



El Salvador Investment Compact and Guatemala Threshold Program

MCC Learning from

“El Salvador Investment Climate and Guatemala PPPs Implementation Reports”

Mathematica Policy Research, July 2020

MCC has identified the following programmatic and evaluation lessons based on the Implementation Reports for the El Salvador Investment Climate Project and Guatemala PPP Activity.

PROGRAMMATIC LESSONS

- *The El Salvador Investment Challenge (ESIC) design needed to be simplified and target specific sectors.* The original process for private sector firms to apply to ESIC was cumbersome and FOMILENIO II received higher-quality applications after the process was simplified and after they conducted outreach to trade associations in specific sectors.
- *The PPPs in both Guatemala and El Salvador and the Regulatory Improvement Activity in El Salvador need political champions to be successful.* Without champions in government to support regulatory reform or PPPs, it is very hard to make progress, even if MCC provides adequate funds and technical assistance.
- *To successfully implemented PPPs, MCC should ensure that a country has 1) a strong legal and regulatory framework, 2) organizational capacity, and 3) political and public support for PPPs.* MCC should assess each of these three components before beginning work on PPPs, in order to determine what interventions are required to strengthen those three components.
 - *Future PPP investments should ensure ex-ante that countries have:*
 - A PPP law that includes checks and balances to avoid incentives for corrupt behavior
 - A proper regulatory framework
 - Adequate capacity for institutions that have a key role in developing and/or managing PPPs
 - *MCC needs more effective tools to support PPPs*
 - Targeted lobbying efforts
 - Financial penalties if the host government withdraws political support for a funded project



EVALUATION LESSONS

- *Mathematica's political economy analysis included in the interim report, which identifies the key actors and power structures, was a useful tool in an evaluation largely focused on institutional reform.*
- *Observational studies require close coordination and ample trust. MCC had originally intended to embed a researcher in the Organismo de Mejora Regulatoria (OMR) in El Salvador to observe how the entity was created and functioned. However, in practice it was difficult to establish sufficient trust between the researcher and OMR staff in such a short time span so implement the observational study as originally intended.*