomenon of interest—that is, how governments respond to specific external pressures and policy instruments. But IR, IPE, and comparative political economy scholars have made few efforts to measure the *actual* phenomenon of interest.

It is remarkable that none of the standard texts on research methods in the international relations sub-field of political science include any significant discussion of elite surveys (King, Keohane, and Verba 1994; Brady and Collier 2004; Sprinz and Wolinsky-Nahmias 2004). Elite interviews have been employed by IR scholars to trace causal processes and better understand the perceptions and decisions of leaders (Aberbach et al. 1981; Koopman et al. 1998; George and Bennett 2005; Tansey 2007); however, this method has traditionally been considered the exclusive province of researchers who employ case study and small-n methods. One obvious explanation for the fact that IR research rarely employs large-n elite surveys is feasibility. In international relations, countries typically constitute the unit of analysis, and administering surveys of policy elites in a large number of countries can be costly and time-consuming (Aberbach and Rockman 2002; Hooghe 2003). Another possible factor is that IR scholars worry elite surveys will capture official rhetoric and therefore not yield much additional information or insight. Others may have concerns about sample selection and representativeness (e.g. Milner and Tingley 2012; Gray and Slapin 2012). The IR discipline's disinterest in direct engagement with the policy community might also contribute to this methodological aversion (Nye 2009; Krasner 2009b; Keohane 2009; Parks and Stern 2013). Whatever the reason is, large-n elite surveys have not figured prominently in the study of international relations.

In this chapter, I attempted to demonstrate that carefully-designed elite surveys can reveal rich information about the experiences, observations, perceptions, and motivations of senior decision-makers; generate useful information about the policy decisions and actions that governments take in response to external incentives and pressures; and shed light on the causal processes through which external pressures influence the domestic policy behavior. I also presented evidence that demonstrates careful analysis of disaggregated elite survey data can be used to gauge the overall reliability of the findings derived from such data.

# Chapter 6: Conclusions and Policy Implications

## 6.1 What Have We Learned About the MCC Effect?

The evidence presented in this thesis belies the notion that the MCC Effect—the influence of the MCA eligibility criteria on the reform efforts in developing countries—is a fiction cooked up by MCC boosters seeking to rally domestic political support for the institution (de Renzio and Woods 2008; Hyman 2009; Pham 2009; Mungiu-Pippidi et al. 2011; Berrebi and Thelen 2011). By various methods and measures, I find that the MCC Effect is real and its scope of influence is substantial. My efforts to systematically measure and analyze variation in the MCC Effect—across time, space, policy domains, and the various stages of the policymaking process—call attention to seven core conclusions.

First, the cross-national scope of the MCC Effect is probably somewhere between one-third and two-thirds of countries that meet the per capita income requirements to be considered for MCA eligibility. I presented new evidence in Chapter 3 from a large-scale data collection effort to formally code the policy responses and non-responses of 118 developing country governments to the MCA eligibility requirements. The data suggest that, depending on the stage of the policymaking process (agenda setting, reform design, reform adoption, or reform implementation), the MCA eligibility requirements exerted influence on 32% to 38% of the target population—that is, between 38 and 45 of the 118 target countries. The 2012 MCA Stakeholder Survey provides another independent source of cross-country data that one can use to cross check the data reported in Chapter 3. Survey respondents identified 67 governments—or roughly 57% of the target population—that apparently pursued specific reforms to achieve or maintain MCA eligibility. Thus, formal coding of archival data results in a more conservative estimate of the MCC Effect than elite survey data collection methods. The principal advantage of using elite survey data is that it makes it possible to uncover MCA-inspired reforms that are not observable through official documentation, public statements and speeches, media reports, and case studies. However, a key disadvantage of elite survey data is that they are likely influenced by some measure of social desirability bias, attribution bias, and recall bias. In (unobservable) reality, the scope of the MCC Effect is very likely somewhere between 32% and 57% of the USG's target population.

Second, the analysis of this thesis suggests that the “MCC Effect” has proven particularly strong in Threshold and Compact countries. This pattern is borne out in the data presented and analyzed in Chapter 3. I found that 65 percent of 1066 total MCA-inspired policy responses between 2004 and

2010 occurred in Threshold or Compact countries. In Chapter 4, I found the provision of MCA Threshold Program assistance to be a robust predictor of whether or not governments undertook reforms targeting improvements on the MCA eligibility criteria. The evidence from the 2012 MCA Stakeholder Survey provides some additional evidence to support this conclusion. 68% of Threshold country respondents and 64% of Compact country respondents reported that the MCA eligibility criteria were either “central to a few important reform efforts” or “instrumental to many important reform efforts.”

While the MCC Effect is certainly also present in candidate countries,<sup>221</sup> the survey evidence suggests that it is less strong within this cohort of MCC target countries: 41% of respondents from candidate countries reported that the MCA eligibility criteria were either “central to a few important reform efforts” or “instrumental to many important reform efforts.”<sup>222</sup> Concerns about the transparency and credibility of the decision rules used to make eligibility determinations may help explain the diminished policy influence of the MCA eligibility criteria within this cohort. The results from the 2012 MCA Stakeholder Survey suggest that policymakers and practitioners from candidate countries are more likely to question the credibility of the formal MCA eligibility “rules of the game”—that is, the notion that the MCC Board of Directors will select countries based on merit rather than U.S. foreign policy interests, population size, or some other undisclosed consideration—than their counterparts from Threshold and Compact countries. Thus, if expanding the reach of the MCC Effect among candidate countries is a strategic priority for the USG, it would behoove the MCC's Board of Directors to better communicate the decision rules its uses to make individual country eligibility determinations. The MCC currently provides a written justification for all of the countries that it deems Compact- or Threshold-eligible, but it does not provide a detailed,

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<sup>221</sup> For ease of exposition, I use the term “candidate countries” here to refer to the cohort of countries that meets the MCA per capita income candidacy requirements, but has not been deemed eligible for Threshold or Compact assistance.

<sup>222</sup> The high level of MCA policy influence that respondents reported in Threshold countries is particularly striking in light of the concerns that US legislators have recently raised about the program’s *raison d’être* and efficacy. In 2010, John Kerry and Richard Lugar, two prominent members of the US Senate Foreign Relations Committee, sent a letter to the MCC’s incoming CEO, which indicated that “we believe that the [threshold] program, as it stands, requires significant overhaul and substantial rethinking. We are not convinced that the program is achieving the goals and objectives it was originally created to accomplish, and we think the mandate of the program has become increasingly muddled... We believe a comprehensive review of the goal, purpose, and utility of the [threshold] program is in order, and we are open to fairly wide changes that would modify the [threshold] program’s mandate and implementation” (Kerry and Lugar 2010). In response to these concerns, the MCC announced a course correction in 2011. Rather than designing threshold programs to help governments improve their performance vis-à-vis the MCA eligibility standards and meet the formal compact eligibility requirements, the MCC decided that countries deemed eligible for threshold funding would be asked to design and implement reform programs that target the binding constraints to economic growth (MCC 2011; Yohannes 2012). While the data from the 2012 MCA Stakeholder Survey on the perceived influence and impact of threshold programs are no substitute for rigorous programmatic impact evaluations (Hollyer and Wantchekon 2011; Nichols-Barrer et al. 2011; Kazianga et al. forthcoming), they do suggest that original design of MCC threshold programs resulted in a strong incentive effect and significant programmatic results.

country-by-country explanation of its ineligibility designations. It stands to reason that greater disclosure of the information and decision rules used to make countries *ineligible* might strengthen the MCC Effect.

But this potential course correction may prove difficult for the MCC to implement. One must remember that the USG's primary motivation for using the MCA eligibility criteria to allocate funds is *not* to incentivize reforms in developing countries. Rather, the MCC's authorizing legislation instructs it to use the MCA eligibility criteria to select well-governed country partners where USG aid monies will likely be most effective in reducing poverty. By relying on third-party indicators of government performance to allocate funds, the USG is in effect "tying its own hands" to ensure that it makes sound development policy decisions rather than politically expedient decisions. The challenge is that pressures to incentivize reform efforts and identify country partners where there is significant opportunity to reduce poverty can cut in opposite directions. This tension is most likely one of the reasons why the MCC does not currently disclose country-specific ineligibility designations. Consider the fact that the MCC Board of Directors has passed over small island states (e.g. Samoa, Kiribati) on several occasions despite the fact that they met the formal Compact eligibility criteria. This pattern in the Board's decision-making is almost certainly attributable to the fact that the USG wants to select countries where the opportunity to reduce poverty is substantial (Staats 2012).<sup>223</sup> However, by signaling to small island states that they cannot achieve MCA eligibility on the merits (i.e. by improving their policy performance), the MCC is also undermining its own incentive effect (Herrling and Radelet 2007). Other reasons why the USG chooses not to disclose the full range of factors used to make (in)eligibility determinations may include: not alienating U.S. legislators who feel strongly about particular countries; preserving bilateral relationships and minimizing diplomatic blowback when countries are not selected for Compact or Threshold eligibility; and working within budgetary constraints that prevent the corporation from selecting all countries that meet the formal eligibility criteria.<sup>224</sup>

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<sup>223</sup> Consider Tanzania and Kiribati, two countries that met the formal MCA eligibility criteria in Fiscal Year 2013 (FY13). Kiribati has a population of approximately 100,000 people, and 22% of its population lives in poverty. Tanzania has a population of 46 million people, and 33.4% of its population lives below the poverty line. Thus, in the absence of a soft FY13 budget constraint that would make it possible to select all countries that meet the formal MCA eligibility criteria, the MCC Board of Directors faced the task of deciding whether to invest USG resources in a country with 22,000 poor people or 15.3 million poor people. It selected Tanzania, but not Kiribati.

<sup>224</sup> In fairness, the MCC took an important step in 2012 to increase transparency about the information that the Board of Directors takes into consideration when making (in)eligibility decisions. The corporation published a "Guide to the Supplemental Information Sheet" and a "Guide to the Compact Survey Summary", describing the types and sources of information that MCC staff provide to Board members prior to meetings on country eligibility issues.

Third, while there is evidence that all of the MCA eligibility indicators have had some degree of influence on developing country reform efforts, some indicators were more influential than others. The data presented in Chapters 3, 4, and 5 suggest that the Control of Corruption indicator has proven particularly potent. The outsized influence of this indicator—a performance criterion that all MCA candidate countries must pass in order to meet the formal Compact eligibility requirements—provides prima facie evidence that the decision to make this indicator a "hard hurdle" has prompted governments in the developing world to assign a higher level of priority to anti-corruption reform. According to the 2012 MCA Stakeholder Survey and the formally coded archival data from Chapter 3, the Business Start-Up indicator is another popular reform target. This finding is consistent with previous research and reporting that highlights the indicator's understandability and policy sensitivity as well as its appeal among investors, creditor, and donors (World Bank 2006, 2007; Newton et al. 2007; Djankov 2008; Dugger 2006, 2007; Luongo 2012). By contrast, I find that the MCC's so-called "democracy indicators"—Political Rights, Civil Liberties, and Voice and Accountability—have had significantly less influence on reform efforts in the developing world. The weakness of the MCC Effect in these policy domains may reflect the difficulty of democratic reform or the absence of a compelling political motivation for leaders to undertake reforms that might result in their removal from office.<sup>225</sup>

Fourth, I have provided evidence on variation in the MCC Effect over time. Analysis of time-varying responses from participants in the 2012 MCA Stakeholder Survey suggests that the MCA eligibility criteria exerted increasing policy influence from 2004 to 2006, declining influence from 2006 and 2008, and increasing influence from 2008 to 2010. The formally coded data from Chapter 3, at first blush, do not match this pattern: they show a general increase in the MCC-inspired reforms between 2004 and 2008, and then a downtick in 2009 and 2010. However, upon closer examination, these two different representations of the same underlying phenomenon may not be inconsistent. The fact that a survey-based measure of the MCC Effect spiked immediately following an all-time high in documented episodes of MCC-influenced reform adoption or implementation may simply demonstrate that the survey-based indicators of donor influence lag rather than lead. This interpretation of the evidence falls in line with previous research, demonstrating that perceptions of government policy and performance lag reality (Knack 2007; Kenny et al. 2011).<sup>226</sup>

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<sup>225</sup> This finding also suggests the need to temper expectations regarding the likely policy influence of the MCC's new democratic rights "hard hurdle" (Dunning 2011).

<sup>226</sup> In a 2012 study published in the *European Economic Review*, several scholars from University of Göttingen, Heidelberg University, and the Kiel Institute for the World Economy report results that suggest the policy influence of the MCA eligibility criteria—in particular, the Control of Corruption standard—has waned over time (Öhler et al. 2012).

Fifth, I find that the policy influence of the MCA eligibility criteria vis-à-vis other reform promotion tools is strong. When participants in the 2012 MCA Stakeholder Survey were asked to identify the external assessments of government performance that had the greatest influence on the direction of their own government (or, in the case of USG respondents, their host government), they ranked the MCA eligibility criteria as one of the most influential assessments. The MCA eligibility criteria were reported as being more influential than IMF country assessments of macroeconomic performance, the World Bank's *Doing Business* Report, the World Bank's Country Policy and Institutional Assessment (CPIA) and Performance-Based Resource Allocation System, HIPC Decision Points and Completion Points, the Global Fund's Grant Scorecards, and Transparency International's *Corruption Perceptions Index*, among others. The observed variation in which external assessments were reported as having the most policy influence also suggests that efforts to address performance shortcomings, as measured in these external assessments, may have more to do with signaling credibility to investors, creditors, and donor agencies than directly influencing specific aid allocation decisions (Andrews 2013).

Sixth, I find little evidence to substantiate concerns that MCA-inspired reforms are quickly unwound or abandoned (de Renzio and Woods 2008; Brown and Tirnauer 2009; Pham 2009). Of the 832 MCA-inspired reforms that participants in the 2012 MCA Stakeholder Survey were able to identify, 606—or approximately 73%—have reportedly been sustained. Although relatively little time has elapsed since the adoption or implementation of many of these MCA-inspired reforms, this preliminary evidence on sustainability is encouraging.<sup>227</sup> A substantial majority of participants in the 2012 MCA Stakeholder Survey (61%) also agreed that the USG's use of the MCA eligibility criteria "reduced the likelihood that the government would renege on earlier policy commitments or reverse

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However, Öhler et al. (2012) rely on a outcome-based measure (the WBI Control of Corruption index) rather than directly observing policy actions and decisions taken to achieve or maintain MCA eligibility. They also use a proxy for anti-corruption policy performance that is notoriously noisy and difficult to use to accurately track changes over time (Arndt and Oman 2006; Knack 2007; Andrews 2013). Consider Peru's performance on the WBI Control of Corruption index. In 2000, the Peruvian government published a huge store of videos documenting illicit transactions between Peru's secret policy chief, Vladimiro Montesinos Torres, and a large number of public officials (McMillan and Zoido 2004). The so-called "vladivideos" implicated more than 1600 senior government officials in a massive, nationwide corruption scandal (Kenny et al. 2011). While corruption was by all accounts flourishing during the 1990s under the Fujimori administration (and Montesinos' "shadow government"), one can see very clearly that the WBI Control of Corruption index did not plummet until the Montesinos scandal broke in 2000. The fact that corruption perceptions often lag reality casts considerable doubt on whether Öhler et al. (2012) are measuring the longitudinal variation they think they are measuring. Additionally, given that the composition of the sources of information feeding into WBI's omnibus Control of Corruption index changes over time, scholars have questioned whether the index effectively measures increases and decreases in performance (Knack 2007).

<sup>227</sup> I also uncovered important variation in the durability of MCA-inspired reforms across policy domains. Social sector reforms appear to be among the least durable reforms, while democracy reforms seem to be "stickier". A productive avenue for future research would be accounting for this variation in reform durability across policy domains.



previously adopted reforms." At the same time, deeper analysis of individual country cases revealed that few MCC-inspired reforms have been expanded or accelerated over time, which should give pause to policymakers and scholars who are interested in the influence of conditionality and socialization tools. This preliminary finding begs further exploration and analysis, but it should also prompt reflection and discussion about what constitutes an *effective* reform promotion tool. I address this issue at greater length below.

Finally, this thesis provides systematic evidence on the *drivers* of the MCC Effect—across countries, policy domains, and time. The evidence suggests that democracy, reliance on foreign aid revenue, the political commitment of the chief executive to MCA-related reforms, the scope for reform in a particular policy domain, the provision of MCC reform assistance, the existence of a technocratic reform team, the determinacy of MCA policy conditions, and the level of priority assigned by the MCC to particular policy conditions all seem to increase the probability that a government will adopt or implement reform in response to the MCA eligibility criteria. By contrast, veto players, access to natural resource revenues, the receipt of U.S. military aid, voting similarity with the U.S. in the U.N. General Assembly, and the recent experience of a democratic transition seem reduce the likelihood that a government will adopt or implement an MCA-inspired or -influenced reform. Ethno-linguistic fractionalization, the relative financial significance of the MCA reward, and the quest for domestic legitimacy have no discernible influence on the probability of a reform response to the MCA eligibility criteria.

## **6.2 What Have We Learned About the Uptake and Impact of Conditionality and Socialization Tools?**

The central theoretical and empirical contribution of this thesis is its demonstration that embedded autonomy of senior government policymakers in developing countries is a key determinant of whether, when, and how externally-sponsored or -inspired reforms get implemented. In this regard, this thesis calls to attention an important, but underappreciated factor that shapes the successful implementation of externally-sponsored or -inspired reforms in developing countries: the presence of a change management team that has sufficient autonomy to introduce disruptive changes to the status quo, but also sufficient embeddedness to overcome domestic (political) obstacles to implementation. This finding dovetails nicely with new research emphasizing the importance of multi-agent leadership (Andrews 2013), network brokerage (Heaney 2006; Christopoulos and Quaglia 2009; Robins et al. 2012), and institutional entrepreneurship (Greenwood and Suddaby 2006). Apart from demonstrating that embedded autonomy can be measured and that it helps predict externally-inspired reform responses across time and space, I have sought to explain the



primary causal mechanism through which embedded autonomy facilitates change. I argue that when one expands the circle of decision-makers and stakeholders involved in the reform process, the probability of successful implementation increases. This is consistent with the argument presented in Jacoby (2006: 638) that reform is more likely—and more successful—when one makes it "the business of a wider range of insiders."

The apparent significance of embedded autonomy poses a challenge to the more simplistic notion that the presence of "visionary leaders" is a key determinant of reform implementation. Consider, by way of example, a 1993 essay penned by Arnold Harberger—a Distinguished Professor of Economics at UCLA, intellectual mentor to Chile's "Chicago Boys" during the Pinochet administration, and former Chief Economic Adviser to USAID—in *The American Economic Review*. In his essay, entitled *Secrets of Success: A Handful of Heroes*, Harberger wrote that "there is today a substantial consensus that much of the credit for the so-called 'Brazilian Miracle'... belongs to Roberto Campos, whose term as planning minister ended before the miracle started. Og Leme, one of Campos's collaborators, affirms that his actions were guided by conviction, courage, and determination and were carried out in spite of adverse circumstances and at high personal cost. ... Campos cut public expenditures sharply, turning other ministers plus governors and mayors against him. He raised public-utility rates, together with the ire of those who had to pay them. He raised fiscal revenues, particularly through more effective tax administration, to the dismay of taxpayers. He ended rent controls on offices, shops, and dwelling units, making yet another set of enemies. And so the story goes on. A new wage policy, a new policy of severance pay, adoption of a system of monetary correction for tax and other purposes, a devaluation of the currency to achieve an appropriate equilibrium real exchange rate, a thorough reduction of tariffs and other trade restrictions, a major reorganization of Brazil's financial system. All of these were major reforms; each made a new set of enemies for Campos, and each was important in laying the groundwork for the Brazilian miracle to come" (Harberger 1993; 343-344). After reviewing economic reform programs overseen by seven leaders in five Latin American countries, Harberger concludes (1993: 349) that "[b]ut for each of these people, the history of his country would be different."

Harberger is not alone in assigning much of the credit for successful reform implementation to "lone champions" (Andrews 2013: 193).<sup>228</sup> Williamson and Haggard (1994) and Looney et al. (1998) conclude that the presence of a "visionary leader" is a key determinant of reform

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<sup>228</sup> Chwioroth (2007) is an exception. He measures the extent to which a government's senior economic policymaking team received professional training in neoclassical economics. His proxy for the government's senior economic policymaking team is the Minister of Finance and the Central Bank Governor.

implementation. In an analysis of more than 500 leaders and 70 countries over a period of 32 years, Dreher et al. (2007) find that heads of government who have professional backgrounds as scientists, economists, entrepreneurs are more successful at adopting free market reforms than other political leaders. Göhlmann and Vaubel (2007) and Farvaque et al. (2009, 2011) find that central bank governors with previous experience working for a central bank are more successful at taming inflation. Mikosch (2011) find that governments are more fiscally-disciplined when they are run by political leaders with economics training.<sup>229</sup> Flores et al. (2013) find that more technocratic heads of state are more successful at securing IMF programs than non-technocratic heads of state.

Western aid agencies and international organizations also consider the presence of a "lone champion" to be an essential ingredient for reform success (Abonyi et al. 2013:81; IMF and World Bank 2013a). A 2012 World Bank report on public financial management reform in fragile states notes that "[w]ith regard to political leadership and [public financial management] reform, one mechanism that can transform high-level political commitment into concrete action is the choice of the country's finance minister" (World Bank 2012a:19).<sup>230</sup> A 2013 World Bank "toolkit" for practitioners who work on business registration issues notes states that "a high-level political champion can play a central role in business registration reform. In many highly successful registration reforms, the changes have been requested by ministers or even in some cases by the head of the state" (World Bank 2013a: ix). A 2007 evaluation of program lending undertaken by the Asian Development Bank's Operations Evaluation Department (OED) arrives at the following recommendation: [b]acking an influential reform champion helps to design and implement reforms and manage opposition or reluctant stakeholders" (ADB 2007: 30).

The research presented in this thesis demonstrates that "lone champions" matter, but unless they can also access, activate, and leverage ties with domestic political actors and networks, they usually run into major implementation obstacles. I have attempted to demonstrate that policymaking teams in developing countries need to be sufficiently autonomous to push for disruptive changes to the status quo, but they also need to be sufficiently embedded in domestic political networks to overcome opposition to reform. Peter Evans' landmark 1995 study drew attention to the importance of embedded autonomy, but unfortunately it did not prompt a productive, long-term research program

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<sup>229</sup> Moessinger (2012) reports that as a finance minister's cabinet-level experience increases, her likelihood of reducing the public debt to GDP ratio also increases.

<sup>230</sup> A joint 2013 IMF- World Bank paper on debt management reform suggests that there are several key ingredients for successful reform implementation, one of which is "a local champion who can drive the process forward. In a debt management project this support must come from the minister or the deputy minister of finance" (IMF and World Bank 2013).

or inspire significant efforts to measure embedded autonomy and test its effects or its scope conditions (Evans 1995). In this regard, my thesis advances our collective understanding of embedded autonomy and its consequences.

On the other hand, my thesis leaves a key question unanswered: *why* policymaking teams with high levels of autonomy and low-to-moderate levels of embeddedness are systematically more likely to instigate and successfully implement status quo-altering reforms. There are two potential causal mechanisms that may be at work: (1) change management teams with these attributes may be more adept at formulating and promoting bridge-building policy *ideas* among domestic political actors who would otherwise impede reform efforts; or (2) change management teams with these attributes may be more effective at forging domestic political coalitions – that is, bringing the *interests* of various domestic political actors more closely into alignment – in support of reform and/or neutralizing opposition from actors whose favor the status quo. This fundamental question of how embedded autonomy works is an important research frontier that demands further empirical inquiry.<sup>231</sup> Better understanding the causal processes through which embedded autonomy affects reform also has significant implications for the debate over whether and to what extent the longstanding divide between interest- and idea-based theories is contrived. (Tierney, Thompson, and Weaver forthcoming).

### **6.3 Why Should Development Policymakers and Practitioners Pay Attention?**

The findings of my thesis also have significant implications for development finance institutions seeking to bolster reform efforts in the developing world. Aid agencies and international organizations are often eager to ally themselves with a small number of reform champions in the executive branch with whom they share causal and principled development policy beliefs. The presence of a "sympathetic interlocutor" can help align expectations about the appropriateness and likely impact of a given policy choice, thereby facilitating cooperation (Chwieroth 2007, 2009, 2010; also see Kahler 1992; Corrales 2006; and Momani 2005b).

At the same time, this approach can create dangerous "blind spots" that steer development finance institutions towards diagnoses of problems and policy recommendations that rest of fragile empirical foundations. Western development finance institutions and their sympathetic interlocutors

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<sup>231</sup> Mapping policy networks within countries to better understand the causes and consequence of network brokerage is another approach that holds particular promise (Henning and Krampe 2013; Krampe and Henning 2013; Rice and Parks 2013).

often have a limited understanding of the very domestic political economies in which they operate (Jacoby 2006; Hyden 2008; Booth and Golooba-Mutebi 2009; Andrews 2013). Their autonomy is therefore both an asset and a liability. It is an asset in that it allows them to import new ideas that can disrupt the domestic political status quo. However, it is a liability in the sense that being autonomous from the domestic political scene implies a certain degree of political amateurism (Moessinger 2012; Andrews 2013), and effective change management requires an understanding of the local actors, institutions, and incentives that instigate and impede change (Warrener 2004; Dahl-Østergaard et al. 2005; Coudouel et al. 2006; Hyden 2008; Unsworth 2009; Bjuremalm 2009; DFID 2009; Duncan and Williams 2010).

This begs the broader question of how development finance institutions (DFIs) should engage governments on issues of policy and institutional reform. The temptations to work with a small number of senior decision-makers in the executive branch are strong. Developing country governments often appoint a single point of contact to liaise with a given DFI on policy and programming issues. Many DFIs also have internal procedures and norms that limit interactions with developing country governments to a limited number of key decision-makers—in particular, the President, the Prime Minister, the Minister of Finance, and/or the Minister of Planning—who can "speak on behalf of the government." Apart from these protocol considerations, DFIs often face a reality in which developing country institutions are weak and decision-making power rests in the hands of few (Acemoglu and Robinson 2012); thus, efforts to seriously engage a wider set of government officials might be seen as a fool's errand (Andrews 2013). Perhaps most importantly, the policy reform market—where DFIs are buyers and developing country governments are sellers—more closely resembles a seller's market than a buyer's market. Buyers are therefore eager to engage new sellers when they emerge. Windows of opportunity for reform are transitory, so when a group of reform-minded executive branch officials come to power, DFIs usually want to "strike while the iron is hot." These underlying policy reform market conditions promote an on-again-off-again pattern of engagement with developing country governments and a pattern of halting, discontinuous progress across policy domains (The Economist 1997; Wroe 2012; Resnick 2012).

Consider the MCC's interactions with the Government of Malawi between 2004 and 2013. Bingu wa Mutharika assumed the Presidency only a few short months after the MCC opened its doors in 2004. Mutharika was widely regarded as a reformer. He received a PhD in Development Economics from a U.S. university, worked for various international organizations, including the World Bank, UNECA, and COMESA, and was credited with an array of impressive

accomplishments as Minister of Economic Planning and Development from 2002 to 2004 and Deputy Governor of the Reserve Bank of Malawi from 2001 to 2002. Mutharika was by most accounts a strong counterpart for the MCC (Lucas 2005; MSI 2009; Mutharika 2009). His administration worked closely with MCC and USAID counterparts to put in place an integrated financial management system and ensure passage of anti-money laundering legislation (MSI 2009). The domestic authorities also implemented a set of policy measures to reduce the time and cost of business registration, thereby making it easier for new businesses and small businesses to enter the formal economy (MITPSD 2007; World Bank 2007).<sup>232</sup> Resnik (2012: 15) reports that "independent regulatory bodies to strengthen the media, such as the Media Council of Malawi (MCM), [were] reinvigorated in 2006/07 when Malawi was trying to reach the threshold criteria for the Millennium Challenge Account, and the government realized that the media sector was relatively weak."

However, by 2010, Mutharika's close relationship with the MCC and other development partners began to unravel (Kalinga and Crosby 2011). Mutharika initially drew criticism when he purchased a \$12 million dollar presidential jet (Cammack and Kelsall 2011; Cook 2013). A series of events that followed in 2010 and 2011 led to a steady deterioration in relations with the donor community. In March 2010, a gay couple was arrested for participating in an engagement ceremony. In February 2011, the government amended the Penal Code to ban lesbian acts of homosexuality and allow the Minister of Information to censor publications deemed not to be in the interests of the public. Then, in July 2010, the Mutharika administration arrested a church leader for criticizing the President and his political supporters (Resnick 2012). Similar questions about government's commitment to free speech were raised in February 2011 when the Inspector General of the Police summoned a public policy professor from Chancellor College for lecturing on civil rights and integrating examples from the Arab Spring uprisings into his curriculum (Cammack 2012). Then, in July 2011, Mutharika signed into law a bill limiting judicial review of government decisions, raising concerns about the concentration of executive power (Resnick 2012). By May 2011, a few donors began to withdraw their support (Sonani 2011; Resnick 2012). However, for many development partners the straw that broke the camel's back was a violent government crackdown on public protesters on 20 July 2011, resulting in the arrest of 500 people and 19 deaths. The MCC, in particular, had seen enough; it halted all programmatic operations related to Malawi's \$350 million Compact in July 2011.<sup>233</sup>

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<sup>232</sup> I independently confirmed this point with a member of the IFC's Doing Business team on 16 March 2007.

<sup>233</sup> MCC's Board of Directors placed an "operational hold" on Malawi's \$350 million Compact in July 2011. The Board formally suspended the Malawi Compact in March 2012.

In April 2012, President Mutharika died of a heart attack, and his Vice President and political rival, Joyce Banda, assumed the Presidency. Banda moved quickly to restore the confidence of the MCC and the country's other development partners (Shryock 2012). She addressed a key IMF demand by devaluing the country's currency. She suspended an anti-homosexuality law and backed parliament's repeal of media censorship legislation (Cook 2013). Additionally, in a move steeped in symbolism, she directed her administration to sell the presidential jet and a large fleet of Mercedes limousines (Laing and McElroy 2012). The MCC moved with alacrity to reinstate Malawi's Compact eligibility. Shortly after the June 2012 reinstatement, MCC CEO Daniel Yohannes told *The Washington Post*, "She's very genuine and truly committed. ... I didn't expect these changes to happen within 90 days of taking office" (Raghavan 2012).

This example of the on-again-off-again nature of donor engagement in Malawi calls to attention the central dynamic animating relations between buyers and sellers of policy reform. DFIs are quick to rally behind "visionary leaders" like Bingu wa Mutharika and Joyce Banda because they operate in a seller's market for policy reform. However, in the rush to jump on the visionary leader bandwagon, DFIs are usually loath to critically assess how their new counterpart(s) will engage domestic political actors and networks to introduce disruptive reform measures that will fundamentally change the status quo.

In fairness, some DFIs have recently taken steps to improve their own "situational awareness" in partner countries by investing in country-specific political economy analysis. DFID has pioneered the "Drivers of Change" approach to political economy analysis to better understand pro-poor reform opportunities, incentives and obstacles (Warrener 2004; Chhotray and Hume 2007). The Dutch Ministry of Foreign Affairs has developed a Strategic Governance And Corruption Analysis (SGACA), which focuses on the formal and informal factors that shape state-society relations. The Swedish International Development Agency has introduced "Power Analysis" to understand where power lies, how it is distributed, and how it is employed (Bjuremalm 2006). In order to anticipate the likely "winners" and "losers" or particular policy reforms, the World Bank has also developed a methodology to support Poverty and Social Impact Analysis (World Bank 2003). Yet we know very little about whether these studies are changing the policy and programming decisions of DFIs. Grindle (2011: 417) has posed the right set of questions: "Do new frameworks that purport to lead to better decisions about what to do and how to do it actually identify important constraints and appropriate next steps? Do they provide effective guidance on what is likely to work and what is



not likely to result in policy or institutional reform? Do they distinguish between aspects of a context that can be changed and those that are resistant to change? Where they have been applied, have they led to good results?" These questions remain largely unanswered and represent productive avenues for future research.

## 6.4 Measuring the Influence and Impact of Conditionality and Socialization Tools: Future Directions and Challenges

### 6.4.1 Accounting for the "Seesaw Effect"

The evidence presented in this thesis strongly suggests that external tools of policy influence, such as the MCA eligibility criteria, can provoke significant reform responses from governments in developing countries. However, if one accepts the claim that the material or reputational incentive of MCA eligibility has resulted in reforms that would not have otherwise occurred by altering the cost-benefit calculations of developing country decision-makers, the question that logically follows is what will happen when the MCC—or any other aid agency and international organization for that matter—stops manipulating the cost-benefit calculation of a given developing country government. The same logic that rationalists employ to explain the effectiveness of conditionality suggests that the very same approach may fail unless it is sustained in perpetuity (Sedelmeier 2012). This is particularly relevant for countries that secure a large financial reward—that is, an MCC Compact—after undertaking reforms to become Compact-eligible (Herrling et al. 2009).

My findings suggest that relatively few MCC-inspired reforms are abandoned or reversed. Participants in the 2012 MCA Stakeholder Survey reported that approximately 73% of MCA-inspired reforms have been sustained over time. Process tracing of 5 randomly sampled MCA-inspired reforms (identified by participants in the 2012 MCA Stakeholder Survey) independently confirmed this point. However, in-depth qualitative analysis of five separate cases also revealed that very few of the reforms (1 out of 5) were *accelerated* or *expanded* after being initiated. Thus, before popping any champagne corks and celebrating the MCC Effect as an unqualified success, we should probably devote significantly more effort to rigorous analysis of the *long-run* value of policy instruments, such as the MCA eligibility criteria, used by governments and IOs to promote reform in the developing world.

The parallel—and ultimately interdependent—cases of health care reform and anti-corruption reform in Sierra Leone underscore the need to be careful about drawing inferences about the influence of the MCA eligibility criteria on long-run social, economic, environmental, and



governance outcomes. According to the MCC, "[t]he Government of Sierra Leone began engaging regularly with MCC in 2006. At the time, Sierra Leone was only three years removed from its civil war and passed just six indicators on MCC's scorecard. Between 2006 and 2013, the Government of Sierra Leone intensively engaged with [third party] indicator institutions to learn more about its performance and how to improve" (MCC 2013a; also see Hayes-Birchler 2012; Sesay 2012; State House 2012).

The GOSL has publicly and privately acknowledged that the MCC significantly influenced its reform efforts (Perry 2008; MCC 2009b; Kanu and Tejan-Jalloh 2013).<sup>234</sup> In December 2008, roughly one year after being elected, President Ernest Bai Koroma sent a letter to the then-CEO of the Millennium Challenge Corporation, John Danilovich. President Koroma pointed out in this letter that "we have increased our 2009 budgetary allocation for both 'Health Expenditure' and 'Primary Education Expenditure' by about 25% giving us the confidence that as related to the Gross Domestic Product (GDP) we may have improved upon this ratio and may be passing both of these indices by next year as will be reflected in the 2010 [MCC] scorecard" (Koroma 2008).<sup>235</sup> In September 2009, on the sidelines of the U.N. General Assembly in New York City, Sierra Leone's Minister of Political Affairs and Mineral Resources announced that "we are hoping that we'll do two or three more [indicators] this year so that we can reach the [MCA] eligibility criteria" (MCC 2009b). He also pointed out that "[t]he essence [of this trip] was to afford me an opportunity to meet and talk with those people who take critical decision on the activities of the MCC i.e. the Secretary of State and the CEO of the MCC" (Kamara 2009). In 2013, after securing MCA Compact eligibility, Sierra Leone's Presidential Spokesperson said "we are here today ...because we have followed the roadmap of the MCC—a road map President Koroma has established for all his ministers as a performance-tracking system" (Kanu and Tejan-Jalloh 2013).<sup>236</sup>

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<sup>234</sup> I independent confirmed this point with a senior official in the President's Office ("State House") on 01 August 2013.

<sup>235</sup> President Koroma also acknowledged that "we are clear on the fact that the MCC indicators are policy driven and that is why we believe they can be improved upon. The Government of Sierra Leone is committed to initiating and implementing legislation to ensure that we meet the requirements set forth by the MCC as we try to identify and select our own priorities for achieving sustainable economic growth and poverty reduction." (Koroma 2008).

<sup>236</sup> President Koroma and his Chief of Staff, Dr. Kaifala Marah, established a Policy Benchmarking Desk in the Presidency to track data and shepherd reform efforts related to the GOSL's performance on the MCA eligibility criteria. I confirmed this point through correspondence with a senior official in the President's Office ("State House") on 01 August 2013.

By all accounts, the reform efforts of the GOSL bore significant fruit. Additional resources were pumped into the health sector. A signature initiative was launched to make health care for pregnant women free.<sup>237</sup> Stronger monitoring and evaluation systems were put in place to track progress (Scharff 2012). In a short span of time, health care center utilization rates spiked, immunization rates shot up, and child mortality rates declined (MCC 2013a). At the same time, the GOSL intensified its anti-corruption drive by passing new legislation, putting in place an asset and income declaration system, empowering the Anti-Corruption Commission with prosecutorial powers and the authority to freeze assets, and stepping up efforts to enforce the law. Sierra Leone's performance on the World Bank's "public sector management and institutions" indicator showed steady improvement from 2008 to 2011.<sup>238</sup> Similar progress was registered on the World Bank Institute's Control of Corruption Index, Transparency International's Corruption Perceptions Index, and the Mo Ibrahim Index of African Governance during this period.

However, the GOSL's progress on one front eventually had the effect of unraveling gains made on another front. In April 2013, the *New York Times* reported that the country's newly-empowered Anti-Corruption Commission had indicted 29 senior GOSL health policy officials for misappropriating external funds from the GAVI Alliance (Nossiter 2013). Investigations revealed evidence of kickbacks to suppliers and senior health policy officials maintaining lifestyles that did not comport with their formal income or assets. Included among the indicted was the country's Chief Medical Officer, who was responsible for spearheading the government's primary health care reform efforts between 2009 and 2013 (Scharff 2012).

The point of this example is not to suggest that anti-corruption reform succeeded and health care reform failed in Sierra Leone. Reform is a *process* and the impacts of reform are best measured over a period of decades, rather than years. The 2013 corruption scandal is only one chapter in the evolving story of health care reform in Sierra Leone, and there is no way to know how this story will end. While it is very possible that the scandal could dismantle the team responsible for overseeing primary health care reform efforts and thereby slow progress, it is also possible that this flash point could trigger a new wave of policy and institutional changes that make primary health

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<sup>237</sup> As evidence of its incentive effect, the MCC cites the fact that the Government of Sierra Leone (GOSL) "increased public health expenditures from 2.2 percent to 3.2 percent of gross domestic product and increased immunization coverage from 65 percent to 82 percent" (MCC 2013a).

<sup>238</sup> The public sector management and institutions "cluster" of the World Bank's Country Policy and Institutional Assessment (CPIA) draws on four separate indicators of property rights and rule-based governance, quality of budgetary and financial management, efficiency of revenue mobilization, quality of public administration, and transparency, accountability, and corruption in the public sector.

care in Sierra Leone more affordable and effective. Likewise, while recent anti-corruption reforms may be sustained, they could easily be undermined or unwound. The reform process is non-linear and fraught with risk and uncertainty.

Thus, when thinking about the influence of external actors and incentives, it is important to remember that development finance institutions and international organizations can help nudge governments in the direction of reform, but the process of reform is complex, time-consuming, and non-linear even for the most well-intentioned developing country officials. In the absence of data on the persistence of reform gains initially achieved with external support or motivation, scholars and policymakers must be careful not to draw strong inferences about the *long-run impacts* of reform incentives put in place by external actors. The MCC may have strengthened the resolve of GOSL officials to pursue healthcare and anti-corruption efforts, but it is too early to say whether the MCC's influence will result in durable governance or healthcare provision improvements.<sup>239</sup>

#### 6.4.2 Are Reform Promotion Tools Creating Policy Distortions and Perverse Incentives?

Another exceptionally important question that is beyond the scope of this thesis, but merits close attention, is whether DFIs and IOs are incentivizing the *right kinds of reforms*. There is broad skepticism among economists, political scientists, and organizational sociologists about the ability of aid agencies and international organizations to effectively export models of reform and institutional development from one country context to another (Haggard et al. 2008; Grindle 2004; Evans 2004; Rodrik 2000, 2005; Adler et al. 2009; Andrews 2009, 2010; Swidler and Watkins 2008; Booth 2011).

The complexity of this issue can be seen in the donor-sponsored efforts to ease the entry of businesses into the formal economy by reducing the time, cost, and procedural complexity of business registration. The presence of a well-functioning public institution that makes it easy for businesses to enter the formal economy is widely regarded as a good investment in institutional infrastructure that facilitates entrepreneurship and economic growth (World Bank 2005; Arruñada 2012). Easing entry into the formal economy increases competition, stimulates investment, broadens the tax base, and makes it easier for businesses to gain access to credit (De Soto 1998; Djankov et al. 2002; Djankov et al. 2006; Klapper et al. 2006; Antunes and Cavalcanti 2007).

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<sup>239</sup> The irony is that it may very well have been the influx of external money—prompted by the government's apparently strong commitment to primary health care reform—that created temptations for GOSL healthcare reformers to engage in illicit activities (Nossiter 2013). Acemoglu et al. (2008) argues that this "seesaw effect" between progress in one policy domain and another is a defining feature of the reform process.

This has led to extensive efforts by DFIs and IOs to lower business registration fees and minimum capital requirements, introduce "silence is consent" approval procedures, standardize incorporation documents, places more administrative steps online, and introduce one-stop shops for business registration (World Bank 2013a). However, in developing countries with political systems characterized by low levels of political and economic competition, elites often seek to limit new entrants into the economy in order to preserve the existing distribution of privileges and rents (North et al. 2007).<sup>240</sup> It is therefore not unusual for incumbent firms that benefit from the status quo—or public officials, notaries, accountants, lawyers and registration agents who extract rents from the existing system—to openly or quietly resist externally-sponsored business registration reform efforts (Kikeri et al. 2006; Djankov 2009; World Bank 2013a).

Some analysts point to an even more insidious behavioral pattern in which developing countries adopt Western or “modern” institutional forms that mask underlying institutional dysfunction (Pritchett et al. 2010; Andrews 2012). This behavioral pattern, which organizational sociologists have termed “isomorphic mimicry” (DiMaggio and Powell 1983), can be exacerbated by international actors that short-circuit the institutional development process by rewarding countries for the adoption of “international best practices” that may or may not be consistent with the interests or capabilities of local actors and institutions (Pritchett et al. 2010). Developing country elites may engage in elaborate and costly efforts to imitate “modern” policies and practices in order to satisfy external funders and ensure the continued supply of aid (Samuel 2012).

Returning to our example of business registration reform, Arruñada (2007, 2012) argues that while the World Bank's *Doing Business* report has created strong external incentives for governments to improve their *scores* on international measures of business registration ease, it has not encouraged governments to take steps that would actually ease business entry. Instead, he claims that developing country governments are "carrying out the usual window-dressing with regard to the functioning of their institutions" (Arruñada 2007: 732). Hallward-Driemeier and Pritchett (2011) level a similar critique, noting that de facto and de jure measures of the business environment bear a weak statistical relationship to each other.

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<sup>240</sup> Donor-sponsored efforts to introduce institutional reforms that increase competition and allocate public goods and services according to transparent, impersonal, and impartial criteria often fail because they do not recognize that political stability in many poor countries is based on elite preferences to maintain the existing distribution of rents (Bueno de Mesquita et al. 2003; North et al. 2007; Bates 2009).

The case of Afghanistan is instructive. Several years after the fall of the Taliban, USAID launched an a business climate reform program in partnership with Afghanistan's Ministry of Commerce of Industry, the Afghan Investment Support Agency, and the municipality of Kabul. This program, which was still active in 2013, set out to improve the Government of Afghanistan's performance on the Doing Business indicators, as "[i]mproving Afghanistan's [*Doing Business*] ranking is critical for increasing private sector investment" (USAID Afghanistan 2012). By 2007, Afghanistan ranked 17th worldwide on the Doing Business Report's ease of business start-up index (Arruñada 2007). However, starting and operating a new business in Afghanistan remains very difficult because of the need for expensive expeditors and a time-consuming licensing process that begins after legal incorporation (Channel 2008). IEG (2008: 28) cites Afghanistan's business start-up efforts as a "paper" reform, noting that the Afghan authorities "simply pushed all important procedures to a stage after the legal registration of a business."

But isomorphic mimicry and other perverse incentives to implement cosmetic changes do not plague all countries, sectors, and projects. Therefore, the real challenge for researchers going forward is to explain why and under what conditions externally-influenced or -inspired reforms have positive, negligible, or counterproductive effects on long-run social, economic, environmental, and governance outcomes. Also, one must remember that the pursuit of de jure reforms—or government behavior that resembles "isomorphic mimicry"—need not imply opportunistic intent. Isomorphic mimicry can also be functional (Andrews 2009; Krause 2013).

By way of illustration, consider Niger. Irrespective of extrinsic incentives that donors and IOs have put in place to encourage the domestic authorities to pursue reforms, there are a wide range of daunting obstacles to deep, status quo-altering reform in Niger (BTI 2012; World Bank 2013c). The government in Niamey has access to limited financial and human resources. Harsh weather conditions deter some of the best outside experts from working or staying too long in Niger. The country is plagued by political instability. Aid flows are volatile. Even the best-intentioned Government of Niger (GON) officials must pursue reform under an extraordinarily difficult set of initial conditions.

In spite of these obstacles, the GON tapped Ari Malla, the Chief of Staff to the Prime Minister, in 2006 as its point person for the identification and pursuit of reforms that would help the country achieve and maintain MCA eligibility (MCC 2013a).<sup>241</sup> Malla shepherded domestic efforts to,

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<sup>241</sup> I independently confirmed this point with a senior official in Niger's Presidency in July 2013. Also see MCC 2013a.

among other things, create Africa's largest nature reserve (the Termit and Tin Toumma National Nature Reserve), establish a National Commission for the Fight against Trafficking in Persons (CNCLTP), and slash business registration taxes and fees by nearly 60%.<sup>242</sup> While it may be tempting to dismiss some of these activities as "paper reforms" or isomorphic mimicry, this implies some level of guile or obfuscation, which is difficult to reconcile with the evidence.<sup>243</sup> After Niger was deemed Compact-eligible by the MCC's Board of Directors in December 2012, Mr. Malla and his colleagues in the Presidency actually *intensified* their efforts to improve the country's performance on the MCA eligibility criteria. MCA Niger—a special unit in the Presidency—was authorized through a February 2013 government decree to "monitor MCC indicators during the compact formulation period so the country could maintain its eligibility" and "initiate the reforms needed for Niger to improve the MCC indicators scorecard ... during and even after the compact."<sup>244</sup> Since it entered the MCC's Compact development process, the GON has continued to pursue a policy agenda that includes customs reform, expanded budget transparency, and implementation of an anti-human trafficking action plan. Future research should therefore distinguish between (a) *de jure* reforms that serve as near-term measures to help governments initiate momentum, and (b) *de jure* reforms that serve as credibility signals to external actors (and mask underlying dysfunction). Andrews (2009) provides a useful starting point for differentiating between coercive, mimetic, and normative forms of isomorphism.

#### 6.4.3 Understanding the Impact of Non-Western Suppliers of Development Finance

Future research on the influence and effectiveness of financial and non-financial reform incentives sponsored by Western governments and IOs must also contend with rapidly changing global development finance architecture and the potentially countervailing influence of non-DAC suppliers of official finance—in particular, China, Brazil, India, Venezuela, and Saudi Arabia. Research on the MCC Effect, for example, will need to account for the fact that the MCC is one supplier in an increasingly competitive market for development finance, and many of the MCC's competitors attach few or no policy conditions to their funding. Therefore, while my initial attempt in this thesis to account for Chinese influence does not suggest that “donor shopping” has blunted the incentive effect of the MCA eligibility criteria, more analysis is needed to assess whether,

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<sup>242</sup> Author's correspondence with Halima Gambo Illo Daoura of MCA Niger on 06 July 2013. Also see MCC 2013a.

<sup>243</sup> Pritchett et al. (2010: 2), for example, describe isomorphic mimicry as a rational, but unproductive, behavioral pattern in which actors and institutions "[adopt] the camouflage of organizational forms that are successful elsewhere to hide their actual dysfunction."

<sup>244</sup> Author's correspondence with Halima Gambo Illo Daoura of MCA Niger on 06 July 2013. Also see MCC 2013a.



when, and why increased market competition strengthens or diminishes the MCC Effect (and the influence of other Western tools of conditionality and socialization).

One only needs to look to Africa to understand the degree to which the MCC and other Western donors must now compete for the time, attention, and affection of developing country officials. The recent publication of a large data store on Chinese development finance projects in Africa reveals that Beijing has a strong predilection for bankrolling the construction of presidential palaces, parliamentary buildings, and other "bricks and mortar" activities that developing country elites value (Strange et al. 2013). From 2000 to 2011, the Chinese built or refurbished presidential palaces in Sudan, Ivory Coast, Burundi, Namibia, Comoros, Uganda, Mali, Malawi, and Guinea-Bissau (Strange et al. 2013). Before his capture and death in 2011, Libyan leader Muammar Gaddafi was also fond of building hospitals, highways, universities, mosques and presidential palaces across the continent (Reuters 2010; STATFOR 2011; Kron 2011; Larson and Vogl 2011). Iran, Russia, Brazil, and Saudi Arabia have also become more aggressive in their use of aid to cement bilateral relationships with African governments (Hankins 2009; Girod and Walters 2012; Romero 2012; Worth 2013).

At the same time, it is not obvious that the presence of a Western donor cartel—or less competition from non-Western suppliers of development finance—will provide a less conducive environment for domestic reformers in developing countries seeking to enact their preferred policies. When DAC donors try to coordinate their conditionality policies, this may have the effect of reducing "policy space" and stripping reform-minded officials of the maneuverability that they require to implement changes that disrupt the domestic political economy status quo (Whitfield 2009; Winters 2012). While some research suggests that reformers may want to "tie their own hands" by yielding some measure of sovereignty to an external actor (Cottarelli and Giannini 1998; Whalley 1996; Smith 1997; Ibarra 1995; Hawkins et al. 2006; Mansfield and Pevehouse 2006), other studies suggest that deep and sustainable reform typically requires experimentation or "iterative adaptation", which in turn requires policy space and maneuverability (DFID 2003; Ellerman 2002; Grindle 2004; Rodrik 2007; Pritchett et al. 2012; Andrews 2013; Mahoney and Thelen 2010).

If one accepts the argument that maneuverability matters, then it stands to reason that increased competition between donors with varying policy preferences (i.e. DAC and non-DAC donors) will create a more propitious environment for the implementation of meaningful and durable reforms (Whitfield 2009, 2010; Kragelund 2012). In principle, more competition should give developing countries with bargaining power to secure assistance for the things they need rather than the things



that aid agencies and development banks want to provide. But the counter-argument is that, in the presence of significant competition between suppliers of development finance with varying policy preferences, the domestic authorities can "play donors off of each other" in order elude external pressures for reform and improved governance (Mosley et al. 1991; Killick et al. 1998; Hyden 2008; Pop-Eleches 2009: 99; Worth 2013). I did not find evidence to support either argument in Chapter 4. However, the geographic scope of the proxy indicator I employed is limited; it only captures financial transfers to Africa. It is also limited in that it captures development finance flows from only one non-Western supplier: China. Therefore, the issue of how increased competition in the global development finance market influences reform efforts in developing countries will almost certainly remain an important research frontier until the research community collects more comprehensive data on non-DAC development finance flows.

Tectonic shifts in the global development finance architecture also raise a broader set of questions about the appropriateness, relevance, and staying power of the MCC's performance-based aid allocation model. Over the last decade, development researchers have grown increasingly skeptical of top-down approaches to encourage better governance, such as the MCA eligibility requirements (Grindle 2007, 2011; Rodrik 2008; Andrews 2013). Goldsmith (2011: s172), for example, argues that "[w]ith the Millennium Challenge Account, the hidden cost grows out of an undue faith in one-best ways of doing things, when the reality is that 'second-best institutions' and 'good enough governance' may suffice. The universal template used by the MCA fails to take full advantage of local conditions, historical legacies and other special factors. Insofar as the selection criteria promote 'institutional monocropping', they may actually inhibit development by limiting the range of choices available to policy-makers." This concern is echoed by a long list of other scholars, including but not limited to Arruñada (2007), Chhotray and Hume (2007), Krever (2013), and Booth (2011). There is also an emerging body of evidence that suggests support for local governance interventions may be more effective than outside pressure for national-level reforms (Banerjee and Duflo 2011; Olken 2010; Ferraz and Finan 2011).

All of these points suggest that the MCC's model of performance-based aid allocation may eventually encounter a crisis of confidence and relevance. However, this thesis suggests that if one wants to know if the MCC model is still perceived as relevant and appropriate, one can and should actually ask policymakers and practitioners in developing countries what they think. After all, they are the ones who have to design and implement policy and institutional reforms under very difficult circumstances (Grindle and Thomas 1991). If the MCC's performance-based aid allocation model is

unhelpful, one would expect to observe these views in surveys of development policymakers and practitioners.

Interestingly, the 2012 MCA Stakeholder Survey suggests a yawning divide between the academy and the policy community on issues of aid conditionality and selectivity. Development policymakers and practitioners do not express the same aversion to aid conditionality and selectivity that one observes in the many quarters of the development research community. When survey respondents were asked to identify—from a list of 14 possible reforms—three changes in the way foreign assistance is allocated and delivered that they thought would be most beneficial, they identified “eliminating all forms of conditionality” as being among the *least* desirable changes to foreign assistance policy. Additionally, much of the conventional wisdom about “what will make aid more effective”—including the streamlining of administrative reporting requirements, the provision of forward-looking aid expenditure information, and a reduction in the practice of “tied aid”—did not enjoy strong support among survey respondents. Some of the most popular ideas for reforms included conditioning the provision of aid on democracy and governance issues and the use of results-based aid delivery modalities, such as the Center for Global Development’s Cash on Delivery proposal.<sup>245</sup> Respondents also identified “streamlining and coordinating conditionality policies with other donors” as one of the top five foreign assistance reforms that they thought would yield positive results. Overall, respondents expressed a preference for changes in the way donors provide assistance to developing countries that closely aligns with “the MCC model” (Herrling et al. 2009).<sup>246</sup>

Development scholars have also expressed concerns that external tools of policy influence usually result in negative unintended consequences—for example, diverting a government’s attention away from higher priority policy issues, limiting domestic policy autonomy, or creating incentives to “game the system” (Oya 2006; Chhotray and Hulme 2009; Nissanke 2010; Soederberg 2004; Arruñada 2007; Pham 2009; Delevingne 2009; Goldsmith 2011). But I find relatively little evidence to support these concerns in the survey data. Survey respondents were not particularly

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<sup>245</sup> Respondents expressed a stronger preference for tying aid to democracy and governance issues than they did tying aid to economic, social, and environmental issues. Thus, the opinions of the development policymakers and practitioners seem to align closely with the MCC’s selectivity model and strong emphasis on democracy and governance issues.

<sup>246</sup> Respondents also expressed a clear preference for several changes linked to increases in recipient government capacity and autonomy and the use of performance-based aid modalities. The alignment of development assistance with the government’s national development strategy was ranked as the single most beneficial potential change. 273 individuals—approximately 40% of all respondents—identified the alignment of donor aid with national development policy as a highly desirable policy adjustment. This finding lends support to MCC’s strong focus on country ownership (Phillips-Mandaville 2009; Wiebe 2010).

sympathetic to the notion that the MCC's approach of tying eligibility for assistance to third-party indicators of policy performance had resulted in an excessive focus on measurement and data quality issues. Similarly, respondents did not agree that the MCA eligibility criteria had the effect of limiting the "policy space" of developing country governments: more than 90 percent of respondents expressed disagreement or strong disagreement with the proposition that the MCC's performance-based aid allocation had limited the policy autonomy of governments in a negative manner.

That being said, only time will tell if the MCC's model has staying power. The findings of this study suggest that the MCC does not currently suffer from a legitimacy deficit among policymakers and practitioners in developing countries. But the USG cannot afford to rest on its laurels. The number of development finance suppliers and resource-for-reform arrangements that vie for the attention and the affection of developing country officials is rapidly rising. If the USG wants to remain competitive, relevant and influential, it will need to continually reassess the policy influence of the MCA eligibility criteria and stand ready to re-design reform promotion tools in response to changing global conditions.

# Appendix A: Methodology for Evaluating Government Responses to the MCA Eligibility Criteria

This codebook covers seven broad issues: the level and nature of government interest in the MCA eligibility criteria; reform planning activities undertaken to address the MCA eligibility criteria; the level and quality of U.S. government (USG) engagement with counterpart country officials on MCA eligibility issues; the roles that various domestic political actors play to encourage or discourage government efforts to secure or maintain MCA eligibility; the credibility of MCC's commitment to reward compliance and sanction non-compliance; the apparent influence of the MCA eligibility criteria at various stages of the reform process (e.g. agenda-setting, design, adoption, and implementation); and unintended consequences associated with MCC's efforts to promote the eligibility criteria and its own institutional interests.

## THE LEVEL AND NATURE OF INTEREST IN THE MCC ELIGIBILITY CRITERIA

### *The Domestic Political Leadership's Interest in the MCC Funding*

1. During the period of interest (2004-2010), the domestic political leadership demonstrated
  - a. a strong interest in securing or maintaining access to MCC funding.
  - b. a moderate level of interest in securing or maintaining access to MCC funding.
  - c. little or no interest in securing or maintaining access to MCC funding.
  - d. a lack of internal consensus regarding the value of attempting to secure or maintain access to MCC funding.
  - e. NA (Insufficient Information).
  
2. Did the domestic political leadership's level of interest in securing or maintaining access to MCC funding change during the period of interest (2004-2010)?
  - a. Yes, interest increased over time. Identify inflexion point: \_\_\_\_\_.
  - b. Yes, interest waned over time. Identify inflexion point: \_\_\_\_\_.
  - c. No, interest remained relatively constant.
  - d. NA (Insufficient Information).

*The Domestic Political Leadership's Interest in MCC's "Good Housekeeping Seal of Approval"*

3. During the period of interest (2004-2010), the domestic political leadership demonstrated
  - a. a strong interest in securing or maintaining the reputational benefits associated with MCA eligibility.
  - b. a moderate level of interest in securing or maintaining the reputational benefits associated with MCA eligibility.
  - c. little or no interest in securing or maintaining the reputational benefits associated with MCA eligibility.
  - d. a lack of internal consensus regarding the value of securing or maintaining the reputational benefits associated with MCA eligibility.
  - e. NA (Insufficient Information).
  
4. Did the domestic political leadership's level of interest in the reputational benefits associated with MCA eligibility change during the period of interest (2004-2010)?
  - a. Yes, interest increased over time. Identify inflexion point: \_\_\_\_\_.
  - b. Yes, interest waned over time. Identify inflexion point: \_\_\_\_\_.
  - c. No, interest remained relatively constant.
  - d. NA (Insufficient Information/Not Applicable).

*The Domestic Political Leadership's Interest in Undertaking MCA Eligibility-Related Reforms*

5. During the period of interest (2004-2010), the domestic political leadership demonstrated
  - a. a strong interest in undertaking domestic reforms to secure or maintain access to MCC funding.
  - b. a moderate level of interest in undertaking domestic reforms to secure or maintain access to MCC funding.
  - c. little or no interest in undertaking domestic reforms to secure or maintain access to MCC funding.
  - d. a lack of internal consensus regarding the value of undertaking domestic reforms to secure or maintain access to MCC funding.
  - e. NA (Insufficient Information).

6. Did the domestic political leadership's level of interest in undertaking domestic reforms to secure or maintain access to MCC funding change during the period of interest (2004-2010)?

a. Yes, interest increased over time Identify inflexion point: \_\_\_\_\_.

b. Yes, interest waned over time. Identify inflexion point: \_\_\_\_\_.

c. No, interest remained relatively constant. Identify inflexion point:

\_\_\_\_\_.

d. NA (Insufficient information).

7. During the period of interest (2004-2010), the chief executive (i.e. President or Prime Minister) demonstrated

a. a strong interest in undertaking domestic reforms to secure or maintain access to MCC funding.

b. a moderate level in undertaking domestic reforms to secure or maintain access to MCC funding.

c. little or no interest in undertaking domestic reforms to secure or maintain access to MCC funding.

d. NA (Insufficient information).

8. Did the chief executive's level of interest in undertaking domestic reforms to secure or maintain access to MCC funding change during the period of interest (2004-2010)?

a. Yes, interest increased over time. Identify inflexion point: \_\_\_\_\_.

b. Yes, interest waned over time. Identify inflexion point: \_\_\_\_\_.

c. No, interest remained relatively constant.

d. NA (Insufficient information).

## THE ROLE OF DOMESTIC POLITICAL ACTORS

9. During the period of interest (2004-2010), civil society
- broadly supported the use of the MCC eligibility criteria as a conditionality mechanism.
  - expressed differing views about the usefulness and/or appropriateness of the MCC eligibility criteria as a conditionality mechanism.
  - mostly ignored the use of the MCC eligibility criteria as a conditionality mechanism.
  - broadly opposed the use of the MCC eligibility criteria as a conditionality mechanism.
  - NA (Insufficient Information/Not Applicable).

10. Did civil society's use of the MCC eligibility criteria change during the period of interest (2004-2010)?

- Civil society's support increased over time. Identify inflexion point:  
\_\_\_\_\_.
- Civil society's support waned over time. Identify inflexion point:  
\_\_\_\_\_.
- No, interest remained relatively constant.
- NA (Insufficient Information/Not Applicable).

11. During the period of interest (2004-2010), parliamentarians

- broadly supported the use of the MCC eligibility criteria as a conditionality mechanism.
- expressed differing views about the usefulness and/or appropriateness of the MCC eligibility criteria as a conditionality mechanism.
- mostly ignored the use of the MCC eligibility criteria as a conditionality mechanism.
- broadly opposed the use of the MCC eligibility criteria as a conditionality mechanism.
- NA (Insufficient Information/Not Applicable).

12. Did parliament's use of the MCC eligibility criteria change during the period of interest (2004-2010)?

- Parliamentary support increased over time. Identify inflexion point:  
\_\_\_\_\_.



b. Parliamentary support waned over time. Identify inflexion point:

\_\_\_\_\_.

c. No, interest remained relatively constant.

d. NA (Insufficient Information/Not Applicable).

### 13. Private media outlets

a. often used the country's MCA scorecard to monitor government performance and/or advocate for reform.

b. sporadically used the country's MCA scorecard to monitor government performance and/or advocate for reform.

c. did not use the country's MCA scorecard to monitor government performance and/or advocate for reform.

d. expressed differing views about the usefulness and/or appropriateness of the MCA eligibility criteria.

e. NA (Insufficient Information/Not Applicable).

### 14. Did private media's use of the MCC eligibility criteria change during the period of interest (2004-2010)?

a. Private media interest increased over time. Identify inflexion point:

\_\_\_\_\_.

b. Private media interest waned over time. Identify inflexion point:

\_\_\_\_\_.

c. No, interest remained relatively constant.

d. NA (Insufficient Information/Not Applicable).

### *Executive Branch Policymakers and the MCA Eligibility Criteria*

### 15. Leading policymakers within the executive branch

a. appealed to the MCA eligibility standards to overcome domestic opposition to reform (e.g. by using the prospect of significant MCC funding to build broader coalitions of support for reform).

- b. paid little or no attention to the MCA eligibility standards or made no efforts to use the MCA eligibility standards to overcome domestic/internal opposition to reform.
- c. expressed differing views about the usefulness and/or appropriateness of the MCA eligibility criteria.
- d. NA (Insufficient information/Not Applicable).

16. Did use of the MCC eligibility criteria change during the period of interest (2004-2010)?

- a. Use of the MCA eligibility standards by domestic reformers in the executive branch increased over time. Identify inflexion point: \_\_\_\_\_.
- b. Use of the MCA eligibility standards by domestic reformers in the executive branch waned over time. Identify inflexion point: \_\_\_\_\_.
- c. No, interest remained relatively constant.
- d. NA (Insufficient Information/Not Applicable).

## LEVEL AND QUALITY OF USG ENGAGEMENT

17. During the period of interest (2004-2010), was there a US Embassy in the country of interest?

- a. Yes.
- b. No.
- c. Yes, but not for the entire 2004-2010 period. Identify time period:

\_\_\_\_\_.

- d. NA (Insufficient information).

18. If you answered "Yes" to question #17, select the statement that best characterizes the nature of the U.S. Embassy's engagement in efforts to help the host government secure or maintain MCA eligibility?

- a. The U.S. Embassy actively supported and directly engaged in efforts to help the host government secure or maintain MCA eligibility.
- b. In principle, the U.S. Embassy supported efforts to help the host government secure or maintain MCA eligibility. However, in practice, the U.S. Embassy was either unwilling or unable to substantially engage in efforts to help the host government achieve or maintain MCA eligibility.
- c. The U.S. Embassy chose not to engage the domestic authorities on MCA eligibility issues.
- d. NA (Insufficient information/Not Applicable)

19. During the period of interest (2004-2010), was there a USAID Mission in the country?

- a. Yes.
- b. No.
- c. Yes, but not for the entire 2004-2010 period. Identify time period:

\_\_\_\_\_.

- d. NA (Insufficient information)

20. If you answered "Yes" to question #19, select the statement that best characterizes the nature of the local USAID mission's engagement in efforts to help the host government secure or maintain MCA eligibility?

- a. The local USAID mission actively supported and directly engaged in efforts to help the host government secure or maintain MCA eligibility.
- b. In principle, the local USAID mission supported efforts to help the host government secure or maintain MCA eligibility. However, in practice, the local USAID mission was either unwilling or unable to substantially engage in efforts to help the host government achieve or maintain MCA eligibility.
- c. The local USAID mission chose not to engage the domestic authorities on MCA eligibility issues.
- d. NA (Insufficient information/Not Applicable).

21. During the period of interest (2004-2010), was there an MCC resident country mission in the country of interest?

- a. Yes.
- b. No.
- c. Yes, but not for the entire 2004-2010 period. Identify time period:  
\_\_\_\_\_.
- d. NA (Insufficient information).

22. If you answered "Yes" to question #21, select the statement that best characterizes the nature of the MCC resident country mission's engagement in efforts to help the host government secure or maintain MCA eligibility?

- a. The MCC resident country mission actively supported and directly engaged in efforts to help the host government secure or maintain MCA eligibility.
- b. In principle, the MCC resident country mission supported efforts to help the host government secure or maintain MCA eligibility. However, in practice, the MCC resident country mission was either unwilling or unable to substantially engage in efforts to help the host government achieve or maintain MCA eligibility.
- c. The MCC resident country mission chose not to engage the domestic authorities on MCA eligibility issues.
- d. NA (Insufficient information/Not Applicable).

23. During the period of interest (2004-2010), did the domestic authorities ever receive an Indicator Analysis from the MCC?

- a. Yes.
- b. No.
- c. NA (Insufficient information).

24. If you answered "Yes" to question #23, identify the year in which the government received the Indicator Analysis.

Year: \_\_\_\_\_

25. If you answered "Yes" to question #23, identify the specific eligibility indicators that are addressed in Indicator Analysis.

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

## **REFORM PLANNING ACTIVITIES RELATED TO THE MCA ELIGIBILITY CRITERIA**

26. During the period of interest (2004-2010), did the domestic political leadership assign responsibility to a specific government official -- or group of government officials -- for overseeing efforts to achieve MCA eligibility?

- a. Yes.
- b. No.
- c. NA (Insufficient information).

27. If you answered "Yes" to Question #26, identify the period of time in which the individual performed his or her MCA eligibility-related duties. If more than one individual was assigned such duties during the period of interest (2004-2010), identify each of these time periods.

Period(s) of time: \_\_\_\_\_.

28. If you answered "Yes" to Question #26, identify whether the individual(s) worked for a government institution with broad decision-making powers (e.g. President's Office, Prime Minister's Office, National Planning Commission, Ministry of Finance) or for a government institution with a narrow set of decision-making powers (e.g. Ministry of Trade, Ministry of Health).

- a. A government institution with broad decision-making powers.
- b. A government institution with a narrow set of decision-making powers.
- c. NA (Insufficient information).

Title(s) and Institutional Affiliation(s): \_\_\_\_\_.

29. If there was a change in the *type* of organization (broad vs. narrow decision-making powers) responsible for MCA eligibility-related issues during the period of interest, identify the nature and timing of this change (e.g. an institution with broad decision-making powers from 2004-2006 and an institution with narrow decision-making powers 2008-2010)

Nature and Timing of Change : \_\_\_\_\_.

30. During the period of interest (2004-2010), did the government create an inter-ministerial team, task force, commission, or committee in order to coordinate the government's efforts to achieve MCA eligibility?

- a. Yes.
- b. No.
- c. NA (Insufficient Information).

31. If you answered "Yes" to Question #30 identify the period of time in which the inter-ministerial team, task force, commission, or committee performed its MCA eligibility-related duties. If more than one team, task force, commission, or committee was assigned such duties during the period of interest (2004-2010), identify each of these time periods.

Period(s) of time: \_\_\_\_\_.

32. During the period of interest (2004-2010), did the government create a detailed, forward-looking action plan to monitor and/or evaluate its efforts to meet the MCA eligibility standards?

- a. Yes.
- b. No.
- c. NA (Insufficient Information).

33. If you answered "Yes" to Question #32, identify the year in which the government created its action plan. If the government created multiple action plans, identify each year in which a new action plan was introduced.

Year(s): \_\_\_\_\_.

34. If you answered "Yes" to Question #32, identify each of the MCC eligibility indicators that are targeted in the government's action plan created its action plan.

Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_



Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
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Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_

35. During the period of interest (2004-2010), did the government actively seek to improve the quality or availability of data used in the MCA eligibility assessments?

- a. Yes.
- b. No.
- c. NA (Insufficient Information).

36. If you answered "Yes" to Question #35, identify each of the MCC eligibility indicators for which the government sought to improve the quality or availability of data.

Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_  
Eligibility Indicator: \_\_\_\_\_

Eligibility Indicator: \_\_\_\_\_

## MCC CREDIBILITY

37. From the perspective of the domestic political leadership in the host country, did MCC take any decisions during the period of interest (2004-2010) that undermined the credibility of its commitment to reward good policy performance and punish poor performance?

- a. Yes. Explain: \_\_\_\_\_.
- b. No.
- c. NA (Insufficient Information/Not Applicable).

38. From the perspective of the domestic political leadership in the host country, did MCC take any decisions during the period of interest (2004-2010) that increased the credibility of its commitment to reward good policy performance and punish poor performance?

- a. Yes. Explain: \_\_\_\_\_.
- b. No.
- c. NA (Insufficient Information/Not Applicable).

39. Did the government generally believe that its eligibility for MCA funding was guaranteed during the entire period of interest (2004-2010)?

- a. Yes.
- b. No.
- c. NA (Insufficient Information/Not Applicable).

40. If you answered "No" to Question #39, please identify when and how the government questioned its ability to achieve or maintain MCA eligibility.

- a. The domestic authorities never believed that the government's ability to achieve or maintain MCA eligibility was guaranteed.
- b. The domestic authorities initially thought the government's eligibility for MCA funding was secure, but later questioned the government's ability to achieve or maintain MCA eligibility. Identify inflexion point: \_\_\_\_\_.

- c. The domestic authorities initially questioned the government's ability to achieve or maintain MCA eligibility, but later decided that its eligibility for MCA funding was guaranteed.  
Identify inflexion point: \_\_\_\_\_.
- d. Other: \_\_\_\_\_.
- e. NA (Insufficient Information/Not Applicable).

## **REFORM IMPACTS RELATED TO THE MCA ELGIBILITY CRITERIA**

41. During the period of interest (2004-2010), assess the extent to which MCC influenced the agenda-setting stage of the policymaking process.

- a. The prospect of achieving or maintaining MCA eligibility motivated the government to make modest or substantial adjustments to its policy priorities.
- b. The prospect of achieving or maintaining MCA eligibility motivated the government to make minor adjustments to its policy priorities.
- c. The prospect of achieving or maintaining MCA eligibility strengthened the government's resolve to pursue a set of policy objectives that had already been identified
- d. The prospect of achieving or maintaining MCA eligibility had no discernible effect on the government's policy priorities.
- e. NA (Insufficient Information/Not Applicable).

42. If you answered "A, B, or C" to Question #41, identify the specific MCC eligibility indicators that influenced the government's policy priorities and the period of time in which the indicators exerted influence (e.g. Control of Corruption, 2004-2005 and 2008-2010)

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

43. During the period of interest (2004-2010), assess the extent to which the MCA eligibility criteria influenced the government's design of specific reforms.

- a. The government's desire to perform well on the MCA eligibility criteria was instrumental in the design of one or more specific reforms.
- b. The government's desire to perform well on the MCA eligibility criteria influenced the design of one or more specific reforms, but only at the margin.

- c. The MCA eligibility criteria had little or no impact on the design of specific reforms.
- d. NA (Insufficient Information/Not Applicable)

44. If you answered "A or B" to Question #43, identify the specific MCC eligibility indicators that influenced the government's design of specific reforms and the period of time in which the indicators exerted influence (e.g. Business Start-Up, 2007)

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

45. During the period of interest (2004-2010), assess the extent to which the MCA eligibility criteria influenced the government's adoption of specific reforms.

- a. The government's desire to perform well on the MCA eligibility criteria was instrumental in the adoption of one or more specific reforms.
- b. The government's desire to perform well on the MCA eligibility criteria influenced the adoption of one or more specific reforms, but only at the margin.
- c. The MCA eligibility criteria had little or no impact on the adoption of specific reforms.
- d. NA (Insufficient Information/Not Applicable).

46. If you answered "A or B" to Question #45, please identify the specific MCC eligibility indicators that influenced the government's adoption of specific reforms and the period of time in which the indicators exerted influence (e.g. Business Start-Up, 2007)

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

47. During the period of interest (2004-2010), assess the extent to which the MCA eligibility criteria influenced the government's implementation of specific reforms.

- a. The government's desire to perform well on the MCA eligibility criteria was instrumental in the implementation of one or more specific reforms.
- b. The government's desire to perform well on the MCA eligibility criteria influenced the implementation of one or more specific reforms, but only at the margin.
- c. The MCA eligibility criteria had little or no impact on the implementation of specific reforms.
- d. NA (Insufficient information).

48. If you answered "A or B" to Question #47, please identify the specific MCC eligibility indicators that influenced the government's implementation of specific reforms and the period of time in which the indicators exerted influence (e.g. Political Rights, 2004)

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

Eligibility Indicator (time period): \_\_\_\_\_

49. Apart from de jure changes (e.g. passage of legislation), is there any evidence that the MCA eligibility criteria had an impact on specific development outcomes (e.g. more businesses registered, more corrupt officials arrested)?

- a. Yes. Explain: \_\_\_\_\_.
- b. No
- c. NA (Insufficient information)





# Appendix B: Codebook for Policymaking Network Ties Measurement Project

The purpose of this codebook is to facilitate systematic data collection on (a) the cohesion of policymaking teams in developing countries, and (b) the existence and strength of the transnational ties that connect these policymaking team members to inter-governmental organizations, U.S. government agencies, and Western educational institutions.

## Position

In countries with a President and a Prime Minister, the designation of "Chief Executive" should be made based on whether the country has a 'Presidential', 'Parliamentary', or 'Assembly-Elected President' political system. The Chief Executive is the President in 'Presidential' or 'Assembly-Elected President' political systems. The Chief Executive is the Prime Minister in 'Parliamentary' political systems.

'Presidential', 'Parliamentary', or 'Assembly-Elected President' political system data are available on a country-year basis from the *Database of Political Institutions* (Beck et al. 2001). See <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:20649465~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html>

In ambiguous cases where credible information sources appear to contradict the *Database of Political Institutions* code, use the following guidelines:

- If the *Database of Political Institutions* identifies the Prime Minister as the Chief Executive, but a credible information source identifies the Prime Minister as largely ceremonial position, treat the President as the Chief Executive.
- If the *Database of Political Institutions* identifies the President as the Chief Executive, but a credible information source identifies the President as largely ceremonial position, treat the Prime Minister as the Chief Executive.

## Name

Coders must identify who occupied the position of interest in a particular country-year.

In order to make this determination, coders should consult the CIA World Leaders List, which is published monthly.

Coders should select *only one official per year*. If multiple individuals served in a single post (e.g. Minister of Finance) in a given year, coders should elect the individual who was in office for the greatest number of months in that year. For example, if there was a cabinet reshuffle in September 2004, and the previous Finance Minister (John Smith) had been in office from January 2004 to September 2004, treat John Smith as the Finance Minister for 2004. Do not treat the Finance Minister who served from November 2004-December 2004 as the country's 2004 Finance Minister. In unusual cases where a transition occurred on midnight of June 30<sup>th</sup>, treat the minister who served for the first six months as the correct minister.

If one official held multiple portfolios in the same year, code one of those positions as “Duplicate” in the Name variable, and leave the rest of the data for that position blank. Leave an Excel comment in the cell filled with “Duplicate” with a note about which official’s coded data corresponds to that row. This will eliminate any duplication of data from officials holding multiple positions.

In some cases, one of the country’s ministries of interest was created from or absorbed by another ministry between 2004 and 2010. If this is the case, one should code that Minister only during the period of time in which his/her ministry existed as a separate entity. For example, in 2007 Sierra Leone’s Ministry of Planning was absorbed into the Ministry of Finance as a department without a cabinet-level leader. One should therefore code the head of the Ministry of Planning as the Minister of Planning up until 2007, and then leave the “Name” column blank from 2007 onward.

### **Years of Experience as a Government Official**

This variable should measure the total number of previous years of experience working for the government (of the country of interest) that the individual in question possessed in a given country-year. If the individual in question served in that particular position for more than one year, the value of this variable should incrementally increase over time. For example, if Hamid Karzai had three years of experience in the Government of Afghanistan (2001-20003) as the President of Afghanistan prior to the beginning of our testing period (2004), then in 2004 one would assign a value of 3. In 2005, one would assign a value of 4; in 2006, one would assign a value of 5; and so forth.

Note: Government experience refers to any position in the executive, legislative, or judicial branch. One should only consider government experience in the particular country that is being coded.

### **Years of Experience as a Cabinet Member or Head of a Government Agency**

This indicator is measured and constructed in the same way as the “Years of Experience as a Government Official” variable. The only distinction is that this variable measures the total number of years of previous experience as a cabinet member or government agency head that the individual in question possessed in a given year

Note: For the purposes of measurement, cabinet members include President, Vice Presidents, Prime Ministers, Deputy Prime Ministers, Ministers, and Central Bank Governors.

### **Political Party Affiliation**

Coders should identify whether the public official had a known political party affiliation in the particular year. If so, record the name of the party.

If a public official is not affiliated with a party, code the value of this variable as “Unaffiliated.” Some officials, especially central bankers, may choose not to disclose their political affiliation due to concerns about due to political independence issues for their institution. In this case, they should also be coded as “Unaffiliated”

If no information is available, code as “NA” for Not Available. NA should not be used to represent “Not Applicable.”

### **Ethnic Group Affiliation**

Coders should identify whether the individual in question had a known ethnic group affiliation. If an ethnic group affiliation is identifiable, coders should record his/her ethnic group affiliation.

If the individual in question is not affiliated with an ethnic group, code as “Unaffiliated.”

If no information is available, code as “NA” for Not Available. NA should not be used to represent “Not Applicable.”

## **WB/IMF/RDB Professional Experience**

Coders should determine whether this official worked at or consulted for the World Bank, the International Monetary Fund, and/or one of the 4 major Regional Development Bank (RDB) prior to his/her appointment to a Cabinet position? If the individual in question previously worked for one of these institutions, assign a value of 1. If the individual in question did not previously work for one of these institutions, assign a value of 0. If no information is available, code as “NA” for Not Available.

Note: the four Major RDBs are:

- Asian Development Bank (ADB)
- Inter-American Development Bank (IADB or IDB)
- African Development Bank (AFDB)
- European Bank for Reconstruction and Development (EBRD)

## **Total Years Worked at WB/IMF/RDB**

Coders should determine how many years this official worked at or consulted for the World Bank, the International Monetary Fund, or one of the 4 major RDBs.

If the individual in question has no experience working for the World Bank, IMF, or a major RDB, assign a code of 0.

Note: If an individual's bio or CV states that he/she worked as a consultant for the IMF, World Bank or one of the 4 main RDBs for an unidentified period of time (e.g. "in late 1990s"), treat this unidentified period of service as 1 year of service.

## **U.N. Agency Professional Experience?**

Coders should determine whether the individual in question worked at or consulted for any United Nations (UN) agencies prior to his/her appointment to a Cabinet position. If the individual in question previously worked for one of these agencies, assign a value of 1. If the individual in question did not previously work for one of these institutions, assign a value of 0. If no information is available, code as “NA” for Not Available.

A comprehensive list of UN agencies is provided here: <http://www.unsystem.org/>. The UN treats the five branches of the World Bank (IDA, IBRD, IFC, MIGA, and ICSID) as UN Agencies, but for the purposes of this evaluation we will not treat work at these institutions as UN agency professional experience.

Note: If an official serves as a permanent representative to the UN (i.e. lives in a city that houses a UN agency and works for that UN agency), his/her period of service should be counted as UN professional experience.

### **Total Years Worked at a UN Agency**

Coders should determine how many years this official worked at or consulted for UN agencies.

If the individual in question has no experience working for UN agencies, assign a code of 0.

Note: If an individual's biography or curriculum vitae states that he/she worked as a consultant for a UN agency for an unidentified period of time (e.g. "in late 1990s"), treat this unidentified period of service as 1 year of service.

### **Inter-Governmental Organization Professional Experience**

Coders should determine whether this official worked at or consulted for an inter-governmental organization (IGO) prior to his/her appointment to a cabinet position? If the individual in question previously worked for one of these institutions, assign a value of 1. This assessment of experience should include the previous two categories of WB/IMF/RDB and UN agencies, as well as other inter-governmental organizations. If the individual in question did not previously work for one of these institutions, assign a value of 0. If no information is available, code as "NA" for Not Available.

Note: This assessment of experience should not include work for international NGOs (e.g. the Red Cross).

An exhaustive list of IGOs is provided here: <http://libguides.northwestern.edu/IGO>. Examples include: the European Commission (EC), the European Investment Bank (EIB), The Islamic

Development Bank (IDB), the OPEC Fund for International Development (OPEC Fund), Corporacion Andina de Fomento (CAF), the Caribbean Development Bank (CDB), Central American Bank for Economic Integration (CABEI), the East African Development Bank (EADB), and the West African Development Bank (BOAD).

### **Total Years of Inter-Governmental Organization Professional Experience**

Coders should determine how many years this official worked at or consulted for inter-governmental organizations.

If the individual in question has no experience working for inter-governmental organizations, assign a code of 0.

Note: If an individual's biography or curriculum vitae states that he/she worked as a consultant for an IGO for an unidentified period of time (e.g. "in late 1990s"), treat this unidentified period of service as 1 year of service.

### **U.S. Government Agency Work Experience**

Coders should determine whether the individual in question previously worked at or consulted for any United States Government (USG) agencies prior to his or her appointment to a Cabinet position. If the individual in question previously worked for one of these agencies, assign a value of 1. If the individual in question did not previously work for one of these agencies, assign a value of 0. If no information is available, code as "NA" for Not Available.

### **Total Years of US Government Agency Work Experience**

Coders should determine how many years this official worked at or consulted for U.S. government agencies.

If the individual in question has no experience working for U.S. government agencies, assign a code of 0. NA = Missing Information



Note: If an individual's biography or curriculum vitae states that he/she worked as a consultant for a USG agency for an unidentified period of time (e.g. "in late 1990s"), treat this unidentified period of service as 1 year of service.

### **Western Undergraduate Education**

Determine whether the individual in question previously received his/her undergraduate degree at an education institution in an OECD ("Western") country?

Yes = 1, No = 0, NA = Missing Information

OECD countries include: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, South Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

Note: If the individual received his/her undergraduate education from a Western education institution based in a non-Western/OECD country (e.g. American University of Beirut), coders should treat this as a Western undergraduate education.

### **Western Graduate Education**

Determine whether the individual in question previously received his/her graduate degree from an OECD ("Western") country?

Yes = 1, No = 0, NA = Missing Information

If the official has more than one graduate degree, code 1 if even just one of his/her graduate degrees is from an OECD country.

OECD countries include: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, South Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

Note: If the individual received his/her graduate education from a Western education institution based in a non-Western/OECD country (e.g. American University of Beirut), treat this as a Western graduate education.

### **Information Sources Used**

Coders should supply all of the URLs used that they relied upon for coding.

## Appendix C: MCA Stakeholder Survey Questionnaire

1. Below is a list of possible changes to how donors provide assistance to [Country Name]. Please select the THREE CHANGES you believe would have the most beneficial impact in [Country Name]. (Choose no more than THREE changes.)
  - a. Eliminating all forms of aid tied to the purchase of donor country goods and services
  - b. Tying the provision of aid to the government's performance on democracy and governance issues
  - c. Dramatically scaling back the reporting and administrative requirements associated with aid
  - d. Providing payments to the government based on specific, measurable improvements in development
  - e. Aligning all forms of aid with the government's national development strategy
  - f. Eliminating the use of parallel project implementation units and channeling aid through government systems
  - g. Providing all or most of funding through direct budget support
  - h. Tying the provision of aid to the government's commitment to macroeconomic stability and free enterprise
  - i. Providing detailed and reliable information about five-year planned expenditures in [Country Name]
  - j. Dramatically reducing funding to the Government of [Country Name]
  - k. Using assistance to increase the government's human and institutional capacity
  - l. Eliminating all forms of conditionality
  - m. Tying the provision of aid to the government's commitment to health, education, and environmental protection
  - n. Streamlining and coordinating conditionality policies with other donors
  - o. Other (Please Specify):

2. In general, during your period(s) of service in [Country Name] between 2004 and 2012, how often would you say the political leadership of [Country Name] followed the advice of donor agencies and international organizations in determining the policy direction of the government?

1 = Never; 2 = Rarely; 3 = Sometimes; 4= Frequently; 5= Difficult to Say

3. From your experience, which THREE external assessments of government performance do you think had the GREATEST INFLUENCE on the policy direction of the Government of [Country Name] during your period(s) of service in [Country Name]?

- a. The World Bank's "Doing Business Report"
- b. The World Economic Forum's "Global Competitiveness Report"
- c. The Millennium Challenge Account Eligibility Criteria
- d. The World Trade Organization's Assessments of Trade Policy Performance
- e. The International Monetary Fund's Country Assessments of Macroeconomic Performance
- f. The World Bank's Country Policy and Institutional Assessment and Performance-Based Resource Allocation System
- g. The Extractive Industries Transparency Initiative Candidacy and Compliance Assessments
- h. Transparency International's Corruption Perceptions Index
- i. The U.S. State Department's "Trafficking in Persons" Report
- j. The U.S. State Department's "Country Reports on Human Rights Practices"
- k. The U.S. Trade Representative's "Special 301 Report" and "Priority Watch List" on Intellectual Property
- l. Heavily Indebted Poor Countries Initiative's "Decision Point" and "Completion Point"
- m. World Bank Institute's Worldwide Governance Indicators
- n. The United Nation's Millennium Development Goals

- o. The Global Fund to Fight AIDS, Tuberculosis and Malaria's Grant Scorecards
- p. The European Commission's Special Incentive Arrangement for Sustainable Development and Good Governance
- q. The European Commission's Governance Initiative/Governance Incentive Tranche
- r. The GAVI Alliance Performance-Based Funding Scheme
- s. Other (Please Specify):

4. Over the course of your period(s) of service in [Country Name] between 2004 and 2012, how CONSISTENT was the influence of these three most influential external assessments in [Country Name]?

1 = Not at all consistent; 2= Not very consistent; 3= Somewhat consistent; 4= Very consistent

4b. In your opinion, what was the primary reason for the inconsistency of external assessment influence in [Country Name] between 2004 and 2012?

5. Some donor agencies and international organizations make their financial assistance conditional upon a recipient country's policy performance. Thinking of your period(s) of service in [Country Name] since 2004, please select the statement that BEST characterizes your opinion.

1 = Performance-based financial incentives had little or no influence over the government's reform efforts.

2 = Performance-based financial incentives played a role in encouraging the government to pursue reform efforts, but only at the margin.

3 = Performance-based financial incentives played a central role in motivating the government's reform efforts.

6. During your period(s) of service in [Country Name] between 2004 and 2012, how familiar were you with [Country Name]'s performance on the MCA eligibility indicators?

1 = Not at all familiar; 2 = Not very familiar; 3= Somewhat familiar; 4 = Very familiar

7. At any point between 2004 and 2012, were you formally or informally involved in each of the following activities?

- a. Liaising with U.S. Government officials about issues related to [Country Name]'s performance on the MCA eligibility indicators
  - b. Analyzing or overseeing efforts to improve [Country Name]'s performance on the MCA eligibility indicators
  - c. Negotiating, designing, implementing, or monitoring an MCA Threshold Program
  - d. Negotiating, designing, implementing, or monitoring an MCA Compact
8. To the best of your knowledge, in comparison to the other reform programs funded by donor agencies and international organizations in [Country Name] since 2004, how successful was [Country Name]'s MCA Threshold Program?

1 = Less successful; 2 = Equally successful; 3= More successful; 4 = Don't know / Not applicable

9. Please provide a score of 1-7 (7 is highest) to indicate the extent to which you think each of the following was a reason for the MCA Threshold Program's success:
- a. The Threshold Program's compressed implementation timeline created pressure to achieve near-term results
  - b. The prospect of an MCC Compact gave domestic authorities an incentive to implement the Threshold Program successfully
  - c. The organizations responsible for program implementation performed their responsibilities at a high level
  - d. Government leadership wanted [Country Name] to be seen as a leading example of progressive change in the region
  - e. The government involved civil society in program design and/or implementation
  - f. The Threshold Program had a strong monitoring and evaluation framework
  - g. Senior policymakers were committed to the necessary reforms
  - h. The Threshold Program's activities reflected the government's previously-defined priorities
  - i. The government had a plan in place to sustain the gains achieved during Threshold Program implementation

- j. To the best of your knowledge, if (Country)'s MCA Threshold Program was successful because of a reason not specified above, please describe this reason in the space provided below. If you cannot think of an additional reason for the MCA Threshold Program's success, please continue to the next question.
10. Please provide a score of 1-7 (7 is highest) to indicate the extent to which you think each of the following was a reason for the MCA Threshold Program's nonsuccess:
- a. The Threshold Program implementation timeline was too short
  - b. Senior policymakers were insufficiently committed to the necessary reforms
  - c. Committed senior policymakers faced substantial domestic policy opposition
  - d. Mid-level government officials resisted or frustrated the efforts of committed senior policymakers
  - e. The Government of [Country Name] did not have a plan in place to sustain the gains achieved during Threshold Program implementation
  - f. The domestic authorities believed it would be too difficult for [Country Name] to meet MCA Compact eligibility standards
  - g. The domestic authorities questioned whether the U.S. would actually provide a Compact if the Government of [Country Name] successfully implemented its Threshold Program and met the MCA eligibility criteria
  - h. The monitoring and evaluation framework for the Threshold Program in [Country Name] was too weak
  - i. The individuals who designed the Threshold Program in [Country Name] were more supportive of the program's activities than the individuals responsible for program implementation
  - j. Threshold Program funds were misused by government officials for private gain or political purposes
  - k. The private contractors and/or non-profit organizations responsible for program implementation did not adequately perform their responsibilities
  - l. The government did not adequately involve civil society in program design and/or implementation



- m. To the best of your knowledge, if (Country)'s MCA Threshold Program was unsuccessful because of a reason not specified above, please describe this reason in the space provided below. If you cannot think of an additional reason for the MCA Threshold Program's nonsuccess, please continue to the next question.
11. In comparison to other assistance programs funded by donor agencies and international organizations in [Country Name] since 2004, how successful was the MCA Compact Program?
- 1 = Less successful; 2 = Equally successful; 3= More successful; 4 = Don't know / Not applicable
12. Please provide a score of 1-7 (7 is highest) to indicate the extent to which you think each of the following was a reason for the MCA Compact Program's success:
- a. The political leadership of [Country Name] made successful Compact implementation a top priority
  - b. The prospect of a second MCA Compact gave the domestic authorities an incentive to successfully implement the first MCC program
  - c. Compact activities were undertaken using a competitive and transparent bidding process
  - d. The Compact aligned with the Government of [Country Name]'s previously-defined priorities
  - e. The Compact was designed in consultation with a diverse group of local stakeholders
  - f. The Compact had a strong monitoring and evaluation framework
  - g. Non-governmental actors helped monitor and evaluate program implementation
  - h. Compact funds were not misused by government officials for private gain
  - i. The government officials responsible for program implementation performed their responsibilities at a high standard
  - j. The private contractors and/or non-profit organizations responsible for program implementation performed their responsibilities at a high standard

- k. The Government of [Country Name] performed the counterpart funding needed to ensure successful Compact implementation
  - l. The staff of MCA-[Country Name] performed their responsibilities at a high standard
  - m. To the best of your knowledge, if (Country)'s MCA Compact Program was successful because of a reason not specified above, please describe this reason in the space provided below. If you cannot think of an additional reason for the MCA Compact Program's success, please continue to the next question.
13. Please provide a score of 1-7 (7 is highest) to indicate the extent to which you think each of the following was a reason for the MCA Compact Program's nonsuccess:
- a. The political leadership of [Country Name] did not make successful Compact implementation a top priority
  - b. The Compact did not reflect the Government of [Country Name]'s previously-defined priorities
  - c. Compact activities were not undertaken using a competitive and transparent bidding process
  - d. The Government of [Country Name] did not provide the counterpart funding needed to ensure successful Compact implementation
  - e. The Compact was not designed in consultation with a diverse group of local stakeholders
  - f. The Compact lacked a strong monitoring and evaluation framework
  - g. Non-governmental actors were not sufficiently involved in monitoring and evaluating program implementation
  - h. Compact funds were misused by government officials for private gain
  - i. The government officials responsible for program implementation did not adequately perform their responsibilities
  - j. The staff of MCA-[Country Name] did not adequately perform their responsibilities

- k. The private contractors and/or non-profit organizations responsible for program implementation did not adequately perform their responsibilities
  - l. [Country Name] graduated to the upper-middle income category during program implementation, rendering it ineligible for a second Compact and weakening the incentive for successful implementation
  - m. The disruption caused by a change in [Country Name]'s political leadership had a negative impact on Compact implementation
  - n. The MCC did not effectively apply its Suspension and Termination Policy
  - o. To the best of your knowledge, if (Country)'s MCA Compact Program was unsuccessful because of a reason not specified above, please describe this reason in the space provided below. If you cannot think of an additional reason for the MCA Compact Program's nonsuccess, please continue to the next question.
14. During your period(s) of service in [Country Name] since 2004, which domestic government ministries or agencies did you routinely interact with on policy matters related to MCA eligibility? (e.g. Ministry of Finance, Ministry of Health, Office of the President, etc.)
15. Which donor agencies, international organizations, or foreign embassies did you routinely interact with on policy matters related to MCA eligibility?
16. Please indicate how strongly you agree or disagree with each of the following statements:  
 “The MCC’s approach of tying [Country Name]’s eligibility for MCA assistance to measures of policy performance...

1 = Strongly disagree; 2= Disagree; 3= Agree; 4= Strongly Agree

- a. strengthened the government’s domestic credibility and legitimacy.”
- b. helped donors coordinate their policy dialogue with that of the government.”
- c. created a way for the government to highlight its credentials to private investors.”
- d. drew the government’s attention away from important policy issues.”
- e. helped the government measure its own performance.”
- f. limited the policy autonomy of the government in a negative manner.”

- g. led to an excessive focus on measurement and data quality.”
  - h. focused the government’s attention on otherwise neglected policy issues.”
  - i. punished poor people in [Country Name] because of the government’s low indicator scores.”
  - j. strengthened the government’s resolve to implement reforms in a specific policy area.”
  - k. helped reformers within government build domestic coalitions of support.”
  - l. helped reformers within government weaken opposition to reform.”
  - m. enabled civil society organizations or journalists to more effectively advocate for reform.”
  - n. reduced the likelihood that the government would renege on earlier policy commitments or reverse previously-adopted reforms.”
17. During your period(s) of service in [Country Name] between 2004 and 2012, how much SUPPORT do you think the head of government (e.g. President, Prime Minister) gave to domestic efforts to achieve MCA eligibility?
- 1 = None at all; 2 = Not very much; 3= Some; 4= A lot
18. Over the course of your service in [Country Name] between 2004 and 2012, how CONSISTENT was the head of government's level of support for domestic efforts to achieve MCA eligibility?
- 1 = Not at all consistent; 2 = Not very consistent; 3= Somewhat consistent; 4= Very consistent
19. Below you will find a list of 17 MCA eligibility indicators. To the best of your knowledge, if the domestic authorities in [Country Name] undertook a specific policy adjustment or reform to improve the performance of [Country Name] on a particular MCA eligibility indicator, please select that indicator.
- a. Political Rights
  - b. Civil Liberties
  - c. Control of Corruption

- d. Government Effectiveness
- e. Rule of Law
- f. Voice and Accountability
- g. Immunization Rates
- h. Health Expenditures
- i. Primary Education Expenditures
- j. Girls' Primary Education Completion Rates
- k. Natural Resource Management
- l. Regulatory Quality
- m. Business Start- Up
- n. Land Rights and Access
- o. Trade Policy
- p. Inflation
- q. Fiscal Policy

20. Thinking of your period(s) of service in [Country Name] since 2004, please indicate whether each of MCA eligibility indicators selected above influenced the policy agenda of the Government of [Country Name].

- a. Political Rights
- b. Civil Liberties
- c. Control of Corruption
- d. Government Effectiveness
- e. Rule of Law
- f. Voice and Accountability
- g. Immunization Rates

- h. Health Expenditures
- i. Primary Education Expenditures
- j. Girls' Primary Education Completion Rates
- k. Natural Resource Management
- l. Regulatory Quality
- m. Business Start- Up
- n. Land Rights and Access
- o. Trade Policy
- p. Inflation
- q. Fiscal Policy

21. Thinking of your period(s) of service in [Country Name] since 2004, please indicate whether each of MCA eligibility indicators selected above influenced the design of specific reforms.

- a. Political Rights
- b. Civil Liberties
- c. Control of Corruption
- d. Government Effectiveness
- e. Rule of Law
- f. Voice and Accountability
- g. Immunization Rates
- h. Health Expenditures
- i. Primary Education Expenditures
- j. Girls' Primary Education Completion Rates
- k. Natural Resource Management

- l. Regulatory Quality
- m. Business Start- Up
- n. Land Rights and Access
- o. Trade Policy
- p. Inflation
- q. Fiscal Policy

22. Thinking of your period(s) of service in [Country Name] since 2004, please indicate whether each of MCA eligibility indicators selected above influenced the implementation of specific reforms.

- a. Political Rights
- b. Civil Liberties
- c. Control of Corruption
- d. Government Effectiveness
- e. Rule of Law
- f. Voice and Accountability
- g. Immunization Rates
- h. Health Expenditures
- i. Primary Education Expenditures
- j. Girls' Primary Education Completion Rates
- k. Natural Resource Management
- l. Regulatory Quality
- m. Business Start- Up
- n. Land Rights and Access
- o. Trade Policy



p. Inflation

q. Fiscal Policy

23. Overall, during your period(s) of service in [Country Name] between 2004 and 2012, how would you describe impact of the MCA eligibility criteria on [Country Name]'s reform efforts? (Please select the ONE statement that BEST reflects your views.)

1 = Not impactful at all; 2= Marginal to a few important reform efforts; 3= Central to a few important reform efforts; 4= Instrumental to many important reform efforts

24. Please indicate how strongly you agree or disagree with each of the following statements:  
"The MCA eligibility criteria did not have a significant impact on government reform efforts because...

1 = Strongly disagree; 2= Disagree; 3 = Agree; 4 = Strongly agree

- a. the domestic authorities believed it would be too difficult for [Country Name] to meet the MCA eligibility standards."
- b. the domestic authorities did not understand the steps that would need to be taken to achieve MCA eligibility criteria."
- c. the domestic authorities were focused on achieving financial or reputational rewards from another donor agency or international organization."
- d. domestic actors frustrated the efforts of policymakers seeking to introduce policy reforms that would help [Country Name] achieve MCA eligibility."
- e. the domestic authorities needed technical or financial assistance to support their reform efforts, but they did not receive sufficient assistance."
- f. U.S. Embassy, USAID, and/or MCC officials did not express much concern or interest to the domestic authorities regarding [Country Name]'s performance on the MCA eligibility indicators."
- g. the domestic authorities were worried that the U.S. Congress would not sufficiently fund the MCA."
- h. the domestic authorities were concerned that even if [Country Name] met the formal MCA eligibility criteria, US foreign policy interests might influence the government's ability to access MCA funds."

- i. the government did not believe its eligibility for funding was at risk of being suspended or terminated."
- j. there was little awareness of the MCA eligibility indicators among the domestic authorities."
- k. the areas in which [Country Name] performed poorly on the MCA eligibility indicators did not align with the policy priorities of the domestic authorities."
- l. If you think there is another reason why the MCA eligibility criteria had so little policy impact, please describe this reason in the space provided below. If you cannot think of an additional reason why the MCA eligibility criteria had so little policy impact, please continue to the next question.

25. Over your ENTIRE career, for approximately how many years have you worked with or for the Government of [Country Name]?

1 = 0-5 years

2 = 6-10 years

3 = 11-15 years

4 = 16-20 years

5 = 21 years or more

Q26. During which of the following years did you work on policy or programmatic issues in [Country Name]? (Please check ALL that apply.)

a. 2004

b. 2005

c. 2006

d. 2007

e. 2008

f. 2009

g. 2010

h. 2011

i. 2012

27. For which of the following years are you familiar with the Government of [Country Name]'s interactions with the U.S. Government on MCA eligibility, compact, and/or threshold issues? (Please check ALL that apply.)

a. 2004

b. 2005

c. 2006

d. 2007

e. 2008

f. 2009

g. 2010

h. 2011

i. 2012

28. If you possess one or more university degrees, please identify where you received training for your MOST ADVANCED degree.

a. Name of University

b. Country of University

29. Have you ever worked as a full-time employee, part-time employee, and/or consultant for any of the following donor agencies or international organizations? (Please check ALL boxes that apply.)

a. World Bank Group (WB) [i. Full time; ii. Part time; iii. Consultant]

b. International Monetary Fund (IMF) [i. Full time; ii. Part time; iii. Consultant]

c. U.S. Agency for International Development (USAID) [i. Full time; ii. Part time; iii. Consultant]

d. Millennium Challenge Corporation (MCC) [i. Full time; ii. Part time; iii. Consultant]

- e. United Nations Development Program (UNDP) [i. Full time; ii. Part time; iii. Consultant]
- f. European Commission (EC) [i. Full time; ii. Part time; iii. Consultant]
- g. Asian Development Bank (ASDB) [i. Full time; ii. Part time; iii. Consultant]
- h. African Development Bank (AFDB) [i. Full time; ii. Part time; iii. Consultant]
- i. Inter-American Development Bank (IDB) [i. Full time; ii. Part time; iii. Consultant]
- j. U.K. Department for International Development (DFID) [i. Full time; ii. Part time; iii. Consultant]
- k. Islamic Development Bank (ISDB) [i. Full time; ii. Part time; iii. Consultant]
- l. Global Fund to Fight AIDS, TB and Malaria (Global Fund) [i. Full time; ii. Part time; iii. Consultant]
- m. Global Environmental Facility (GEF) [i. Full time; ii. Part time; iii. Consultant]
- n. Australian Agency for International Development (AusAID) [i. Full time; ii. Part time; iii. Consultant]
- o. European Bank for Reconstruction and Development (EBRD) [i. Full time; ii. Part time; iii. Consultant]
- p. Bill and Melinda Gates Foundation [i. Full time; ii. Part time; iii. Consultant]
- q. Global Alliance for Vaccines and Immunization (GAVI) [i. Full time; ii. Part time; iii. Consultant]
- r. German Agency for Technical Cooperation (GTZ) [i. Full time; ii. Part time; iii. Consultant]
- s. Japan International Cooperation Agency (JICA) [i. Full time; ii. Part time; iii. Consultant]
- t. World Trade Organization (WTO) [i. Full time; ii. Part time; iii. Consultant]
- u. Agence Française de Développement (AFD) [i. Full time; ii. Part time; iii. Consultant]

- v. Swedish International Development Cooperation Agency (SIDA) [i. Full time; ii. Part time; iii. Consultant]
  - w. Canadian International Development Agency (CIDA) [i. Full time; ii. Part time; iii. Consultant]
  - x. Danish International Development Agency (Danida) [i. Full time; ii. Part time; iii. Consultant]
  - y. Chinese Government [i. Full time; ii. Part time; iii. Consultant]
  - z. Chinese Contractor [i. Full time; ii. Part time; iii. Consultant]
  - aa. Other (Please Specify) [i. Full time; ii. Part time; iii. Consultant; iv. TEXT]
30. In the future, would you like to participate in a follow up survey?  
1 = Yes; 0 = No
- 30b. Yes, you can contact me at the following email address:
31. If you have any other suggestions about how the MCC should revise its performance-based aid allocation model, please provide your thoughts here.
32. If you have any final thoughts about how we could have better designed this survey to fit your needs or about what else you would have liked us to ask, please provide your suggestions in the box below.
33. In your own words, briefly describe at least one of the policy adjustments or reforms that were undertaken by the domestic authorities between 2004 and 2012 to improve the performance of (Country) on the MCA eligibility criteria.
34. Please indicate whether or not the policy reforms you just described have been sustained, expanded, or accelerated since they were undertaken.

## Appendix D: Weighting and Data Aggregation for MCA Stakeholder Survey Responses

As shown in Table xx, the distribution of respondents from each MCA status category is uneven when compared across stakeholder groups. For example, a higher proportion of counterpart government respondents (65.7%) worked in MCA Compact countries than did USG respondents (41.1%), civil society and business respondents (53.1%), contractors and implementing agency respondents (25.0%), or respondents from the overall sample (54.8%). On the other hand, a higher proportion of USG respondents worked in MCA candidate countries (32.5%) than did those from any other stakeholder group or the overall sample (22.7%).

**Table D1. Distribution of Respondents, within Stakeholder Group and within MCA Status Category**

	All	Candidate	Threshold	Compact	N
All		22.7%	22.5%	54.8%	635
USG	31.6%	<del>32.5%</del> 44.4%	<del>26.4%</del> 36.4%	<del>41.1%</del> 23.3%	197
Counterpart Government	56.9%	<del>19.5%</del> 49.3%	<del>14.8%</del> 37.8%	<del>65.7%</del> 68.7%	364
Civil Society/Business	5.3%	<del>23.5%</del> 5.6%	<del>23.5%</del> 5.6%	<del>53.1%</del> 5.2%	34
Contracting/Implementing Agencies	6.3%	<del>2.5%</del> 0.7%	<del>72.5%</del> 13.3%	<del>25.0%</del> 2.9%	40
N	640	144	143	348	635

Given this uneven distribution, use of raw, unweighted count data could also have led to many misleading conclusions. For example, counterpart government officials could have been falsely reported as having more positive views about MCC policies and programs than other stakeholder groups simply because they worked, on average, in more “successful” countries (i.e. those countries that achieved MCA eligibility or received MCC Compacts/Threshold programs) than other respondents.

To correct for this bias and ensure that we are able to accurately compare responses across stakeholder groups, we applied a weighting scheme to match the proportion of respondents from

each MCA status category within stakeholder groups to those found through the entire sample.<sup>247</sup> For a given question, then, a response from the counterpart government subgroup is just as likely to reflect the experience of an ‘MCA Compact’ respondent as is a response from any other subgroup. For nearly all of the attitudinal questions contained in this chapter, the distribution of responses within each stakeholder group reflects this weighting.<sup>248</sup>

A similar disproportionality was observed across MCA status categories. To correct for any additional bias, we applied a separate weighting scheme to match the proportion of respondents from each stakeholder group within each MCA status category to those found through the entire sample. This separate weighting scheme assured that identical probabilities of USG, counterpart government, civil society and business, and contractor and implementing agency respondents are reflected in question results compared across MCA status categories. For nearly all of the attitudinal questions found in this document, the distribution of responses described within each MCA status category reflects this second weighting scheme.

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<sup>247</sup> Within the counterpart government stakeholder group, for example, we gave the responses of Compact respondents a lower weight than otherwise found in the raw data.

<sup>248</sup> We present the weighted responses to nearly all attitudinal questions as aggregate percentages by subgroup. A separate weighting scheme was applied to the intertemporal analyses of responses to question 21.



## Appendix E: Reform Sustainability Codebook

First, from the responses provided to Question 33 of the 2012 MCA Stakeholder Survey, determine which MCA eligibility indicator the reform in question applies to. Use the eligibility criteria identified in the *Fiscal Year 2011 Guide to the MCC Indicators and the Selection Process* ([http://www.mcc.gov/documents/reports/reference-2010001040503-\\_fy11guidetotheindicators.pdf](http://www.mcc.gov/documents/reports/reference-2010001040503-_fy11guidetotheindicators.pdf)) to guide decisions on how to categorize reforms listed by respondents.

Second, from the responses provided to Question 34 of the 2012 MCA Stakeholder Survey, determine whether the reforms identified in Question 33 were sustained or not sustained.

Each indicator category corresponds to a column, where responses are coded as follows:

Reform sustained (1); Reform not sustained (2); Reform undertaken, but not enough information to determine sustainability (3)

35 Ruling Justly

35a Civil Liberties

35b Control of Corruption

35c Government Effectiveness

35d Political Rights

35e Rule of Law

35f Voice and Accountability

36 Economic Freedom

36a Business Start-Up

36b Fiscal Policy

36c Inflation

36d Land Rights and Access

36e Regulatory Quality

36f Trade Policy

37 Investing in People

37a Girls' Primary Education Completion Rates

37b Health Expenditures

37c Immunization Rates

37d Natural Resource Management

37e Primary Education Expenditure

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