MCA Monitor Report from the Field: Honduras

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Foreword

The Millennium Challenge Corporation (MCC) opened its doors in 2004 and signed its first compact in April 2005. Honduras was the second country to sign a compact but the first to successfully complete its five-year MCC plan. As compacts end (eight have been completed), the time for assessment and evaluation begins. This is a very important part of the process for a number of reasons. First, the MCC promised that its programs would be designed and evaluated on evidence. Its embrace of an overtly empirical model has greatly influenced other U.S. agencies engaged in development, so it must now lead on rigorously implementing this phase of its work. Second, U.S. budget austerity will likely affect aid funding for the rest of the decade. If the MCC model is to survive, it must demonstrate its added value to U.S. aid programs.

Finally, many compact countries are eager to design and implement second compacts. They see value in doing so even before formal evaluations are completed, but thorough reviews of each compact are still necessary to learn from the challenges inherent in any development program and to capitalize on their successes. In this MCA Monitor Report from the Field, Casey Dunning begins the post-compact assessment process from her perch at the Center for Global Development. She finds that Honduras met most of the compact's objectives and enacted major policy reforms to further compact implementation. Perhaps more interesting, Honduras benefitted from an "MCC spillover effect" that improved laws and processes in areas beyond the compact's purview, and some of these effects could prove as enduring as the compact's primary objectives.

—Connie Veillette, director of CGD's Rethinking U.S. Foreign Assistance Program

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Center for Global Development

The MCA Monitor provides rigorous policy analysis and research on the operations and effectiveness of the Millennium Challenge Corporation. It is part of CGD's Rethinking U.S. Foreign Assistance program that tracks efforts to reform aid programs and improve aid effectiveness.

MCA Monitor Report from the Field: Honduras

"As Hondurans, we only agree on two things: the Millennium Challenge Account and the national soccer team." A Honduran MCA representative voiced this succinct observation, but stakeholders across the spectrum from the Honduran national government to the national business council to local farmers expressed similar sentiments about the achievements of the Millennium Challenge Corporation (MCC) compact in Honduras. The $205 million, five-year compact officially closed in September 2010, but its effects continue more than 14 months later. The compact directly benefitted the household incomes of more than 1.7 million Hondurans (two out of every nine Hondurans), a significant influence considering the average Honduran earns $1,880 per year. And the compact's activities continue to reach new beneficiaries as farmers who benefited from the compact train other farmers in their communities and as new users take advantage of rehabilitated roads.

Readers familiar with the MCA Monitor Report from the Field series will note that this analysis is the second report focused on the compact in Honduras.[1] While the first report focused on compact development and early implementation, this report examines the enduring results of the compact more than a year after its official closeout. It identifies specific reasons why Honduras's compact was able to achieve such marked results and, more important, sustain and grow them after the life of the compact. The report draws from interviews conducted with compact stakeholders and beneficiaries in Honduras, including members of the national and local Honduran governments, representatives of the Honduran private sector and civil society, beneficiary farmers, non-MCC international donors and lenders, and Cuenta del Desafío del Milenio, the accountable entity in Honduras responsible for compact implementation (hereafter referred to as MCA-H). These interviews, in addition to publically available MCC data on the outcomes and outputs of the compact, offer an overview of the five-year partnership, the compact's implementation record, and the lasting results the compact produced.

Overview of the MCC's Compact in Honduras and its Results

Honduras was the second country to sign an MCC compact and the first country to successfully complete a five-year compact. Its $205 million compact focused on two main constraints to economic growth throughout Honduras: high transportation costs and low agricultural productivity. The transportation project used $120 million to rehabilitate integral portions of the CA-5 highway, the main

[1] Sarah Lucas, *Honduras Field Report*, MCA Monitor Center for Global Development, April 2007.

artery of Honduras's most productive agricultural areas, and to improve three key secondary roads. The rural development project invested $67.8 million across four activities:

1. **Farmer training and development** to improve the business skills, productivity, and market access of agricultural producers on small and medium farms.

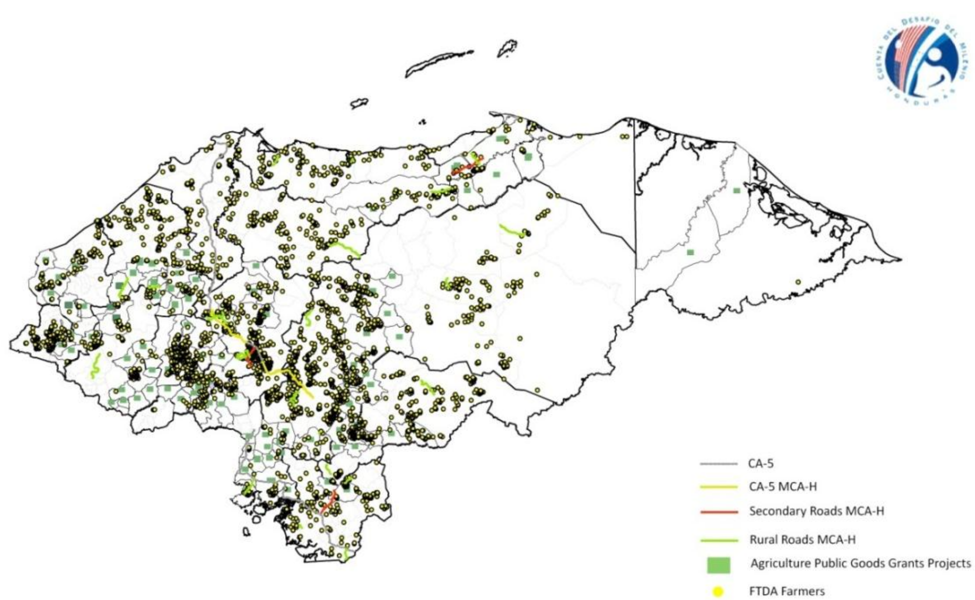
2. **Access to credit** to enhance the availability of financial products to small farmers and increase credit to rural lending institutions.

3. **Agricultural public goods grant facility** to promote agricultural innovations unique to Honduras and invest in improving the productivity of farmer collectives through irrigation.

4. **Rural road rehabilitation** to improve feeder roads that connect farmers to local markets.

Unlike many other MCC compacts with a single regional focus, investments in Honduras were comprehensive in their geographic scope. As evidenced in the figure below, both rural development and transportation projects had almost national coverage.

Figure 1. MCC Investments throughout Honduras



Source: Cuenta del Milenio, Honduras.

Equally comprehensive, but not as evident on a map, were the policy reforms enacted by the government during compact implementation. After sometimes intense negotiations between the MCC, the MCA-H, and the government of Honduras, the following reforms and laws were passed to enable successful implementation of the compact and to ensure that results would be sustainable.

- **Secured Transactions Law**: The law modified and improved the process for pledging collateral and foreclosing on liens and other types of collateral. (This law was a necessary precursor to the creation of a moveable property registry.)

- **Weight Control Management Law**: The government modified the writ of Fondo Vial, the Honduran national roads maintenance entity, to enable it to implement a weight control system on the road network.

- **Fast Track Law**: This law put into legislation the MCC's complete resettlement process as *the* process that must be used for resettlement in all transportation infrastructure projects.

The above policy reforms and how they led to more sustainable results are discussed in detail below. But it is worth pointing out the incentive-effect of the MCC. These policy reforms, difficult changes themselves, were triply difficult to legislate because the MCA-H and MCC had to work through three governmental transitions. The MCC's large investment in Honduras—and the potential for future compacts—necessitated a good-faith effort from all parties that provided the momentum to pass the above three laws to enable and sustain the work of the compact.

The MCC's investment in Honduras did not conclude with compact closeout. The agency began rigorous impact evaluations for Honduras's compact roughly a year after its completion. Once completed, these evaluations will offer important information on how many targets were met, how many beneficiaries were affected, and, most important, how much household income was affected by the compact's interventions. Right now, post-compact results, compared to original targets, offer a preview into the overall impact of MCC investments in Honduras.

Table 1. Results for Selected Performance Indicators

	Project Component	Performance Indicator	Final Target[2]	Compact Period Actuals (as of Dec 2010)	% Compact Target Satisfied (as of Dec 2010)
Rural Development Project Estimated Beneficiaries: 357,401 Estimated Benefits: $53 million	Farmer Training and Development	Farmers harvesting high-value crops	6,000	6,029	101%
		Hectares harvesting high-value crops	8,400	9,287	111%
		Number of farmers receiving TA	8,255	7,265	88%
		Business plans prepared by farmers with TA	6,960	16,119	232%
	Access to Credit	Value of loans disbursed	$6 mil	$10.7 mil	178%
		Number of loans disbursed	14,000	10,855	78%
		Total number of loan recipients	No target	5,951	No target required
	Agricultural Public Goods Grant Facility	New technologies developed	10	10	100%
		Number of new products developed for agribusiness	30	30	100%
		New hectares under irrigation	203	400	197%
		Farmers connected to irrigation[3]	392	967	247%

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[2] The compact targets changed during compact implementation because of increased construction costs, expansion of construction works, updates to the Monitoring and Evaluation plan, and project fund reallocations. The final targets are from the MCC's Monitoring and Evaluation plan for Honduras, December 2010.

[3] As a result of the beneficiaries' ownership of the project, more farmers have been incorporated than reported.

Transportation Project Estimated Beneficiaries: 1,347,297 Estimated Benefits: $185 million	CA-5 Highway	Kilometers completed	109	49.5[4]	45%
		Road roughness on CA-5: T3. Baseline = 4 (lower number = smoother road)	1.9	2.2	86%
		Road roughness on CA-5: T4. Baseline = 4 (lower number = smoother road)	1.9	3.2	38%[5]
	Secondary Roads	Kilometers completed	65.5	65.5	100%
		Road roughness. Baseline = 13.6 (lower number = smoother road)	2.5	3.2	94%
	Rural Roads[6]	Kilometers completed	499	495.1	99%

Source: This table is compiled from my analysis of Millennium Challenge Corporation data and the GAO Report *MCC Compacts in Cape Verde and Honduras Achieved Reduced Targets*, July 2011.

Completed impact evaluations will build upon the results listed above and offer additional information on the suspected increase in household incomes for agricultural producers and road users, the change in traffic counts, and the reduction in travel time, among other measures.

Challenges during Compact Implementation

As the first compact to be successfully completed, Honduras held perennial forerunner status throughout its five years of implementation. It did not have the chance to benefit from any lessons learned and was a trailblazer in formulating important lessons for future compact countries.

[4] The remaining kilometers are being completed through funding from the Central American Bank for Economic Integration (CABEI). As of December 20, 2011, the MCC, MCA-H, and CABEI had completed an additional 33 kilometers of the CA-5 highway. This means that 82.5 of the originally scoped 109 kilometers have been completed, or 76 percent of the final target has now been met.

[5] The final target International Roughness Index (IRI) of 1.9 for section 4 of the CA-5 highway was established for asphalt pavement. However, section 4 was rehabilitated with cement concrete which is inherently rougher due to the joints and flutes. For Honduras, an IRI value below 3.5 is considered a good level of smoothness.

[6] The Rural Roads activity is a component of the Rural Development project for implementation purposes but is grouped with the Transportation project for evaluation purposes.

For Honduras, the time between compact signing and entry-into-force was a scant three months. (The compact average is 9.7 months.) This means that MCA-H spent precious amounts of its five-year clock setting up the accountable entity and putting fiduciary and procurement guidelines in place. The Ministry of Finance acted as the fiscal agent, an uncommon occurrence as most compact countries contract an external fiscal agent. This was an important step in building internal capacity, but it added to the compact implementation's slow start after entry-into-force since fiscal procedures had to be agreed upon and put in place before any disbursements could occur.

In addition to a slow start in implementation, three government transitions occurred during the five-year life of the compact. (The compact entered into force in September 2005 and concluded in September 2010.) Ricardo Maduro led the Honduran government during compact development and the first months of compact implementation. Manuel Zelaya headed the government from January 2006 to June 2009, when he was ousted. Roberto Micheletti led the interim government until Porfirio Lobo Sosa officially began his presidency in January 2010. Some of the most crucial moments in the life of the compact—early implementation (as systems and structures are being put in place) and compact wind-down (as long-term sustainability planning should be happening with the partner government)—occurred during either a political transition or crisis.

Further, as a result of the political crisis, the MCC board of directors terminated $10 million of the compact in September 2009 with just over a year left in implementation. Fortunately, the program was able to absorb the cut without sacrificing the integrity of the compact or its ultimate results. The partial termination ceased funding for a vehicle weight-control activity and for an uncommitted portion of rural roads which amounted to roughly 93 kilometers.

Defining Features That Led to Results

The MCC's compact in Honduras yielded notable results in both project outcomes and governmental policy reforms. (Again, forthcoming impact evaluations will determine the overall impact on Honduran household income, the most crucial marker of success.) But many other compacts have enjoyed similar results; what specific lessons and models can Honduras's compact provide for other MCC partner countries and the development community at large? Now, over 14 months later, one can begin to pinpoint attributes distinct to Honduras's compact that led to robust set of results and helped to ensure the longevity of any impact. Below are four reasons why Honduras's compact achieved sustainable results.

1. Sustainability Measures Were Included in Compact Processes and Projects

For the MCC, it is not enough to post big outputs at the end of a compact. The compact must show results, and those results must be sustainable. That has been the case in Honduras, where program farmers have gone on to train new farmers and MCC-piloted processes have been institutionalized and replicated across the government. Such enduring effects multiply the benefits of the original gains.

One sustainable policy reform dictated by the compact was the passage of a Secured Transactions Law to facilitate the creation of a moveable property registry, an access-to-credit component of the rural development project. Passed in January 2010, this law allowed credit seekers to use an entirely new category of collateral. Its passage was a precondition of the compact that paved the way for the creation of a moveable property registry that permits individuals and small and medium-sized entrepreneurs to offer items such as tractors, livestock, or accounts payable as collateral to access credit through formal institutions. The government of Honduras continues to expand the registry and reach new credit seekers.

As a testament to the innovation and sustainability behind this new law and registry, Honduras's rank in the Doing Business Index's Getting Credit sector rose from 37th in 2011 to 8th in 2012 in response to its improved credit information and coverage.[7]

The MCC's focus on sustainability extended to its resettlement model for the CA-5 highway and secondary roads. This model was so successful that the government adopted it, in full, into legislation for application to all other transportation projects. Nowhere in the compact was it mandated that the government legislate or widely use the MCC resettlement process.

The MCC resettlement process raised the standard for resettlement in Honduras, offering houses, commercial livelihoods, and new access to water and electricity at 18 different sites. Crucially, those who were resettled also received the title to their new market-value land which could then be used to access credit. But the model was neither easy to get approved nor easy to implement. Developed from strict World Bank guidelines, the MCC's resettlement process was far more rigorous than the government's expropriation law, which dated back to 1972. Unlike the old process, the new MCC model mandated timely title issuance and payment for the market value price of land, rather than the cadastral value. To implement this new process, MCA-H developed a trust fund to make resettlement payments and procured an implementing entity to value land and provide technical assistance and social consulting services.

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[7] The 2012 *Doing Business Index: Measuring Business Regulations* can be accessed at http://www.doingbusiness.org/rankings.

The government of Honduras was so impressed with the MCC resettlement process that it adopted a new Fast Track Law that replicated the MCC resettlement scheme. In addition, the Inter-American Development Bank has also adopted the MCC resettlement policy for its transportation projects including a tandem portion of the CA-5 highway. The MCA-H did yeoman's work to hammer out, test, and implement a difficult process that, once proved successful, was adopted by both the national government and other key donors. Thus the MCC was able to sustain its novel resettlement approach by proving that even the highest standards can be met.

The MCC compact garnered another sustainability win in road maintenance even as a portion of the compact devoted to this cause was terminated. In September 2009, the government of Honduras modified legislation pertaining to Fondo Vial, Honduras's national road-maintenance entity, to enable it to implement a weight control system on the official road network. The compact required this modification, but it only came after intensive coordination between MCA-H and the government. That same month, the MCC board of directors terminated $10 million from the Honduran compact including the weight control system that would assist in sustaining road maintenance. Even though the weight control activity was terminated from the official compact portfolio, the compact still leveraged a zero-cost legislative change to enable this activity. The government of Honduras has picked up where the MCC stopped and is actively pursuing other funding to construct and operate the weight control system based on the MCC's design.

The MCC also built sustainability into its transportation investments by focusing on improving the capacity and resources of Fondo Vial. In May 2010, the government of Honduras passed legislation to empower Fondo Vial to better address road-maintenance issues by strengthening the government's road-maintenance commitments and allocating budget to provide adequate funding (including but not limited to MCC-funded sections). Additionally as part of the compact agreement with MCC, the government of Honduras increased its own road-maintenance budget from $37 million in 2005 progressively to $64 million in 2010.

It was not only policy reforms that had lasting results; the compact's farmer training and development program also had a number of intended and unintended sustainable effects. In the early stages of implementation, the MCC and MCA-H decided to scale back the number of farmers involved in the program and instead devote those funds to more intensive individual training that would ultimately be more sustainable. According to the Ministry of Agriculture, while other training programs stopped at crop cultivation, the compact's program went further, helping farmers develop business skills and market acumen to produce what the market demands in any given season. It has now been two years since the training's completion and not only do farmers' yields and incomes continue to increase but many of the farmers are training other farmers within their communities in the program's agricultural practices. Because of the success of the farmer training and development program, the Ministry of Agriculture is now looking for ways to adopt and implement the MCC model throughout its units.

2. There Was a Deep Understanding and Buy-In of the MCC Model at All Levels

It is not often that an implementation model is touted as a result, but, in the case of the MCC, the model —and buy-in to it—is of paramount importance. Indeed, one international donor called the utilization and absorption of the MCC model the "biggest success" of the program. This may be a slight exaggeration, but the level of understanding and buy-in to the MCC model among national government, local government, the private sector, civil society members, and compact beneficiaries in Honduras was remarkable.

Commitments to transparency, accountability, and results are hallmarks across the MCC compact portfolio, and the case was no different in Honduras. Many stakeholders referenced a change in mindset as a result of the MCC model. The model set expectations—for example, prompt payments and road completion within a stated time—that, when delivered upon, proved the MCC did business differently from other donors and lenders. One municipal leader described the MCC as "serious" in both purpose and process.

One of the model's trademarks that helped achieve results in Honduras was its strict timeline. The MCC model demands that projects be finished transparently within a five-year timeframe. This adherence to deadlines is anything but business-as-usual in Honduras, especially in road construction projects. As a comparison, another international funder undertook road rehabilitation and resettlement at a different portion of the CA-5 highway in 2006 that has yet to be completed. The MCC undertook a similar scope of work on its portion of the CA-5 highway in 2008 and finished in 2009. According to one government official, only the MCC starts and finishes according to its published plans.

The MCA-H's level of transparency and accountability for results garnered it a distinguished reputation with both the government and the public that continues well beyond the compact's conclusion. Even other international donors have recognized the advantages of the MCC model in Honduras, calling on the MCA-H to implement other projects because its standards are so high and its projects performed so well. One local mayor praised the MCC model as a model for other donors, calling it a "school on how to manage funds and run a program. The MCA-H administered [the compact] well, executed it well, and achieved the best results."

3. MCA-H Kept the Focus on Compact Results through Multiple Government Transitions

Compact results can be compromised for a number of reasons, one of which is a change in government. MCC accountable entities usually enjoy a certain level of autonomy and independence, but regime change can trigger delays in implementation as ministers change and a new political landscape must be navigated. The MCA-H worked under three different governments during its five years of implementation.[8] How were the MCC and MCA-H able to finish on time, on budget, and on target despite three changes in national government?

The MCC and MCA-H maintained a singular focus on results that drove compact implementation and was transmitted to all governing entities involved in implementation. This focus engendered a similar commitment to obtaining results from successive governments. The Honduras compact design and MCC implementation model also reduced the discretion of the government: a transparent plan of implementation that was well-known throughout the country meant government entities were likely to stick to it or suffer public backlash.

The MCA-H also had the foresight to bring in stakeholders early and often that would support the compact irrespective of the current government in power. MCA-H had strong engagement at the municipal level that allowed for the continuity of projects and buy-in from local government. It also consulted widely with civil society members during compact development and this level of engagement carried through implementation. MCA-H sought input from civil society throughout the life of the compact and included a strong civil society component on the MCA-H board. This, in turn, meant that civil society was quick to defend the compact from traditional politics and assist the MCA-H in carrying out implementation no matter the political climate. In fact, one civil society leader and MCA-H board member knew that the MCC model of assistance was exceptional when the compact was able to avoid political sea changes; he was shocked that the rules of the game did not change when a new government came into power in 2006.

4. The Compact Leveraged Additional Financing to Achieve Greater Results

Rehabilitating 109 kilometers of the CA-5 highway was a huge task from the start, but during compact implementation construction and resettlement costs increased, the scope of work expanded, and portions of project fund were reallocated, making the project goal all but unattainable. Enter the Central American Bank of Economic Integration (CABEI). Because of the reputation and successful project implementation record of the MCA-H, CABEI agreed to help cover the higher construction and resettlement costs and the expanded scope of

[8] This count does not include the interim government from June 2009–January 2010.

work on the CA-5 highway. The government of Honduras signed a $130 million loan with CABEI in December 2008 and an additional $28 million in early 2010. Because MCC funds were attached to the project, CABEI was able to provide concessional lending to the government.

CABEI's co-financing allowed for a doubling of kilometers rehabilitated and will increase both the impact and sustainability of the MCC-funded portions of the highway. MCA-H, MCC, and CABEI also worked together to ensure the MCC's resettlement policy was applicable to the CABEI-funded portions of the CA-5 highway. CABEI is not able to fund land acquisition for resettlement so the MCC contributed to the established resettlement trust fund to ensure that resettlement was carried out according to high MCC standards along the CA-5 highway.

What's Next for the MCC and Honduras

With a notable track record in compact implementation and policy reform, the logical next question is: how will the MCC-Honduras partnership continue into the future? The MCC and the government of Honduras are in the midst of a policy improvement plan (PIP) designed to boost budget transparency and public financial management. In addition to improving policy in these areas, the PIP should also have a future effect on Honduras's scores on the MCC's fiscal policy and control of corruption indicators.

The MCC began implementation of the PIP in March 2011 under a joint effort of the National Opinion Research Center at the University of Chicago, the International Budget Partnership, and Fundación Democracia sin Fronteras, a Honduran NGO. The PIP will collect supplemental information and may play a role in addressing data time lags by updating budget and expenditure data last reported in September 2009 during the political crisis. Interim results are already available, and both areas show advances compared to 2009. Indeed, an assessment of budget transparency from September 2011 finds that the "Honduran government has taken significant steps to increase the public availability of key [budget] documents."[9]

Following the PIP, Hondurans have their sights set on a second compact with the MCC. The MCC board of directors awards second compact eligibility on the basis of the following criteria:

1. A country's overall policy performance in three broad policy categories—ruling justly, investing in people, and encouraging economic freedom.

[9] "Assessment of Budget Transparency in Honduras," The International Budget Partnership and the Fundación Democracia sin Fronteras, September 2011, p. 3.

2. The MCC's opportunity to reduce poverty and generate economic growth in a given country.

3. A country's compact implementation record (in the case of second compact consideration).

4. The availability of funds to the MCC.

Honduras's track record on compact implementation and partnership with the MCC is, as discussed above, very good. Even as the MCC's compact pioneer, Honduras was able to meet and exceed most of its targets while pushing tough policy reforms to ensure the sustainability of the compact's investments.

The MCC's unique opportunity to reduce poverty and generate economic growth is also high in Honduras. The reputation of the MCC and MCA-H is such that a second compact could pursue even more innovative development projects with the backing of the Honduran government and the public. Further, the MCA-H still exists as an implementing entity, meaning that key implementing, procurement, and fiscal procedures remain in place. (However, this will end in 2012 with the completion of the MCC-CABEI funded portion of the CA-5 highway.) From the U.S. development perspective, Honduras was selected as one of twenty countries for the Feed the Future initiative, a signature development initiative of President Obama. Current Feed the Future efforts are using many of the processes and systems from the MCC compact, and a second MCC compact could build upon Feed the Future efforts to further target agricultural production as a driver of economic growth.

The availability of funds to the MCC is an important criterion to consider, especially considering the tight U.S. fiscal environment. Both Senate and House appropriators have set the MCC FY2012 funding level at $898 million in their respective FY2012 State, Foreign Operations bills. This level is roughly $325 million below the president's request and far below President Bush's originally envisioned $5 billion annual MCC appropriation. The MCC board will have to be highly selective in allocating MCC's scarce resources.[10]

Finally, the MCC board considers the policy performance results on a country's indicator scorecard. Here, Honduras does very well except for falling just below the control of corruption median. Honduras passes 16 out of 20 indicators.[11] On

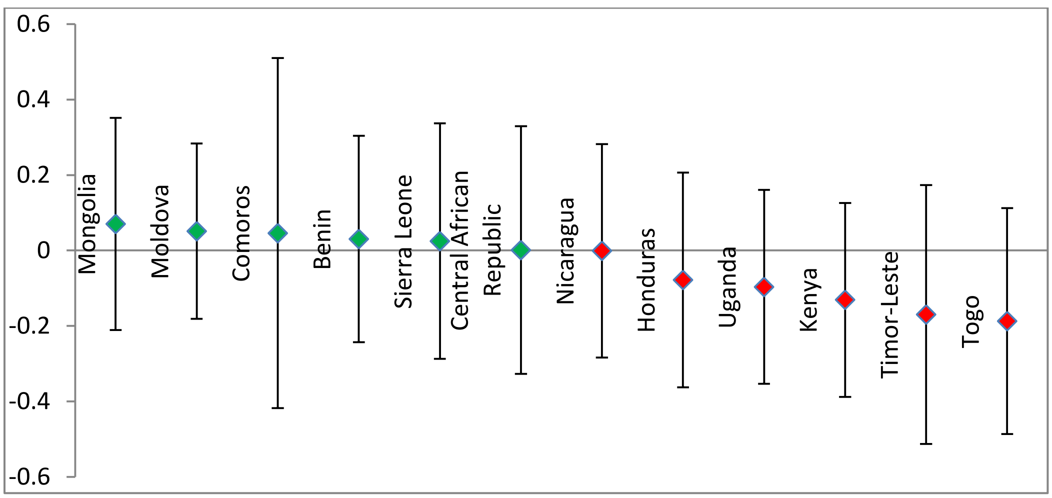
[10] For more information on how the MCC board of directors should be selective in FY2012 eligibility decisions, see CGD's *Which Countries Will the MCC Board Likely Select as Eligible in FY2012? Round Nine of the Millennium Challenge Corporation*, Casey Dunning and Owen McCarthy, November 2011.

[11] This assessment relates to Honduras's performance on the MCC's revised selection system. See Appendix A for Honduras's FY2012 new indicators test scorecard.

the four indicators it fails, it scores at or just below the median. The biggest concern is Honduras's score on the control of corruption indicator, one of two hard hurdles in the MCC's revised selection system. In theory, a restriction on corruption makes sense and is a hallmark of MCC selection endorsed by both the administration and Congress. In practice, countries that score just beneath the median, such as Honduras, get wrongly excluded from eligibility despite a measure of error inherent in the corruption scores.

Figure 2 below illustrates this point. Control of corruption indicator scores are presented for 12 low income countries around the median threshold of zero. A green point indicates a country's passing score and a red point indicates a failing score. Also displayed are 90 percent confidence intervals, the Worldwide Governance Indicator standard used to judge "significant" changes in governance.[12] Overlapping confidence intervals indicate statistically insignificant differences: even the highest scoring country displayed, Mongolia, is within the confidence interval of the lowest scoring country displayed, Togo.

Figure 2. Control of Corruption Scores and Confidence Intervals, FY2012 Low Income Countries



Thus Honduras' score in the 47th percentile on control of corruption is statistically indistinguishable from Benin's passing score just above the median, meaning Honduras is technically within the margin of passing the corruption hard hurdle. More important, Honduras's absolute score on the control of corruption indicator has shown improvement.

[12] Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi, "The Worldwide Governance Indicators: Methodology and Analytical Issues," World Bank Policy Research Working Paper No. 5430, September 2010.

For its part, the government of Honduras has done much to prove its policy mettle and seriousness in combating corruption and increasing transparency. The government and National Anti-Corruption Council inaugurated a new corruption plan with concrete strategies to make government processes transparent, hold civil servants fully accountable, and explain to the public how and why government resources are allocated and managed.

With regard to human rights protection, the government has created a new Ministry of Human Rights and has promoted legislative reforms in the areas of gender protection, prisoners' rights, and minority ethnic groups, among others. It has also established a new Sub-Secretariat within the Ministry of Security focused exclusively on promoting human rights protection.

Of course, these measures do not guarantee immediate reductions in corruption levels or human rights offenses, but they do represent important legislative and administrative steps that the current government has taken to tackle governance problems.

Conclusion

The real success of the MCC compact in Honduras was not just that it produced sustainable results but that the MCC model of aid—with its high standards—precipitated these results. The MCA-H led implementation and came up with solutions and policy prescriptions that were based on the Honduran context. The results-oriented MCC model ensured that program funds went to program beneficiaries and nowhere else, and high levels of transparency and accountability allowed civil society and the private sector to hold the government of Honduras and the MCC accountable for their investments. The scope and sustainability of results is even more striking when the nature of MCC's investments is considered. In many cases, MCC and MCA-H went into areas that neither the government nor the private sector wanted to go, such as developing a new hybrid coffee varietal, a new potato seed specifically for cultivation in Honduras, and a new type of irrigation system, or reaching never-before-trained farmers deep in the mountains for the farmer training and development program.

Honduras's compact experience offers important principles applicable to other MCC compacts seeking sustainable results.

1. Incorporate sustainability plans early and often in compact design and implementation (and think about the post-compact environment as well).

2. Promote an understanding of the MCC model of aid: the greater the buy-in, the greater the results.

3. Ensure the compact's accountable entity has some level of autonomy and nongovernmental support to withstand any political changes.

4. Leverage other sources of funding whenever and wherever possible to get even greater results out of a finite MCC resource commitment.

Some of these lessons may seem obvious, but knowing them and implementing them are two very different things. The MCC and MCA-H went a long way in making Honduras's compact successful by incorporating these principles throughout the life of the compact. Now, 14 months after the compact's conclusion, both the MCC and Honduras can point to an impressive array of results that has continued to grow and benefit the people and economy of Honduras.

Appendix A. MCC New Indicators Test Scorecard for Honduras, FY2012

Source: Millennium Challenge Corporation.