



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation (MCC) intends to obligate up to \$425,000 to improve data available to MCC in relation to Honduras's performance in the areas measured by MCC's eligibility criteria. The data will be used by MCC as supplemental information in evaluating Honduras's performance on the *Control of Corruption* indicator. The information below summarizes the intended uses of these funds.

The attached notification is being sent to the Congress on March 28, 2011. Obligation of funds may be incurred on or after 15 days from the date of this notification.

Sincerely,

T. Charles Cooper
Vice President
Congressional and Public Affairs

Enclosure:
As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

March 28, 2011

APPROPRIATIONS CATEGORY: Fiscal Year 2007 Program Funds

OBLIGATION AMOUNT: \$425,000

Pursuant to section 515 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006 (Pub. L. 109-101), as carried forward by the Revised Continuing Appropriations Resolution, 2007 (Pub. L. 110-5, Division B), this is to advise that the Millennium Challenge Corporation (MCC) intends to obligate up to \$425,000 under section 614(g) of the Millennium Challenge Act of 2003, as amended, to finance data collection and independent evaluation work for the purpose of improving the data related to MCC eligibility criteria. This work will provide MCC with a more detailed understanding of Honduras's current performance in the policy areas measured by MCC's eligibility criteria, particularly with respect to control of corruption, public financial management and fiscal transparency.

SUPPLEMENTAL INFORMATION

MCC Funding for Data Collection in Honduras

Background

The Millennium Challenge Corporation (MCC) plans to obligate up to \$425,000 under section 614(g) of the Millennium Challenge Act of 2003, as amended, in order to improve data available to MCC in relation to Honduras's performance in the areas measured by MCC's eligibility criteria, specifically with regard to the Government of Honduras's commitment to, and progress in, improving public financial management and fiscal transparency, policy areas that are correlated with controlling corruption in the long run.

In dialogue with MCC, the Government of Honduras developed an action plan in March 2011 aimed at improving budget planning, execution and oversight. To obtain reliable data on the Government of Honduras's implementation of its action plan, MCC plans to fund data collection and reporting from two authoritative independent sources on public financial management and fiscal transparency: the Public Expenditure and Financial Accountability (PEFA) performance measurement framework and the Open Budget Index (OBI) of the International Budget Partnership (IBP).

Justification

MCC needs this supplemental information because of the challenge of assessing how Honduras compared to other countries on MCC's *Control of Corruption* indicator, a requirement for MCC compact eligibility. Honduras's most recent (Fiscal Year 2011) score on the indicator fell slightly below the median, but the margin of error straddled the median, as it has for several years. Reporting lag time compounds the challenge. Honduras's most recent scorecard reflected events and circumstances in 2009, before the current government took power in February 2010.

The data collection and evaluation work that MCC plans to finance will provide timely and accurate independent information that will supplement existing data on Honduras and help MCC assess the current government's efforts to make the planning and execution of the national budget more transparent and subject to more stringent oversight and external control.

MCC will fund two annual PEFA assessments to track changes in public financial management since the most recent PEFA assessment for Honduras in 2009. The first assessment report will be delivered in September 2011; the second in September 2012. MCC will also fund an off-cycle OBI update, to be delivered in September 2011, that will evaluate the transparency of Honduras's fiscal practices since the last biennial report in October 2010 (which was based on 2009 data).

Without MCC funding, neither the PEFA reports nor the OBI update would be produced. PEFA assessments are sporadic; the most recent PEFA assessment to be carried out in Honduras was in 2009. No other donor plans to do a repeat assessment at this time. The next regular OBI report for Honduras is not due until October 2012.