

**Millennium Challenge Account -Honduras  
Monitoring and Evaluation Plan**

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## Acronyms

ACA	Access to Credit Activity
CABEI	Central American Bank for Integration
FTDA	Farmer Training and Development
GIS	Geographical Information System
GOH	Government of Honduras
HDM	Highway Design and Maintenance Standards Model
IFPRI	International Food Policy Research Institute
IHCAFE	Honduran Institute of Coffee
M&E	Monitoring and Evaluation
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
NIBC	National Banking and Insurance Commission
NORC	National Opinion Research Center at the University of Chicago
PAR	Portfolio at Risk
RDP	Rural Development Project
TA	Technical Assistance
USAID	United States Agency for International Development

## Overview

On June 13th, 2005, The United States of America, acting through the Millennium Challenge Corporation (MCC), and the Government of the Republic of Honduras signed a five-year, \$US 215 million Compact to implement the Millennium Challenge Account Honduras Program (MCA Honduras). Funds will finance a Rural Development and a Transportation Project with the objectives of (i) increasing the productivity and business skills of farmers who operate small-and medium-size farms and their employees; and (ii) reducing transportation costs between targeted production centers and national, regional and global markets.<sup>1</sup> Monitoring and Evaluation (M&E) is essential for a results-based approach to program management and a key component in the design of Honduras' MCA Program. As detailed in the MCA-Honduras Compact, Annex III, the Honduras M&E Plan would serve the following functions:

- Explains in detail how MCA-Honduras and the MCC will monitor the Projects in order to determine whether they are achieving their intended results and measure their impacts over time.
- Guides Program implementation and management, so that MCA-Honduras staff and board members, and Implementing Entities understand the results they are responsible for achieving, and that the beneficiaries and stakeholders are aware of progress towards those results.
- Alerts stakeholders to problems in Program implementation and provides the basis for making any needed Program adjustments.
- Describes evaluations that assess the causal relationship between the Program and its Goal.

Before beginning implementation of individual Projects or Project Activities, MCA-Honduras will orient staff and Implementing Entities on how performance will be measured, and will provide any necessary training to comply with the M&E Plan. MCA-Honduras will also review comments and suggestions from beneficiaries and Project Managers.

This M&E Plan may be modified or amended as necessary with the approval of MCC and the MCA Honduras Board, or by MCC and MCA if the changes are not substantial, consistent with the requirements of the Compact and any other relevant supplemental legal documents.

This document reflects the second amendment made to the M&E Plan, agreed between MCC and MCA Honduras on the date of the cover page. This update reflects MCC's Guidelines for Monitoring and Evaluation Plans and takes into account various program changes that have occurred since the Compact's Entry into Force and since the first revision in 2008.

### 1. Summary of the Program and Objectives

The Goal of the Program in Honduras is to stimulate economic growth and poverty reduction through the Rural Development and Transportation Projects. As indicated in Annex III of the Compact, the evaluation component will assess the extent to which the income of the beneficiaries was increased as a result of the Program.

To accomplish the Compact Goal of increasing income, the MCA-Honduras Program aims to achieve the following objectives:

- Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the "Agricultural Objective"); and

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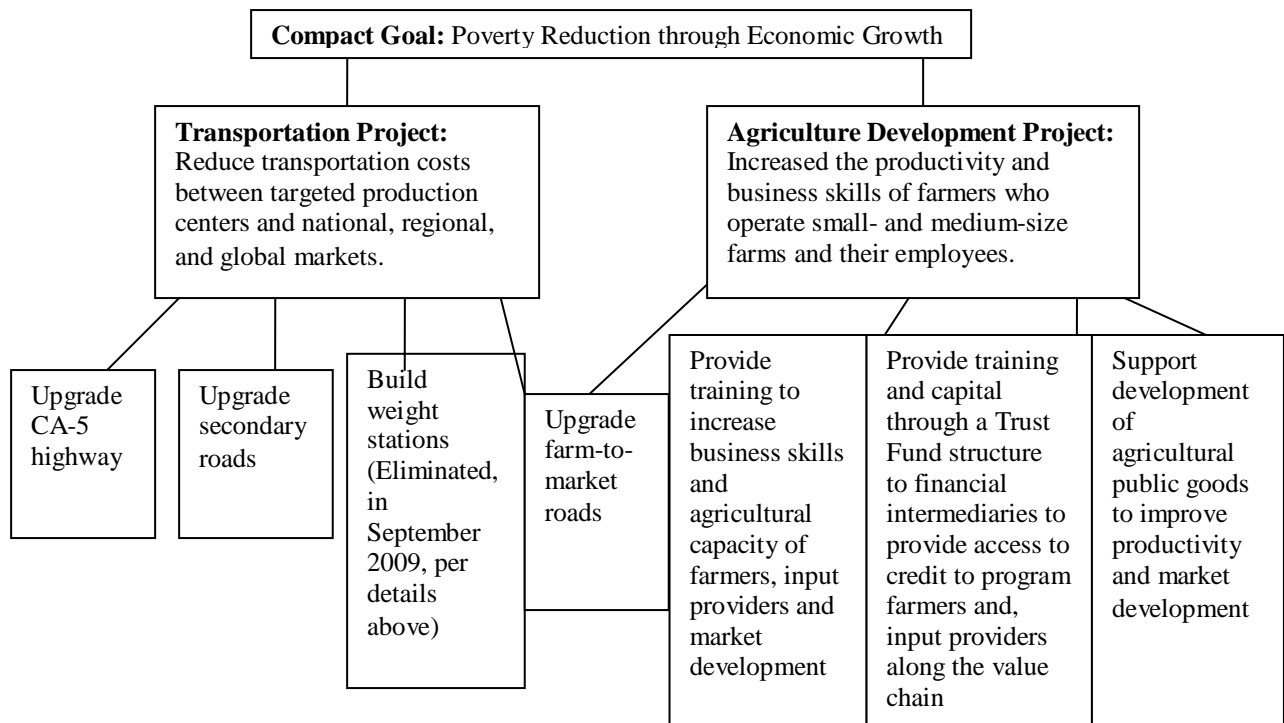
<sup>1</sup> Any capitalized term not defined herein shall have the meaning ascribed to such term in the Compact.

- Reduce transportation costs between targeted production centers and national, regional, and global markets (the “Transportation Objective”).

Two Projects will be implemented by MCA-Honduras to achieve these Objectives:

- The Rural Development Project, within which 4 activities will be implemented: (i) Farmer Training and Development (FTDA), (ii) Access to Credit by farmers (ACA), (iii) Farm to Market roads (FMRA), and (iv) grants through an Agriculture Public Goods Grants Facility (APGGF) .
- The Transportation Project, initially included plans upgrade and pave two major segments of the CA-5 Highway, pave three secondary roads, and develop a vehicle weight control system. The vehicle weight control system activity was not implemented according to Congressional Notification from the Millennium Challenge Corporation in September 2009, after the MCC’s Board of Directors decided to terminate funding for the vehicle weight control activity in the Transportation project. Due to unexpected cost escalations, the implementation of the CA-5 Highway Project will be co-financed by the Government of Honduras, through a Loan Agreement for US\$ 130 million, signed with the Central American Bank for Economic Integration (CABEI), to complement MCC’s US\$ 97 million assigned for this Activity.

Below is a Logic Framework of the Compact:



## 2. Program Impact

## 2.1. Economic Impact

The economic impact of the Compact was originally estimated by forecasting the benefits of each Project relative to the costs, as encapsulated in the economic rate of return (ERR). The ERR for each Project was calculated based on the internal rate of return of all costs and benefits over a 15-year time horizon (for Rural Development) and over a 20-year time horizon (for Transportation Project). Only benefits that could reasonably be expected to generate economic returns (income gains) were included in the analysis. Costs and benefits were estimated using the best available data before Entry Into Force in October 2005. Conservative assumptions were made when hard data were scarce or unavailable. As such, the resulting base case ERR projections can be considered reasonable estimates of the expected economic impact of the Projects.

Regarding the Rural Development Project, its economic rate of return was originally estimated to be 21%. This was the cost-weighted average of the economic rate of returns from the Agricultural Public Goods Grant Facility, Farm to Market Roads and Farmer Training and Development activities, 15%, 12% and 36%, respectively. The activity to facilitate access to credit is assumed to complement technical assistance, and is therefore treated as part of the cost of successfully implementing the Farmer Training and Development activity.

Out of the four activities comprising the Rural Development Project, the Access to Credit Activity needed adjustments and those were discussed and approved by MCC in 2008. Specifically, the implementation strategy of the Loan Fund sub-activity was adjusted to adapt to changes in small farmer's agriculture credit demands. Originally, the Loan Fund planned to target only FTDA Program Farmers; the scope of the Fund was expanded to include FTDA Program farmers, and non-FTDA Program farmers, agribusinesses, and other producers and vendors in the horticulture industry. Furthermore, the funds are now transferred first from MCA to a trust fund, administered by "BAC BAMER"<sup>2</sup>, and then from BAC BAMER to participating financial intermediaries, which in turn make loans to the farmers. Since the total cost of the credit component remains the same, the ERR estimation was kept. However an assessment will be conducted post-Compact to look at the credit activity in more detail.

In regards to the Transportation Project, its ERR was originally estimated to be 25%. This return was the cost-weighted average of the returns for the three activities: Logistical Corridor (21%), Secondary Roads (40%), and Weight Control (25%).

The ERR was recalculated in February 2008 reflecting increase in scope of works that the GoH and MCC agreed to expand from three lanes to four lanes in CA-5 Section 2 and adding the possibility to apply cement concrete instead of asphalt as pavement structure; increase in the number of affected people and resettlement costs.

Based on the above, the revised ERR for the Transportation Project has been re estimated to be 11.9 %, and the cost-weighted average of the returns for the three activities now is: Logistical Corridor (9.9%), Secondary Roads (27%), and Weight Control (25%). The Transportation Project's ERR will be recalculated during the post-Compact period in order to eliminate the Weight Control portion, since this activity was eliminated, due to a decision by MCC in September 2009 to terminate a portion of Compact funding, which included funds for the weight control activity. It will also use updated information on IRI measurements and traffic counts.

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<sup>2</sup> BAC BAMER became BAC Honduras in 2010, but for ease of reference the M&E Plan continues to use BAC BAMER to be consistent with Program Documents

**Table 1: Economic Rate of Return**

Project	ERR
Rural Development Project	21%
Transportation Project (original)	25%
Transportation Project (Revised – 2008)	11.9%

Source: MCC Compact development (2004), MCA-Honduras revision 02/2008

### **2.1.1. Assumptions in calculating the ERR for the Rural Development Project**

For the Rural Development Project, the provision of technical assistance, credit, farm to market roads and agricultural public goods will allow Program Farmers and other Hondurans directly or indirectly employed in the agricultural sector to raise their incomes. The table below shows sales, costs and income per hectare for a number of horticultural products based on data from a USAID funded project in Honduras. The production costs include soil preparation, seeding, transplanting, pest and disease control, fertilizer, staking, irrigation, harvesting, security, and disposal. In addition to the production costs, the total cost includes a financing cost that assumes funds to cover all production costs are borrowed at a 28% interest rate at the beginning of the crop cycle. Administration costs equal to 7% of production costs have been included in the total cost estimate (please see table 2).

In contrast, according to an International Food Policy Research Institute (IFPRI) household survey, the majority of Honduran farmers grow corn, coffee, and beans, which generate an average income per hectare between \$300 and \$500.

**Table 2: Income per Hectare in Dollars for Horticultural Products**

Crop	Sales/ha	Costs/ha	Net Income/ha	Length of Crop Cycle (weeks)
Cassava	2,857	1,827	1,030	52
Broccoli	4,747	4,060	687	18
Squash	5,000	3,797	1,203	18
Zucchini	5,495	3,280	2,215	18
Lettuce	5,495	4,479	1,016	15
Carrot	6,593	3,897	2,696	18
Sweet Potato	7,253	3,084	4,169	26
Onion	8,242	5,996	2,246	19
Potato	8,929	7,351	1,578	21
Cabbage	9,066	6,612	2,454	18
Cucumber	10,343	7,756	2,587	21
Tomato	11,538	10,043	1,495	21
Eggplant	12,088	6,067	6,021	21
Bell Pepper	15,385	10,295	5,090	24
Jalapeño	16,978	11,025	5,953	26

Source: USAID- Honduras (2004)

To calculate the ERR, MCC assumed that<sup>3</sup>:

- The provision of technical assistance (TA) allows a Program Farmer to successfully transition from growing basic grains to squash, a product that has a relatively conservative (25th percentile) annual net income and Program Farmers have two crop cycles per year;
- Without the project, each hectare has a net income of \$500;
- The average farm begins with 1.5 hectares and grows at 5% per year; and
- An average cost of TA per Program Farmer of \$3,731.

To calculate increased income of Program Farmers and their employees, MCC calculated expected annual farm profits (sales – costs) and expected annual wages (yearly labor costs). For both of these calculations, a crop was chosen, squash, with relatively conservative net profits and labor costs, as presented in the table 3 below.

In addition, MCC assumed that without the Project, each Program Farmer would have had a net annual income of \$500 per hectare. To calculate the increase in annual income over the counterfactual<sup>4</sup>, \$500 is subtracted from the annual net profit of the farm for each hectare under production. This implicitly assumes that the Program Farmer would have had the same 5% growth in hectares under production even without the program. The increase in annual employment income is calculated as the total labor costs for all Program Farmers. This assumes that there is sufficient unemployment in the rural economy that the reservation wage of unskilled labor is zero.

<sup>3</sup> Assumptions during the program design focused on farmers transitioning from growing basic to high value horticultural crops, the program will also train and develop farmers currently growing horticultural crops that improve their technical package and marketing skills to increase income.

<sup>4</sup> The counterfactual is the state that would prevail in the absence of the project; this is distinct from the baseline which is the state that prevailed before the program.



**Table 3: Expected annual farm profits and expected annual wages**

	Annual Net Income per Hectare	Annual Labor Costs per Hectare
Cassava	\$ 1,030	\$ 543
Broccoli	\$ 1,374	\$ 1,475
Lettuce	\$ 2,032	\$ 1,918
Squash	\$ 2,406	\$ 1,216
Tomato	\$ 2,991	\$ 4,751
Potato	\$ 3,156	\$ 1,746
Zucchini	\$ 4,430	\$ 1,186
Onion	\$ 4,491	\$ 2,779
Cabbage	\$ 4,907	\$ 3,871
Cucumber	\$ 5,175	\$ 3,798
Carrot	\$ 5,393	\$ 1,878
Sweet Potato	\$ 8,338	\$ 2,019
Bell Pepper	\$ 10,180	\$ 4,579
Jalapeño	\$ 11,905	\$ 4,057
Eggplant	\$ 12,042	\$ 2,847

Source: USAID- Honduras (2004)

The ERR for the Farmer Training and Development Activity of the Rural Development Project will be recalculated in the post-Compact period, using updated monitoring data and other information. Individual, grant-level ERRs for the Agricultural Public Goods Grant Facility activity will be calculated as the final evaluation for this activity (see Evaluation section of the M&E Plan).

### **2.1.2. Assumptions in calculating the ERR for the Transportation Project**

The economic benefits from improvements in transportation infrastructure in Honduras derive both from the direct benefits of reduced transportation costs (due to reduced vehicle operating costs and travel times) and from the stimulation of new business investments due to lower transport costs<sup>5</sup>. The ERR for CA-5 highway was estimated counting only the direct benefits of reduced transportation costs. The positive impacts of new business investments are also likely to be an important part of the economic benefits but are more difficult to estimate, particularly a priori. However, it is anticipated that sectors such as the “maquila” sector are likely to receive new investments from improved infrastructure.

Improved transportation infrastructure is likely to benefit poor people through two channels. First, the working poor in Honduras spend a high fraction of their working day commuting long distances in crowded buses. For these people any reduction in travel time mitigates a significant burden in their daily lives. Second, it is hypothesized that many poor that have only seasonal or part time employment will obtain jobs in labor-intensive light manufacturing factories that get established as a result of improved transportation to Puerto Cortes, Honduras’s main gate to the Caribbean and Cutuco, El Salvador in the Pacific Coast. Increased employment in these establishments disproportionately benefits the poor.

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<sup>5</sup> A portion of this benefit is captured in the reduced transportation costs, but factor payments above reservation prices are not.

MCC estimated back in 2005 that the proposed improvements to the CA-5, the primary logistical corridor in Honduras, support an ERR of 21%. This number included the benefits of reduced travel time, vehicle operating costs, and economic wages to road-construction workers. Travel time and vehicle operating costs are both a function of the roughness of the road and the number of vehicles on the road, measured by the International Roughness Index and the Average Annual Traffic Volume, respectively. Economic wages are estimated at 14% of construction costs. The estimated financial costs were obtained from World Bank funded final designs and cost estimates, which were validated by the U.S. Army Corps of Engineers.

In early 2008, updated cost estimates of the CA-5 project produced during the procurement process were much higher than the initial estimated prices. This prompted a project restructuring effort, as MCA-Honduras and MCC re-examined the project’s scope and sought co-financing from the Central American Bank for Economic Integration (CABEI). Three principal factors caused the increase in costs to the CA-5 activity: the scope of works was been expanded (from three lanes to four in Section 2; , a request from GoH); unit costs (particularly for petroleum derivative products) are higher; and resettlement costs are higher. The revised ERR, accounting for these cost increases, is 9.9 %; the analysis follows the same methodology and assumptions, but uses updated cost numbers. Although lower, the revised ERR passes the minimum threshold required for projects to qualify for funding under the Compact. It should also be noted that the ERR has gone down because the costs have increased, not because the benefits have decreased.

## 2.2. Beneficiaries

The beneficiaries of the MCA Honduras Program can be categorized by Project. The Rural Development Project will improve the business skills, productivity, market access and risk-management practices of producers who own small and medium farms and small and medium agriculture input providers involved in the agriculture value chain. This will result in higher incomes for the targeted farmers, their employees, agriculture businesses and communities. The Transportation Project will benefit users of the roads and communities and businesses surrounding the roads.

In 2008, MCC conducted a revision of beneficiary estimates for Compacts in implementation, including Honduras, based on the status of Compact activities. Honduras’ beneficiary estimates were further revised in 2010, to account for the partial termination of funds for rural roads and weight control activities. The table below summarizes the final beneficiary estimates. These updated estimates include beneficiaries and members of their household who are expected to experience income gains as a result of the Projects and activities. Please note that the individual activity estimates do not sum to the estimates for the total Project estimates, as the Project estimates have been adjusted to avoid double-counting in cases where beneficiaries may gain from more than one activity.

**Table 4: Estimated Project Beneficiaries**

Project/ Activity	Beneficiary Estimate
Transportation Project (Total)	1, 347, 297
CA-5 Highway	1,090,907

Secondary Roads	256,390
Rural Development Project (Total)	357,256
Rural Roads	293, 556
Farmer Training and Development	36,700
Access to Credit	27,000
Agricultural Public Goods	N/A - Beneficiary estimates were not reported for this Activity because it is difficult to estimate the number of grant recipients for whom grants will translate into actual income gains.

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**ptions and Risks**

The logic behind the Program and the expected impacts by and after the Compact’s end are based on specific assumptions about the linkages between individual Project Activities and the long-term Goal of increasing income. Assumptions inform the basis of the economic rate of return analysis, while risks external to Program implementation may affect Program success. These assumptions and risks are presented below for each of the two Projects. Please note these assumptions are related to the original ERR analysis, and changes to activities over time may have decreased the relevance of these assumptions. Recalculations of ERRs in the post-Compact period should account for these types of changes and updates.

**Table 5: Assumptions and Risks: Rural Development Project**

Assumptions	Risks
Farmers will transition to higher-value crops with an average increase in value added (wages + profits) of US\$ 1,300 per Hectare. Farmers will transition an average of 1.5 Hectares of land, and the average cost of technical assistance per farmer is US\$ 3,731.	<ul style="list-style-type: none"> <li>• Product price decreases</li> <li>• Production costs increase</li> <li>• Natural disasters, pests, improper agricultural practices applied or for any other reason production is reduced</li> <li>• Inadequate access to market</li> <li>• Effect of Government subsidies and protectionist policies</li> <li>• Increased food prices in international markets affecting staple crops.</li> <li>• Market saturation with high value crops</li> <li>• Increased input prices</li> </ul>
Farmers will have access to sufficient financing to transition to higher-value crops that require more working capital and fixed capital than traditional crops.	<ul style="list-style-type: none"> <li>• Inadequate appetite or capacity exists to expand collateralized lending, and financial intermediaries not motivated to reverse the decline in agriculture lending.</li> <li>• Risks to this project outside the scope of the Program: amendments to the Civil Code to fully enable collateralized lending may not be passed.</li> <li>• Other means of accessing lending, not necessary cash (e.g. seeds or other input needs)</li> <li>• National Insurance and Banking Commission (NIBC) increased the reserve requirements</li> </ul>

	<ul style="list-style-type: none"> <li>for agricultural portfolio.</li> <li>Government credit schemes promoting basic grains production</li> </ul>
Roads will broaden market opportunities for farmers to produce higher-value crops by allowing them to get these crops to more markets.	<ul style="list-style-type: none"> <li>Limited financial capacity of municipalities to participate in the Program and maintain upgraded roads.</li> <li>GoH Public Credit policy constraints in the use of municipal funding.</li> <li>Limited availability of non- official roads with ERRs higher than 12% as required in the Compact.</li> </ul>

Source: MCC and MCA-Honduras

**Table 6: Assumptions and Risk: Transportation Project**

Assumptions	Risks
<p>Traffic volume grows at a rate of 5.5% annually over the five compact years, for the Logistical Corridor and Secondary Roads, respectively. (MCC estimated)</p> <p>Roads are maintained so that vehicle operating costs and travel times savings persist. (MCC estimated)</p>	<ul style="list-style-type: none"> <li>Pre-construction risk including securing right of ways, issuance of permits and relocation of utilities.</li> <li>Existing resettlement legal framework in need of modification before works can begin.</li> <li>An operational policy for resettlement to be first implemented in Honduras</li> <li>A time lag in the implementation of resettlement with respect to the implementation of works</li> <li>Cost increase in affected right of way and resettlement</li> </ul>
<p>Unit cost for works at the time of Compact design will remain stable through the implementation phase, thereby contributing to ERRs and expected benefits remaining stable.</p>	<ul style="list-style-type: none"> <li>Unit costs could increase; raising constraints about the amounts of works that can be constructed and affecting ERR.</li> </ul>

Source: MCC and MCA-Honduras

**3. Monitoring Component**

The M&E Plan measures the results of the Program using quantitative, objective and reliable data (“Indicators”). Each Indicator has one or more expected results that specify the expected value and the expected time by which that result will be achieved (“Target”). The M&E Plan will measure and report four types of Indicators, where applicable. First, the Compact Goal Indicators (each, a “Goal Indicator”) will measure the impact of the Program on the incomes of Hondurans who are affected by the Program (collectively, “Beneficiaries”). Second, Objective Indicators (each, an “Objective Indicator”) will measure the final results of the Projects in order to monitor their success in meeting the Objectives. Third, Outcome Indicators (each, an “Outcome Indicator”) will measure the intermediate results of goods and services delivered under the Project in order to provide an early measure of the likely impact of the Projects on the

Objectives. Fourth, Project Activity Indicators (each, an “Output Indicator”) will measure the delivery of key goods and services in order to monitor the pace of Project Activity execution.

### **3.1. Indicators**

The following sections presents each type of Indicator (Goal, Objective, Outcome and Output) along with the entity responsible for collecting the data and the frequency of data collection. Given the potential for program change over time, it may be necessary to modify, replace, or retire indicators and targets, per guidance outlined by MCC and in this document. The indicators presented here represent the current set of approved indicators and targets, per relevant guidelines. A subsequent section, 3.2, Summary of Indicator, Baseline, and Target Modifications, summarizes all changes to date.

#### **3.1.1. Goal Indicators**

The Goal for the Compact is to alleviate poverty by increasing the income of Hondurans affected by the Program (the beneficiaries). The indicators that will be used to measure the program goal are presented below. Please note: Due to the fact that two impact evaluations, on the Transport Project and the FTDA activity, will be completed during the post-Compact period to more accurately measure their impacts, it may not be possible to calculate all of the end-of-Compact values for the Goal indicators; the final calculations for these may have to take place during the post-Compact period. In addition, an activity evaluation for ACA will also be completed in the post-Compact period. The estimated timing for the indicators in Table 7, below, has been adjusted to reflect these changes.

#### **3.1.2. Objective and Outcome Indicators**

The objectives of the Program are to a) Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”); and b) Reduce transportation costs between targeted production centers and national, regional, and global markets (the “Transportation Objective”). Program success will be tracked for each of these Objectives via the following indicators. For greater ease of tracking, the Rural Roads indicators have been included in Table 9, for the Transport Project.

**Table 7: Goal Indicators /1**

Goal	Indicator	Details	Source/ Responsible Entity	Frequency of:	
				Data Collection	Reporting
Poverty Reduction through Economic Growth	Increase in income of Beneficiaries (annual US\$ millions)	Benefit Stream is the sum of all benefit streams below. Full benefits stream for CA-5 Highway will not be expected until 2011 until all construction will be complete. 1/	Evaluator 2/	Baseline data collection ends on 03/2009, End of Compact Final data collection for \ACA by 09/2010. Data for APGGF will come from activity monitoring data.	Baseline report on 03/2009. Final report for APGGF by 09/2010. Final Report for Transportation, FTDA, and ACA in post compact period.
	Benefits of Highway CA-5 upgrade	Benefit Stream includes wages to local labor, savings due to reduced vehicle operating costs and travel time. Full benefits stream for CA-5 Highway will not be expected until 2011 until all construction will be complete. 1/	Evaluator (activity and evaluation goes beyond Compact end) /2	Baseline data collection ends on 03/2009, End of Compact Final data collection in post compact period. /5	Baseline report on 03/2009. Final report o in post compact period
	Benefits of secondary road paving	Benefit Stream includes savings due to reduced vehicle operating costs and travel time.	Evaluator 2/	Baseline data collection ends on 11/2008, End of Compact Final data collection in post-Compact period.	Baseline report on 01/2009. Final report in post Compact period.
	Increase in farm income resulting from Rural Development Project	Change in the income of Program Farmers minus the change in income comparison farmers. Based on data of a sample of both groups.	Evaluator	Baseline data collection ends on 11/2008, End of Compact Final data collection in post-Compact period.	Baseline report on 01/2009. Final report in post- Compact period.
	Increase in farm employment income resulting from Rural Development Project	Wages paid to employees of Program Farmers minus reservation wages of employees as compared to what it would have been without the project.	Evaluator	Baseline data collection ends on 11/2008, End of Compact Final data collection in post- Compact period.	Baseline report on 01/2009. Final report in Post- Compact period.
	Benefit of Farm to market Roads	Benefit Stream includes savings due to reduced vehicle operating costs and travel time.	Evaluator	Baseline data collection ends on 11/2008, End of Compact Final data collection in post-Compact period.	Baseline report on 01/2009. Final report in Post Compact period.
	Benefits of Agricultural Public Goods Grant Facility	Each grant has a different method for estimating benefits, defined in the grant agreements with each grantee. Benefits from individual grants will be calculated, and then aggregated into a single benefit stream.	Evaluator 4/	Data submission for final evaluation on 09/2009 and 08/2010. Data to come from activity monitoring.	Report in 09/2010

Source: MCC (2004) and MCA-Honduras (2008) for Data collection and reporting date

1/ Due to construction delays, the amount of benefits realized by the end of the Compact may be partial, and ii) at the end of the Compact, the evaluator will measure the benefits accrued up to that point to the fullest extent possible, and iii) effort will be made after the Compact ends to continue to track benefits, and iv) in addition to measuring existing benefits to the extent possible, the evaluator may also estimate benefits beyond the end of the Compact.

The final evaluation design report prepared by the Evaluator includes the methodology to estimate the benefit streams using different models for the Transport Project and Rural Development Project. For Transport Project the methodology is based in an integrated network transport model. For Rural Development Project use a model that randomly allocates farming communities (“aldeas”) into two groups: those that receive technical assistance now (the treatment communities) and those that receive it after 12-18 months (control communities). For more detail see Evaluation Section of M&E Plan.

2/ The Evaluator is an independent third party contracted by MCA-Honduras that is responsible for producing the Final Evaluation as defined in this M&E Plan and Annex III of the Compact. National Statistics Institute supports the Evaluator in field data collection. The Evaluator is using experimental and quasi-experimental design to evaluate MCA Honduras Project. For more detail see Evaluation Design Final Report.

3/ the reservation wage is the lowest wage at which a worker would be willing to accept a particular type of job. A job offer involving the same type of work and the same working conditions, but at a lower wage rate, would be rejected by the worker.

4/ Grant recipient institutions will provide data inputs to the evaluator.

5/ Evaluator will develop a simulation model using GIS and primary data collected prior to close of contract (this may include one or two rounds of data. In this case, the model will simulate post-construction road conditions, and predict both changes in travel time and associated changes in household and business indicators, based on relationships derived using baseline data.

**Table 8: Agricultural Objective**

Objective	Indicator	Details	Source/Responsible Entity	Frequency of Data Reporting	
<b>Objective</b>					
<b>Farmer Training and Development</b>					
Increase the productivity and business skills of farmers who operate small- and medium-size farms and their employees	# of Program Farmers harvesting high-value horticulture crops	# of active Program Farmers + # of Program Farmers that have graduated from the Program that are still producing high-value horticulture crops 1/	Implementing Entity for FTDA	Annual (March each year) Starting 03/2008	
	# of hectares harvesting high-value horticulture crops	Horticulture crop mix that has a net income per hectare of more than \$2000 2/	Implementing Entity for FTDA	Annual (March each year) Starting 03/2008	
	<b>Agricultural Public Goods Facility</b>				
	Number of hectares under irrigation	Applicable to irrigation grantees. Hectares producing high-value crops as a result of irrigation installation	Implementing Entities	Reporting quarterly From 12/2008 – 09/2010	
	Number of farmers testing beneficial biological control agents	Applicable to biological control grantee. Farmers testing beneficial biological control agents on their farms	Implementing Entity	Reports on 12/2009 and 09/2010	
Number of coffee plants cloned	Applicable to Coffee Cloning Laboratory. Coffee plants cloned available for Coffee farmers for propagation.	Implementing Entity	Reports on 12/2009 and 09/2010		

Source: MCC (2004) for original indicators and MCA-Honduras (2008) for Data collection, reporting dates and Ag Public Goods indicators.

1/ In order to be counted as “a Program Farmer harvesting high-value agricultural products” the Program Farmer must be (as defined in FTDA implementer contract).

- i. in the first year of participation, a Program Farmer must have a crop mix that has been demonstrated to have an expected annual net income of at least \$2000 per hectare; and
- ii. in the second year of participation, a Program Farmer must have earned a net income of at least \$2000 per hectare; in cases where program farmers have less than one hectare they have to achieve at least \$2,000 per hectare and in addition must have increased his/her annual net on-farm income by at least \$1,000 over his/her baseline annual net on-farm income.

2/ In order to be counted as a “hectare of high-value horticulture crops harvested in the previous six months” the following conditions must be met (as defined in FTDA implementer contract):

- i. in the first year of participation, each hectare must have a crop mix that has been demonstrated to have an expected annual net income of at least \$2000 per hectare; and
- ii. in the second year of participation, each hectare must produce a net income of at least \$2000 per hectare.; in cases where program farmers have less than one hectare they have to achieve at least \$2,000 per hectare and in addition must have increased his/her annual net on-farm income by at least \$1,000 over his/her baseline annual net on-farm income.

In calculating the number of hectares, 1/10th of a hectare of greenhouse shall count as the equivalent of one hectare of open land as long as conditions (i) and (ii) are met.



**Table 9: Agricultural Outcomes**

<b>Indicator</b>	<b>Details</b>	<b>Source/Responsible Entity</b>	<b>Frequency of Data Reporting</b>
<b>Farmer Training and Development</b>			
# of business plans prepared by program farmers with assistance from Implementing Entity	Business plans in the form of a budget and cash flow, which will allow them to know their expected expenditures and revenues, prior to taking the planting decision. Please note, in April 2008 MCAH and FINTRAC agreed to change in requirement for business plan including a simpler format which resulted in more plans	Implementing Entity for FTDA (source and responsible entity)	Annually: March each year, starting 2008 to 2010
Total Value of net sales /1	Gross sales of agricultural products minus cost of production	Implementing Entity for FTDA	Quarterly
Total Value of gross sales /1	Total sales of agricultural products	Implementing Entity for FTDA	Quarterly
Total Value of gross export sales /1	Same as indicator	Implementing Entity for FTDA	Quarterly
Total Value of gross local sales /1	Same as indicator	Implementing Entity for FTDA	Quarterly
<b>Access to Credit</b>			
Value of loans outstanding to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period / Trust fund resources	USD value of loans outstanding issued by financial intermediaries receiving money from the Trust Fund. ( as of end of the reporting period )	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly: From 09/2008 to 05/2010
Value of loans outstanding to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period / Leveraged from trust fund resources	USD value of loans outstanding issued by financial intermediaries from the leverage applied to trust fund resources.1/ ( as of end of the reporting period )	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly: From 09/2008 to 05/2010
Value of loans disbursed to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date (Trust Fund resources)	USD value of loans disbursed from trust fund resources only (Cumulative to date).	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly y: From 09/2008 to 05/2010
Value of loans disbursed to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers	USD value of loans disbursed from trust from leverage applied to trust fund resources (Cumulative to date).	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly y: From 09/2008 to 05/2010

cumulative to date (Leverage from Trust Fund resources)			
Number of loans outstanding (BAMER and ACDI-VOCA) to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period.	Number of loans outstanding (as of end of the reporting period) from BAMER and ACDI-VOCA.	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly : From 09/2008 to 05/2010
Number of loans outstanding (Institutions with ACDI-VOCA T.A.) to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period.	Number of loans outstanding (as of end of the reporting period) from institutions with ACDI-VOCA technical assistance.	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly : From 09/2008 to 05/2010
Number of loans disbursed (BAMER and ACDI-VOCA) to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date	Number of loans disbursed at the time of reporting (Cumulative to date) from BAMER and ACDI-VOCA.	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly : From 09/2008 to 05/2010
Number of loans disbursed (Institutions with ACDI-VOCA T.A.) to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date	Number of loans disbursed at the time of reporting (Cumulative to date) from institutions with ACDI-VOCA technical assistance.	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly : From 09/2008 to 05/2010
Number of farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date, (BAMER and ACDI-VOCA)	Number of clients with loans disbursed at the time of reporting (Cumulative to date) from BAMER and ACDI-VOCA.	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly : From 09/2008 to 05/2010
Number of farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date, (ACDI-VOCA)	Number of clients with loans disbursed at the time of reporting (Cumulative to date) from ACDI-VOCA.	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly : From 09/2008 to 05/2010
Number of farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers with loans outstanding, (BAMER and ACDI-	Number of clients with loans outstanding at the time of reporting (as of end of the reporting period) from BAMER and ACDI-VOCA.	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly : From 09/2008 to 05/2010

VOCA)			
Number of farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers with loans outstanding, (ACDI-VOCA)	Number of clients with loans outstanding at the time of reporting (as of end of the reporting period) from ACDI-VOCA.	Trust fund manager (source and responsible entity) and Access to Credit Activity (ACA) implementing entity	Quarterly : From 09/2008 to 05/2010
Percentage of MCA Honduras Loan Portfolio At Risk (PAR) Trust Fund(over 60 days)	(USD value of loan outstanding among on all loans 60 days past due from Trust Fund Resources) / USD value of total loans outstanding from Trust Fund Resources)	Access to Credit Activity (ACA) implementer and Trust Fund Manager (source and responsible entity)	Quarterly: From 09/2008 to 05/2010
Percentage of MCA Honduras Loan Portfolio At Risk (PAR) (ACDI-VOCA Portfolio) (over 60 days)	(USD value of loan outstanding among on all loans 60 days past due from ACDI-VOCA Portfolio) / USD value of total loans outstanding from ACDI-VOCA Portfolio)	Access to Credit Activity (ACA) implementer and Trust Fund Manager (source and responsible entity)	Quarterly: From 09/2008 to 05/2010
Number of Financial institutions that are filing pledges on behalf of debtors in the Secured Transactions Registry 2/	Number of financial institutions	Tegucigalpa Chamber of Commerce	This indicator will not be reported on until the post-Compact period due to changes in the implementation timeline of the Secured Transaction Registry
<b>Agricultural Public Goods Facility</b>			
Number of farmers connected to the community irrigation system	Applicable to irrigation grantees. Number of farmers who have adopted on-farm irrigation technology	Implementing Entities	Quarterly From 12/2008 – 9/2010
Number of beneficial biological control agents developed for use by Programs Farmers or other farmers for pilot testing	Applicable to biological control grantee. Biological control agents also known as natural enemies of insect pests are natural predators, parasites, or pathogens that control pests by disrupting their ecological status.	Implementing Entity	Report on 04/2010
Number of improved coffee hybrids available for cloning	Applicable to IHCAFE grantee.	Implementing Entity	Report on 03/2010
Number of new products developed as part of the Value-Added grant	Applicable to value-added grantee. New marketable food products developed.	Implementing Entity	Reports on 12/2008 and 01/2010

Source: MCC (2004) for original indicators and MCA-Honduras (2008) for Data collection, reporting dates and Ag Public Goods indicators.

1/ Leverage is expected to be 5% of the trust funds received by financial intermediaries.

2/ The beneficiaries of the creation of the Secured Transactions Registry are urban and rural borrowers, but the filing of pledges on behalf of these borrowers will be done by financial institutions. Financial institutions in a sense are indirect beneficiaries of the Secured Transactions Registry, and will be the primary source of tracking borrowers' liens pledged through the system.

**Table 10: Transportation Objective and Outcome**

Objective	Indicator	Details	Source/Responsible Entity	Frequency of Data Reporting
Reduce transportation costs between targeted production centers and national, regional and global markets	Objective			
	Freight shipment cost from Tegucigalpa to Puerto Cortes 1/	U.S. dollar per ton	M&E and Transportation Direction Survey transportation companies	Final data collection should be made after Logistical Corridor construction ends. (Expected for June 2011)
	Price of basic food basket	U.S. dollar price per unit for basic food products standardized across all communities	Evaluator	Baseline and End of Compact 11/2008 Post compact
	Average daily traffic volume, (CA-5, secondary roads, and rural roads)	# of vehicles per day for commercial and non-commercial vehicles averaged over different times of day, days of the week and times of year 2/	Evaluator	Baseline data collection on 03/2009 and follow-up in post-Compact period.  For CA-5 Baseline data collection on 03/2009 and follow-up in post-Compact period.
	Outcome			
	Average speed on rural roads	Average speed on rural roads for road condition for rural roads	Evaluator	Baseline 11/2008 and follow up in post-Compact period.
	Cost per journey (International roughness index)	Road Condition measured by International Roughness Index reported in meters/kilometer on Highway and Secondary Roads using a standardized methodology based on vehicle speed and secondary sources.	Construction Supervisory Firms	Baseline data collection on 11/2008.  End of Compact: For secondary roads and sections 3 and 4 of CA-5 – by 9/2010. Sections 1 and 2 of CA-5 should be when construction finishes in 2011 and 2012.

Source: MCC (2004) for original indicators and MCA-Honduras (2008)

1/ A firm to collect baseline traffic, origin destination surveys and vehicle speed, was hired by MCA Honduras to provide the data inputs to the Evaluator. Similar services will be hired post-Compact.

2/ Based on SOPTRA VI Vehicle classification

TBD: To be defined.

### **3.1.2.1. Output Indicators**

Output indicators and process milestones are included to track early progress towards outputs and project outcomes, as well as the delivery of key goods and services in the short-term. The complete list of output indicators and process milestones for Rural Development and Transport is available in Annex 1, in the excel table, due to the large volume of indicators in this category.

### **3.1.2.2 Common Indicators**

In 2010, MCC began requiring all countries to report against its Common Indicators (indicators in key sectors that can be aggregated across countries) in Agriculture/Irrigation, Roads, Land and Property Rights, Education, and Water/Sanitation. Countries are only required to report on those indicators that are relevant to their Projects and Activities. In the case of Honduras, only certain indicators in the Agriculture/Irrigation and Roads sectors are applicable. The list of Common Indicators that Honduras reports on is available in Annex 1, in the excel table. Since the Common Indicator reporting requirement was added so late in the Honduras Compact timeframe, it was agreed that these indicators did not need to have targets.

### **3.2. Disaggregating Data**

When practical, indicators will be disaggregated by sex and income to better track participation in activities by women and the poor. Reporting on the following indicators will be disaggregated by gender:

Farmer Training and Development:

- Number of Program Farmers harvesting high-value horticulture crops

Access to Credit:

- Number of clients.
- Number of loans

Implementing entities may decide to disaggregate additional indicators by sex and income, or other characteristics.

### 3.3. Data Quality Reviews

MCA-Honduras will hire independent, third party reviewer(s), who will assess the quality of the data gathered through both the Monitoring components and surveys to ensure that data reported are as valid, reliable, and timely as resources will allow. Data Quality Reviews will include both ex-ante and ex-post assessments for surveys and only ex post for monitoring data. Survey data quality review involve the revision of ex ante and ex post survey documentation in consultation with the survey implementer; it should be noted that the results of these reviews are simply incorporated into the survey documentation and do not include a separate report While Project Managers and implementers of Project Activities are responsible for reporting accurate data to the Director of Monitoring and Evaluation, Data Quality Reviews of monitoring data will verify the quality and the consistency of performance data across different implementation units and reporting institutions. Results of Data Quality Reviews will be provided to MCC.

The table below denotes the schedule of ex-ante and ex-post data quality reviews.

<b>Component</b>	<b>Ex-Ante</b>	<b>Ex-Post</b>
FTDA (Project Data)	N/A	Annual (2009, 2010)
Agricultural Public Goods (Project Data)	N/A	Annual (2009, 2010)
Access to Credit	N/A	Annual (2009, 2010)
Household Survey 1 (Lead Farmers - Rural Development Evaluation)	June 2008 (Round 1); Post Compact (Round 2)	Dec. 2008 (Round 1); Post Compact (Round 2)
Household Survey 2 (Transport Evaluation)	September 2008 (Round 1), Post Compact (Round 2)	Jan. 2009 (Round 1); Post Compact (Round 2)
Transport Project Evaluation Data (Business, Traffic Surveys)	November 2009	Post Compact

### 3.4. Performance Reports

MCA-Honduras shall follow current approved MCC reporting guidelines, as posted on the MCC website ([www.mcc.gov](http://www.mcc.gov)) and provided by the agency to MCA units. Quarterly narrative reports and annual reports will be submitted according to schedules and formats outlined in such guidance.

## 4. Evaluation Component

As stated in the Compact, MCA-Honduras, subject to MCC approval, shall engage an independent evaluator (“Evaluator”) to conduct an evaluation of the Program (“Final Evaluation”). The Evaluator will be contracted by end of the second quarter of Year 2. The Final Evaluation must at a minimum:

- i. evaluate the efficiency and effectiveness of the Project Activities,
- ii. estimate, in a statistically valid way, the causal relationship between the Projects and the Compact Goal (increase in income),
- iii. analyze the reasons why the Compact Goal was or was not achieved,
- iv. identify positive and negative unintended results of the Program,
- v. highlight any lessons that may be applied to similar projects, and
- vi. assess the likelihood that results will be sustained over time.

### 4.1. Quantitative Evaluations

In order to estimate the causal relationship between the Projects and the Compact Goal as required in item (ii) above, the Evaluator will be responsible for estimating the six Benefit Streams identified in Annex I, which are reproduced in the table below. These benefit streams will be incorporated accordingly into evaluations of the Transport Project and FTDA, with the exception of the benefits stream for APGGF, which will be addressed in that activity's evaluation.

**Table 13: Estimated Benefit Streams for the Compact Goals**

<b>Compact Goal</b>							
<b>Increased Economic Growth and Reduced Poverty</b>							
<b>Indicator</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 20</b>	<b>PV1</b>
Increase in income of Beneficiaries (annual US\$ millions) (Disaggregated by income level, gender and age, where appropriate.)	\$0.0	\$1.9	\$6.4	\$14.8	\$56.8	\$156.4	\$491.5
Measured by							
A. Benefits of Highway CA-5 upgrade:2	\$0.0	\$1.9	\$5.5	\$5.9	\$24.5	\$36.0	\$140.6
B. Benefits of secondary road paving:3	\$0.0	\$0.0	\$0.0	\$1.6	\$6.0	\$15.4	\$47.7
C. Increase in farm income resulting from Rural Development Project:4	\$0.0	\$0.0	\$0.2	\$2.5	\$10.2	\$55.5	\$149.0
D. Increase in employment income resulting from Rural Development Project:5	\$0.0	\$0.0	\$0.2	\$2.1	\$8.8	\$48.0	\$128.8
E. Benefit of Farm to Market Roads: 6	\$0.0	\$0.0	\$0.0	\$1.7	\$5.9	\$0.1	\$16.7
F. Benefits of Agricultural Public Goods Grant Facility: 7	\$0.0	\$0.0	\$0.5	\$1.0	\$1.4	\$1.4	\$8.7

Source: MCC (2004)

Notes to Compact Goal Table:

- 1) PV: Present Value of Benefit Streams calculated for 20 year period with 10% discount rate.
- 2) For the Highway CA-5, the Benefit Stream includes wages to local labor, savings due to reduced vehicle operating costs and travel time.
- 3) For secondary road paving, the Benefit Stream includes savings due to reduced vehicle operating costs and travel time.
- 4) For increase in farm income, the Benefit Stream targets were calculated as net profits per hectare of a typical horticulture crop (US\$ 1203) minus the net profits per hectare of basic grain production (US\$500) \* # of hectares harvesting this typical horticulture crop. A typical horticulture crop is defined as the 25th percentile, in terms of costs and net profits, of a basket of 15 horticulture crops suitable for Honduras.
- 5) For increase in employment income, the Benefit Stream targets were calculated as the labor costs per hectare associated with a typical horticulture crop (US \$ 608) \* # of hectares harvesting this typical horticulture crop.
- 6) For Farm to Market Roads, the Benefit Stream is calculated based on the costs accrued in each year and the imputed value of benefits (assuming 25% depreciation per year) necessary to guarantee a 15% rate of return. Only roads that yield at least this rate of return will be funded.
- 7) For Agricultural Public Goods Fund, the Benefit Stream targets were calculated based on the costs accrued in each year and the imputed value of benefits necessary to guarantee a 15% rate of return. Only projects that yield at least this rate of return will be funded.

This section briefly describes the methodology for estimating each Benefit Stream (numbers refer to line items in the table above):

#### **4.1.1. Benefits of Improvements to Highway CA-5, secondary roads and farm-to-market (rural roads)<sup>6</sup>**

<sup>6</sup> The improvement of rural roads, which is a component of the Rural Development Project, will be evaluated within the framework of the Transportation Project because it constitutes improvements to the national roads network.



**Hypothesis:** Improved conditions throughout the road network will:

- Lower transport costs and travel time<sup>7</sup> for businesses, including farm households;
- Provide better access to a wider range of job opportunities for individuals (labor market effects);
- Lower price of consumables and inputs by increasing competition and reducing barriers to entry posed by poor transport infrastructure;
- Improve access to health establishments and schools;
- Reduce vehicle operating costs and road maintenance costs;

The overall expected result of these changes is higher incomes and employment at the business and household level. A possible increase in use of health facilities (improved health-seeking behavior) and school attendance is also hypothesized.

Based on these hypotheses, the Evaluator will attempt to estimate the following **benefit** streams, , taking care not to double-count them. It should be noted that this list may be subject to change pending data quality and availability from final surveys.

- Changes in business income
- Changes in business employment
- Changes in household income
- Changes in household employment
- Changes in use of health facilities (non-dollar values)
- Changes in school attendance (non-dollar value)

The above list of benefit streams are components of the Benefit Streams A, B and E listed in Table 13.

## **The Evaluation Design**

The design that will be used to estimate the impact of the Transportation Project and the roads component of the RDP will construct an analytical model (or “process” model) that describes the relationship of program impact measures of interest (“benefit streams”) to various measures of accessibility and traffic flow that are estimated from several sources, including survey data, a geographic information system model of the Honduras transportation system, and other “external” models, such as the World Bank’s Highway Development and Management (HDM) model.

The evaluation design has two key features:

**A single, integrated network model.** The evaluation design aims to evaluate the impact of all MCA Honduras roads projects (CA-5, secondary and rural road improvements) through a *single, integrated road network model* that represents interrelationships and interdependence among different road segments. This integrated model represents the physical road network as a mathematical network (using GIS). It allows us to capture synergies and interaction effects between improvements made to different parts of the total road network, thereby allowing us to “disentangle” impacts of different road improvements. This unified approach is a highly realistic representation of the real world that is expected to yield evaluation results that have a high level of precision and validity.

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<sup>7</sup> Travel time changes will be measured using baseline and final evaluation traffic surveys.

**Measuring of incremental impact** The design will comprehensively evaluate the impact of road improvements by measuring before-and-after changes in the benefit stream variables (such as income and employment) for samples of households, businesses, and road users, relative to changes in travel time or travel cost (accessibility).

The approach will measure the impact of the roads projects on a continuous scale, enabling us to estimate varying levels of program impact at different treatment intensities through a mathematical (statistical) model that relates the incremental change in program impact (benefit-stream) variables to incremental changes of road improvements as reflected in travel time and/or travel cost. In technical terminology, the model is a path-analysis or structural-equation model, in which the relationship of the dependent variable (change in impact associated with program intervention) is represented in terms of explanatory (latent or endogenous) variables derived from the GIS or other external models, such as travel time, travel cost, and accessibility.

The exact form of the analytical relationship between the impact (dependent) variable and the explanatory variables – linear or nonlinear, including threshold levels, diminishing-returns phenomena, or a two-way table<sup>8</sup> – will be determined during the course of the data analysis. As a simple conceptual representation, the relationship may be presented as:

$$\text{Change in impact measure} = f(\text{change in travel time})^9$$

where  $f(\cdot)$  denotes the functional relationship between change in the impact measure and the change in travel time.

This incremental-impact approach explicitly addresses the fact that the impact of road improvements varies as a continuum over users across space and geography (as a function of variation in travel-time accessibility to roads and markets) and by type of user (for example, commuter versus farmer versus business).

A geographic information system (GIS) will be used to estimate changes in accessibility (travel time, travel cost and access to services) and traffic flow along the entire road network as a function of measured road improvements resulting from MCA Honduras road programs. Change in travel time will be computed for every household (in the sample structured for Impact Evaluation) using the GIS accessibility models.

The design also calls for using randomization in the selection of rural roads to be upgraded, if at all possible. This provides a wide range of variation in the treatment effect, with some of that variation introduced through randomization, thereby allowing us to more confidently attribute *causality* of observed changes to the program. In the event that it is not possible to use randomization in the selection of rural roads, a matching

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<sup>8</sup> Both linear and non-linear relationships will be statistically assessed for explanatory power.

<sup>9</sup> Travel-time calculations will be approximated within the GIS as a function of road quality, topography, and other factors that can influence travel time, such as bridges, land cover, and road surface type. Travel-time calculations will be calibrated by actual measurements. Because the GIS will be able to model the entire road network as a single network, network effects can be considered, and the relative change in travel time due to road improvements compared with household and firm economic changes over time (Source: NORC Evaluation Design for MCA Honduras Program)

procedure will be used to identify a selection of untreated primary, secondary, and rural road segments that are similar to the segments being improved (treated segments). The matching process reduces the correlation of the program intervention (treatment) variable with other variables (known prior to conducting the survey) -- either variables that may have been related to the selection of project roads or variables that may be related to program impact.

### **Data requirements**

- Household survey – national, with heavier sampling near MCA Honduras intervention sites; using Census as the sampling frame
- Survey of business - national, using the social security database as the sampling frame
- Traffic surveys
- Price and product survey – data will be collected by visiting key markets near each sample cluster of the household survey

Please note: The original design also called for including data on vehicle weight measures. However, since this component was removed from the Compact’s activities, this data will not be included in the evaluation.

#### **4.1.2. Benefits of the Rural Development Project’s Farmer Training and Development Assistance Activity**

**Hypothesis:** The benefits of the Rural Development Project accrue to farmers participating in the Project in the form of increased farm income.

### **Evaluation Design**

An experimental design with a randomized control group will be used to evaluate the impact of the RDP’s FTDA Assistance component. The design calls for randomly allocating farming communities (“aldeas”) into two groups: those that receive technical assistance (the treatment communities) and those that do not. Baseline and follow-up data collected from individual program farmers in these two groups will be used to assess the impact of program interventions on changes in several variables, including income.

The measure of impact is the interaction effect of treatment and time, or the double-difference estimate:

$$\begin{aligned} & \textit{Change in benefit stream variable or estimate of impact} \\ & = (Y_{T,t2} - Y_{T,t1}) - (Y_{C,t2} - Y_{C,t1}), \end{aligned}$$

where:

- Y = benefit stream or impact variable, such as farm income
- T = treatment group
- C = control group
- t1 = baseline or beginning of study
- t2 = end of study.

Although the randomization of communities into treatment and control groups did take place, there are some concerns about its implementation. The FTDA implementer (who is also working in communities that are not part of the evaluation) uses a series of selection criteria to recruit farmers to receive the technical assistance package. To make the recruiting more consistent in the treatment and control communities to establish a comparable group of farmers in each, the implementer was asked to clearly identify all of the selection criteria so that a third-party screening process could be conducted in the treatment and control communities to identify eligible farmers. The implementer then received the list of identified farmers in the treatment communities to follow up on actual recruiting. No recruitment or activity took place in the control group.

However, when the implementer began recruiting in the treatment communities, it became apparent that the selection criteria were not as fixed as it had initially suggested, and the implementer's "take-up" of the identified farmers into the program was not as high as had been anticipated. After a lengthy effort to increase the number of farmers in the treatment communities actually receiving technical assistance, the roster finally reached a minimally acceptable size, but was not as large as had initially been estimated during the initial design and planning of the evaluation. As a result, there is a risk that the statistical power for the randomized control trial may not be sufficient to detect an effect of the program, particularly if the effect is smaller than has been estimated. (Using monitoring data and observation of the program, the current expected effect is a doubling of income.) Concerns also have arisen about the comparability of the treatment and control group, as some of the farmers who were finally admitted to the treatment group sample were selected by a different mechanism than the third-party screening process.

As a result of these concerns, the Evaluator developed an alternative design to supplement the measurement of the activity's impact. It is not an experimental design, but uses a model-based (regression analysis) approach. The model-based component will use the data that has already been collected for the experimental design (along with the end-line data already planned for it), as well as some additional data collected from a random sample of about 500 farmers. The additional farmer sample will include FTDA farmers who entered the program at the same time as the second cadre of farmers who entered the sample for the experimental design. Two rounds of data collection will be conducted on the additional farmer sample; one has already taken place in Spring 2010, and the second will take place in Spring 2011.

Both FTDA evaluation components will be completed to mitigate the risk associated with the experimental design component.

**Data requirements:**

Survey of farm households – program farmers and a sample of non-program farmers in treatment and control communities

**4.1.3. Benefits of the Rural Development Project's Access to Credit Activity**

**Hypothesis:** Lending institutions receiving loans and/or technical assistance from MCA Honduras will be more likely to consider lending to the agricultural sector more

favorably. This in turn will increase the total volume and improve the terms of loans going to the agricultural sector, thereby making it easier for farmers to access credit.

### **Evaluation Design**

The Access to Credit for Farmers (ACA) activity will engage only a small number of institutions and other lenders such as input suppliers. Therefore, statistical methods such as probability sampling and randomization do not apply to the selection of program participants. The proposed evaluation approach will hence focus on documenting and assessing the impact of the activity, but without a statistical basis for asserting causality, along two main dimensions:

- Change in lenders' portfolios and practices of lending to agriculture (i.e., the share, volume, spread and terms of agricultural lending); and
- Change in volume, terms, sources and uses of credit that borrowers –both Program Farmers and Non-Program-Farmes- access for agricultural activities.
- Compare outcomes for Program Farmers and non-program farmers that receive loans
- Elaborate a profile of who, in the end, benefitted from the lending – i.e., a portrait of the beneficiary population, based in a small sample of borrowers

The evaluation will be based on qualitative data gathered through in-depth interviews and focus groups.

### **Data Requirements**

- Baseline and follow-up in-depth interviews with key informants from different types of lenders (banks, savings and loans cooperatives, credit unions, microfinance institutions, and agricultural input suppliers) that receive loans from the fideicomiso and/or training/technical assistance
- In-depth interviews and/or focus group with borrowers -both Program Farmers and non-program-farmes- who to receive loans through the MCA Honduras Program

#### **4.1.4. Benefits of Agricultural Public Goods Grant Facility**

The primary means of evaluating the grants projects will be through estimation of economic rates of return (ERR) for each of seven grants. Both ex ante and ex post ERRs will be estimated. Project-specific spreadsheets for each of the grant projects will provide data to be incorporated into the ERR analysis.

## **4.2. Qualitative Evaluations**

The preceding sections focused primarily on the approach and methodologies that will be used to estimate the causal relationships between the Project and the Compact Goal. These methodologies will address the hypotheses for each program component and assess whether

incomes of households, businesses, and farmers increased because of the MCA Honduras Program.

Each program activity will also be assessed – Transportation Project, Farmer Access to Credit activities, FTDA, and Public Goods Grants Facility to:

- Analyze the reasons why the Compact Goal was or was not achieved,
- Identify positive and negative unintended results of the Program,
- Provide lessons learned that may be applied to similar projects, and
- Assess the likelihood that results will be sustained over time.

The large-scale household and farmer surveys that will be used for the rigorous impact evaluation will provide a sound vehicle for gathering information on several of the issues listed above, such as the efficiency and effectiveness of program activities and unintended consequences of the programs. In addition, a limited number of open-ended qualitative questions may be included in the final household surveys to assess perceptions about the effectiveness of project activities and unanticipated results; lessons learned exercises conducted by implementing entities and MCA-Honduras may also be incorporated into this analysis.

#### **4.3. Other Evaluations**

In addition to the Final Evaluation to be completed shortly after the completion of the Program, MCC and MCA-Honduras will conduct interim evaluations of the Project activities and the Program as a whole. Additional ad hoc evaluations may consist of studies related to Projects and/or Activities, focus groups to elicit beneficiary and stakeholder feedback, and feedback from beneficiaries that have left the Program, among others. Potential Ad-Hoc evaluations could include comparing market prices in communities near recently upgraded farm-to-market roads to market prices in communities where roads will be upgraded, both before and after the upgrade.

Results from the mid-term evaluation of the Program will be presented in the fourth year of the Compact, and will consist of an analysis of the implementation of the M&E Plan first agreed with MCC September 2006 and progress on indicators to inform mid-term course correction of the Program. The evaluation will conduct interviews or focus groups with beneficiaries in order to complement the quantitative data derived from the household surveys in order to better assess community, enterprise and household dynamics, and to identify less tangible aspects of the grower development process, including gender impacts. In addition the FTDA implementer database will be used to analyze the progress of FTDA component including production systems and crop mix.

### **5. MCA-Honduras M&E Responsibilities**

#### **5.1. MCA-Honduras Responsibilities**

MCA Honduras will be responsible for data collection and reporting related to on-going Program Monitoring and Evaluation as outlined in Section 3 of this document. In addition, MCA-Honduras will be responsible for contracting and overseeing contracts for a) Data Quality Reviews, b) any data gathering that will not be performed by MCA-Honduras staff or Implementing Entities, such as periodic surveys of beneficiaries and control groups, focus groups, among others as outlined in Section 4.1., 4.2 and 4.3 and c) Evaluation of the Program.

## **5.2. MCA-Honduras M&E Staff**

The MCA Honduras M&E staff is structured into:

An M&E Director  
An M&E Technical Officer

The M&E Director is responsible for the overall M&E strategy and implementation of related activities within the Program and via partners, plus providing timely and relevant information to Program stakeholders. The M&E Director will have the following responsibilities:

Responsibilities include:

- Oversee overall strategy and management of M&E function and unit staff.
- Oversee all M&E contract management (survey firms, impact evaluator, data quality reviewer, ad-hoc consultants).
- Serve as primary point of contact on all M&E procurement, finance, and budget issues
- Project management of all Implementation Agreements between MCA Honduras and any Government Entity (e.g. INE), particularly tracking deliverables, payments, and timelines.
- Liaise with sector project managers and project implementers to ensure that required quarterly and annual performance data is submitted on time and to appropriate standards of quality, and that they are receiving adequate support to perform their M&E functions.
- Work with, sector project managers on reviewing ongoing project monitoring data to evaluate program effectiveness, assess whether projects are meeting their stated objectives, and make decisions about relevant changes and adjustments to improve performance
- Manage external reporting obligations, including quarterly and annual reporting to MCC, reporting to the Government of Honduras, reporting to external stakeholders, and other ad-hoc reporting requests from MCC, MCA, GOH, CABEI, etc.
- Liaise with MCA-Honduras public outreach staff to incorporate project results and M&E data and information into external communication products and to ensure that performance results are communicated to the public.
- Liaise with MCC M&E specialist and Resident Mission on M&E issues and Economic Analysis issues.
- Provide technical direction, guidance, and advice as necessary on program M&E issues.

Responsibilities of the M&E Technical Officer include:

- Oversee the set-up and management of all M&E data and reporting systems, including project monitoring database, surveys and other evaluation data, GIS information, and any other data sources and systems used for the M&E function.
- Conduct technical data linking as necessary for M&E analysis among different data sources and systems
- Serve as primary technical point of contact with for all project impact evaluations and work closely with program evaluator on technical issues
- Serve as primary technical point of contact on all survey work, and provide technical guidance as necessary to INE and survey firms.
- Oversee the GIS database and liaise with program evaluator on GIS analysis work.
- Conduct analysis and synthesis of project monitoring and other data to assess program effectiveness and whether projects are meeting their objectives
- Provide data inputs for external reporting obligations, including quarterly and annual reports to MCC, reporting to the Government of Honduras, reporting to external stakeholders, and other ad-hoc reporting requests
- Provide technical support to project managers and project implementers as necessary to ensure that they are able to carry out their M&E functions
- Provide technical input to discussions on program effectiveness to make decisions about relevant changes and adjustments to improve performance
- Ensure that data are disaggregated by sex, age and income level, where practicable, and that gender issues are appropriately incorporated into the M&E framework
- Directly participate in the monitoring of individual program components through site visits, review of project reports and primary data, and review of secondary data
- Conduct technical reviews of all evaluation and survey deliverables, and key project performance deliverables, particularly those related to targets in the M&E plan
- Oversee work of the data quality reviewer, assess data quality review results and serve as primary point of contact to implement any recommended changes or corrections, and conduct intermittent data quality checks to provide additional data quality oversight
- Conduct relevant economic analysis of projects, such as updating of ex-ante ERRs, ex-post ERRs, etc.



## **6. Budget for Monitoring & Evaluation Activities (in US Dollars)**

The table below represents the final, updated budget for Monitoring and Evaluation. Please note that since some of the evaluation work will be continued in the post-Compact period, but MCA-H cannot disburse program funds past the official Compact end date, it was agreed that these funds would be de-obligated and returned to MCC. MCC will, in turn, use them to pay for this continued evaluation work. As a result, the entire M&E budget will be used, but some of the funds will be disbursed by MCC in the post-Compact period, due to restrictions on use of Compact funds. The budget is further detailed in Annex 1.

### **Annex 1. M&E Budget**

Please refer to the accompanying Excel table. This information is presented in Excel for greater ease of review.

### **Annex 2. Baseline and Targets**

Please refer to the accompanying Excel table. This information is presented in Excel for greater ease of review.

**Annex 3. Summary of Indicator, Baseline, and Target Modifications under current M&E Plan revision (2010 revision)**

The tables below represent indicator, baseline, and target modifications as of this current revision (2010) of the M&E Plan. Changes that were approved in prior revisions are summarized in Annex 3.

**Rural Development Project**

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Value of loans disbursed to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date (Trust Fund)
Modification Type	New indicator, more disaggregated.
Details and Justification	Replaces “ <i>Value of loans disbursed to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date</i> ” (Annex 1, M&E Plan revision August 2008). In the original indicator there was no difference between value of loans disbursed from the Trust Fund and from Leveraged Resources; this new indicator comprises only value of loans disbursed from the trust fund.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Value of loans disbursed to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date (Leveraged from Trust Fund resources)
Modification Type	New indicator, more disaggregated.
Details and Justification	Replaces “ <i>Value of loans disbursed to farmers, agribusiness, and other producers and vendors in the</i>

	<p><i>horticulture industry, including Program Farmers cumulative to date” (Annex 1, M&amp;E Plan revision August 2008) . In the original indicator there was no difference between value of loans disbursed from the Trust Fund and from Leveraged Resources; this new indicator comprises only value of loans disbursed from Leveraged from Trust Fund resources.</i></p>
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<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of loans outstanding (BAMER and ACIDI-VOCA) to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period.
Modification Type	Definition clarification
Details and Justification	Replaces “ <i>Number of loans outstanding to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period” (Annex 1, M&amp;E Plan revision August 2008)</i> . This new indicator includes loans outstanding from BAMER and ACIDI-VOCA.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of loans outstanding (Institutions with ACIDI-VOCA T.A.) to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period.
Modification Type	Definition clarification
Details and Justification	Replaces “ <i>Number of loans outstanding to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period” (Annex 1, M&amp;E Plan revision August 2008)</i> . This new indicator just includes loans outstanding from institution with ACIDI-VOCA technical assistance.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of loans disbursed (BAMER and ACIDI-VOCA) to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date
Modification Type	Definition clarification
Details and Justification	Replaces “ <i>Number of loans disbursed to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date</i> ” (Annex 1, M&E Plan revision August 2008). This new indicator includes loans disbursed from institutions with ACIDI-VOCA technical assistance and who have received Trust Fund resources from BAMER..

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of loans disbursed (Institutions with ACIDI-VOCA T.A.) to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date
Modification Type	Definition clarification
Details and Justification	Replaces “ <i>Number of loans disbursed to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date</i> ” (Annex 1, M&E Plan revision August 2008). This new indicator just includes loans disbursed from institution with ACIDI-VOCA technical assistance.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Percentage of MCA Honduras Loan Portfolio At Risk (PAR) Trust Fund(over 60 days)
Modification Type	New indicator; more disaggregated
Details and Justification	Replaces “ <i>Percentage of MCA Honduras Loan Portfolio At Risk (PAR) (over 60 days)</i> ” ( <i>Annex 1, M&amp;E Plan revision August 2008</i> ). In the original indicator there was no difference between the loan portfolio from the Trust Fund and ACDI-VOCA portfolio; this new indicator comprises only the PAR from the trust fund.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Percentage of MCA Honduras Loan Portfolio At Risk (PAR) (ACDI-VOCA Portfolio) (over 60 days)
Modification Type	New indicator; more disaggregated
Details and Justification	Replaces “ <i>Percentage of MCA Honduras Loan Portfolio At Risk (PAR) (over 60 days)</i> ” ( <i>Annex 1, M&amp;E Plan revision August 2008</i> ). In the original indicator there was no difference between the loan portfolio from the Trust Fund and ACDI-VOCA portfolio; this new indicator comprises only the PAR from ACDI-VOCA portfolio.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Farmer Training and Development
Indicator	# of Program Farmers harvesting high-value horticulture crops
Modification	Target change

Type	
Details and Justification	In 2009 FINTRAC submitted a request to MCA-H for modification of targets for 2010 based on results achieved changes in assumptions from the original implementation design and macro-economic conditions, an analysis of the original MCC ERR for FTDA and realistic future projections. The request was eventually discussed formally in September 2009 during a field visit of representatives from MCC-Washington and the amendment to Fintrac’s contract was signed in February 2010. The new target is 6,000 FTDA farmers harvesting high value horticultural crops (reduced from 7,340). December 2010 will have the same goals as March 2010. Also, FINTRAC agreed to strengthen the qualitative approach of technical assistance, strengthen the market approach, improve the quality of data collection from farmers and participate in the development of an impact evaluation.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Farmer Training and Development
Indicator	# of hectares harvesting high-value horticulture crops
Modification Type	Target change
Details and Justification	In 2009 Fintrac submitted a request to MCA-H for modification of targets for 2010 based on results achieved, changes in assumptions from the original implementation design and macro-economic conditions, an analysis of the original MCC ERR for FTDA and realistic future projections. The request was eventually discussed formally in September 2009 during a field visit of representatives from MCC-Washington and the amendment was signed in February 2010. The new target is 400 hectares of high value horticultural crops harvested (reduced from 11,830). December 2010 will have the same goals as March 2010. Also, FINTRAC agreed to strengthen the qualitative approach of technical assistance, strengthen the market approach, improve the quality of data collection from farmers and participate in the development of an impact evaluation.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of farmers, agribusiness, and other producers and vendors

	in the horticulture industry, including Program Farmers cumulative to date, (BAMER and ACDI-VOCA)
Modification Type	New Indicator
Details and Justification	Defined as Number of clients with loans disbursed at the time of reporting (Cumulative to date) from BAMER and ACDI-VOCA.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date, (ACDI-VOCA)
Modification Type	New Indicator
Details and Justification	Defined as Number of clients with loans disbursed at the time of reporting (Cumulative to date) from ACDI-VOCA.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers with loans outstanding, (BAMER and ACDI-VOCA)
Modification Type	New Indicator
Details and Justification	Defined as Number of clients with loans outstanding at the time of reporting from BAMER and ACDI-VOCA.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers with loans outstanding, (ACDI-VOCA)
Modification Type	New Indicator
Details and Justification	Defined as Number of clients with loans outstanding at the time of



Justification	reporting from ACIDI-VOCA.
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<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: FTDA and APGGF
Indicator	Number of farmers that have adopted improved techniques with support of FTDA and APGGF
Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not required since it was added so late in the Compact.

### **Transportation Project**

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	Secondary Roads Choloteca-Orocuina Comayagua-Ajuterique-La Paz Sonaguera-El Coco
Indicator	Kilometers of secondary roads upgraded
Modification Type	Target change
Details and Justification	Target adjusted according to updated construction contracts to a total of 65.48 Km in 09/2010

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	Rural Roads
Indicator	Kilometers of Rural Roads upgraded
Modification Type	Target change
Details and Justification	Target adjusted from 692 to 499.675 Km in 09/2010, according to updated construction contracts.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5: S3 (COM-SIGUA)
Indicator	% of total works completed
Modification Type	Target change
Details and Justification	Target adjusted according to updated completion date from 91% to 100% of works completed in 09/2010.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5: S4 (SIGUA-TAU)
Indicator	% of total works completed
Modification Type	Target change
Details and Justification	Target adjusted according to updated completion date from 91% to 100% of works completed in 09/2010.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5, Secondary and Rural Roads
Indicator	Value of signed contracts for feasibility, design, supervision and program management contracts
Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not required since it was added so late in the Compact.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5, Secondary and Rural Roads
Indicator	Percent disbursed for contracted studies
Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not

	required since it was added so late in the Compact.
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<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5, Secondary and Rural Roads
Indicator	Value of signed contracts for road works
Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	Defined as the value of signed contracts for works including CABEI funds. This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not required since it was added so late in the Compact.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5, Secondary and Rural Roads
Indicator	Percent of contracted roads works disbursed
Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not required since it was added so late in the Compact.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5, Secondary and Rural Roads
Indicator	Number of Kilometers (km) of roads under design
Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	Includes kilometers of roads under MCC and CABEI Fund's works contracts . This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not required since it was added so late in the Compact.

<b>Indicator Modification Form</b>	
Date	April 2010

Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5, Secondary and Rural Roads
Indicator	Kilometers (km) of roads under works contracts
Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	Includes kilometers of roads under MCC and CABEI Fund's works contracts. This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not required since it was added so late in the Compact.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5, Secondary and Rural Roads
Indicator	Kilometers (km) of roads completed
Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	Includes kilometers of roads under MCC and CABEI Fund's works contracts. This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not required since it was added so late in the Compact.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5, Secondary and Rural Roads
Indicator	Total Value disbursed against contracted studies and supervision
Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not required since it was added so late in the Compact.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5, Secondary and Rural Roads
Indicator	Total Value disbursed against works contracts

Modification Type	New Indicator for MCC Common Indicators for all relevant Compacts
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator was not required since it was added so late in the Compact.

<b>Indicator Modification Form</b>	
Date	April 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	Weight Control System
Indicator	# of weight stations built.
Modification Type	Removed
Details and Justification	According to Congressional Notification from the Millennium Challenge Corporation on September 2009, the MCC's Board of Directors decided to terminate funding for the vehicle weight control activity in the Transportation project.

<b>Indicator Modification Form</b>	
Date	Abril 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	Weight Control System
Indicator	Proportion of overweight vehicles on main highway network.
Modification Type	Removed
Details and Justification	According to Congressional Notification from the Millennium Challenge Corporation on September 2009, the MCC's Board of Directors decided to terminate funding for the vehicle weight control activity in the Transportation project.

<b>Indicator Modification Form</b>	
Date	Abril 2010
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	Transportation Rural Roads
Indicator	Number of days wit out access to main roads
Modification Type	Removed
Details and Justification	It is not feasible to measure this indicator. The value of this indicator depends of the occurrence and severity of bad weather

### Annex 3. Summary of Prior Indicator, Baseline, and Target Modifications (2008 M&E Plan revision)

The following is a summary of modifications to the M&E plan that took place prior to this current version, under the revision in 2008.

#### Rural Development Project

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Value of loans outstanding to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period / Trust fund resources
Modification Type	Scope and target change
Details and Justification	Replaced the Value of loans to program farmers. In the original indicator loans were exclusive to Program Farmers; this new indicator reflects changes in the operational guidelines of the use of loan fund resources which allows non program farmers, agribusiness and vendors in the horticulture industry to Access Credit.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Value of loans outstanding to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period / Leveraged resources
Modification Type	Scope and target change
Details and Justification	Replaced the Value of loans to program farmers. In the original indicator loans were exclusive to Program Farmers; this new indicator reflects changes in the operational guidelines of the use of loan fund resources which allows non program farmers, agribusiness and vendors in the horticulture industry to Access

	Credit.
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<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Value of loans disbursed to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers cumulative to date
Modification Type	Scope and target change
Details and Justification	Replaced the Value of loans to program farmers. In the original indicator loans were exclusive to Program Farmers; this new indicator reflects changes in the operational guidelines of the use of loan fund resources which allows non program farmers, agribusiness and vendors in the horticulture industry to Access Credit.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of loans outstanding to farmers, agribusiness, and other producers and vendors in the horticulture industry, including Program Farmers as of end of the reporting period.
Modification Type	Scope and target change
Details and Justification	Replaced the Value of loans to program farmers. In the original indicator loans were exclusive to Program Farmers; this new indicator reflects changes in the operational guidelines of the use of loan fund resources which allows non program farmers, agribusiness and vendors in the horticulture industry to Access Credit.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of loans disbursed to farmers, agribusiness, and other producers and vendors in the

	horticulture industry, including Program Farmers cumulative to date
Modification Type	Scope and target change
Details and Justification	Replaced the Value of loans to program farmers. In the original indicator loans were exclusive to Program Farmers, this new indicator reflects changes in the operational guidelines of the use of loan fund resources which allows non program farmers, agribusiness and vendors in the horticulture industry to Access Credit

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Funds lent from the Trust Fund to financial intermediaries through lines of credit
Modification Type	Scope and target change
Details and Justification	Replaced the Funds lent from MCA-Honduras to financial institutions (U.S. million). This new indicator reflects changes in the operational guidelines of the use of loan fund resources which allows non program farmers, agribusiness and vendors in the horticulture industry to Access Credit

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Funds repaid by financial intermediaries to Trust Fund
Modification Type	Scope and target change
Details and Justification	Replaced the Funds lent from MCA-Honduras to financial institutions (U.S. million). This new indicator reflects changes in the operational guidelines of the use of loan fund resources which allows non program farmers, agribusiness and vendors in the horticulture industry to Access Credit

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);



Activity	Rural Development Project: Agriculture Public Good Grants Facility
Indicator	Number of hectares under irrigation
Modification Type	New Indicator for MCC progress monitoring reports
Details and Justification	Indicators for Agricultural Public Goods Grants Facility were not defined in the Compact. Projects funded are a result of a selection of proposals received in response to a Request for Proposals process in following the APGGF operational manual.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Agriculture Public Good Grants Facility
Indicator	Number of farmers testing beneficial biological control agents
Modification Type	New Indicator
Details and Justification	Targets for Agricultural Public Goods Grants Facility were not defined in the Compact. Institutions were invited to submit proposals for Projects; the best evaluated projects were selected. One grant agreement in implementation includes targets on the development of biological control agents as alternative to control agricultural pests.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Agriculture Public Good Grants Facility
Indicator	Number of coffee plants cloned
Modification Type	New Indicator
Details and Justification	Indicators for Agricultural Public Goods Grants Facility were not defined in the Compact. Projects funded are a result of a selection of proposals received in response to a Request for Proposals process in following the APGGF operational manual.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the

	“Agricultural Objective”);
Activity	Rural Development Project: Agriculture Public Good Grants Facility
Indicator	Number of farmers connected to the community irrigation systems
Modification Type	New Indicator
Details and Justification	Indicators for Agricultural Public Goods Grants Facility were not defined in the Compact. Projects funded are a result of a selection of proposals received in response to a Request for Proposals process in following the APGGF operational manual.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Agriculture Public Good Grants Facility
Indicator	Number of biological control agents developed for use by Programs Farmers or other farmers for pilot testing
Modification Type	New Indicator
Details and Justification	Indicators for Agricultural Public Goods Grants Facility were not defined in the Compact. Projects funded are a result of a selection of proposals received in response to a Request for Proposals process in following the APGGF operational manual. Biological control agent’s also known as Natural enemies of insect pests are natural predators, parasites, or pathogens that control pests by disrupting their ecological status.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Agriculture Public Good Grants Facility
Indicator	Number of improved coffee hybrids available to for cloning
Modification Type	New Indicator
Details and Justification	Indicators for Agricultural Public Goods Grants Facility were not defined in the Compact. Projects funded are a result of a selection of proposals received in response to a Request for Proposals process in following the APGGF operational manual.

**Indicator Modification Form**

Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Agriculture Public Good Grants Facility
Indicator	Number of new products developed as part of the Value-Added Grant
Modification Type	New Indicator
Details and Justification	Indicators for Agricultural Public Goods Grants Facility were not defined in the Compact. Projects funded are a result of a selection of proposals received in response to a Request for Proposals process in following the APGGF operational manual.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: FTDA
Indicator	Total number of recruited farmers
Modification Type	New Indicator for MCC progress monitoring reports
Details and Justification	Monitoring indicators help to early identify the progress toward the objective and goal. Recruited farmers are defined as farmers who have been accepted into the program and are receiving technical assistance.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Number of Financial institutions that are filing pledges on behalf of debtors in the Secured Transactions Registry
Modification Type	New Indicator in replacement of number of liens registered
Details and Justification	Is not feasible to estimate the number of liens registered until the lien register system is operating. The beneficiaries of the creation of the Secured Transactions Registry are urban and rural borrowers, but the filing of pledges on behalf of these borrowers will be done by financial institutions. Financial institutions in a sense are indirect beneficiaries of the Secured Transactions Registry, and will be the primary source of tracking direct beneficiaries.

<b>Indicator Modification Form</b>
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Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: FTDA and APGGF
Indicator	Number of Agribusiness Assisted with support of FTDA and APGGF
Modification Type	New Indicator for MCC progress monitoring reports
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator is not necessary

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: FTDA and APGGF
Indicator	Number of hectares under production with support of FTDA and APGGF
Modification Type	New Indicator for MCC progress monitoring reports
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator is not necessary

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: FTDA
Indicator	Total Value of net sales
Modification Type	New Indicator for MCC progress monitoring reports
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator is not necessary

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: FTDA
Indicator	Total Value of gross sales
Modification Type	New Indicator for MCC progress monitoring reports
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator is not necessary

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: FTDA
Indicator	Total Value of gross export sales
Modification Type	New Indicator for MCC progress monitoring reports
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator is not necessary

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the

	“Agricultural Objective”);
Activity	Rural Development Project: FTDA
Indicator	Total Value gross local sales
Modification Type	New Indicator for MCC progress monitoring reports
Details and Justification	This indicator is for MCC reporting purposes and therefore is not actionable in terms of disbursement in the way the regular indicators are. Setting quarterly targets for this indicator is not necessary

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Agriculture Public Good Grants Facility
Indicator	Number of certified deliverables across all Agricultural Public Goods Grants
Modification Type	New Indicator
Details and Justification	Indicators for Agricultural Public Goods Grants Facility were not defined in the Compact. Projects funded are a result of a selection of proposals received in response to a Request for Proposals process in following the APGGF operational manual.

### Transportation Project

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5 highway (Sections 1,2,3,4) and Secondary Roads
Indicator	% of total works completed
Modification Type	New Indicator
Details and Justification	Monitoring indicators help to early identify the progress toward the objective and goal. Defined as payment as a percentage of contract amount; based on works completed.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5 highway (Sections 1,2,3,4) and Secondary Roads
Indicator	Number of resettlement solved cases

Modification Type	New Indicator
Details and Justification	Monitoring indicators help to early identify the progress toward the objective and goal. Defined as cases solved.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5 highway (Sections 1,2,3,4), Secondary Roads and Rural Roads
Indicator	Number of Contracts Signed
Modification Type	New Indicator
Details and Justification	Monitoring indicators help to early identify the progress toward the objective and goal. Defined as number of supervisory and works contract signed.

According to MCC's Guidelines for Monitoring and Evaluation Plans, "... any changes in implementation should be reflected in the M&E Plan. The M&E Plan itself should be reviewed periodically and revised when necessary." The indicator tables contained in this version of the M&E plan reflect the current indicators and targets.

As of the date of this revised M&E Plan, the following indicators have been removed:

### **Rural Development Project**

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the "Agricultural Objective");
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Value of loans to Program Farmers
Modification Type	Removed
Details and Justification	Loans were exclusive to Program Farmers, new indicators that replace the original allows to non program farmers, agribusiness and vendors in the horticulture industry to Access Credit and incorporate reporting to outstanding and cumulative loans.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the "Agricultural Objective");
Activity	Rural Development Project: Farmer Access to Credit

Indicator	# of hours of T.A. to financial institutions
Modification Type	Removed
Details and Justification	Replaced with more relevant indicators to measure progress and results of credit component.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Funds lent from MCA-Honduras to financial institutions (U.S. million)
Modification Type	Removed
Details and Justification	Replaced with two indicators: (i) funds lent (+) from the Trust Fund to financial intermediaries through lines of credit and (ii) funds repaid (-) by financial intermediaries to Trust Fund. The indicator change reflects changes in the operational guidelines of the use of loan fund resources which allows non program farmers, agribusiness and vendors in the horticulture industry to Access Credit

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	# of Liens registered
Modification Type	Removed
Details and Justification	Is not feasible to estimate the number of liens registered until the lien register system is operating. The beneficiaries of the creation of the Secured Transactions Registry are urban and rural borrowers, but the filing of pledges on behalf of these borrowers will be done by financial institutions. Financial institutions in a sense are indirect beneficiaries of the Secured Transactions Registry, and will be the primary source of tracking direct beneficiaries.

As of the date of this revised M&E Plan, the following indicators have changed targets:

### **Rural Development Project**

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate



	small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Percentage of MCA Honduras Loan Portfolio At Risk (PAR) (over 30 days)
Modification Type	Change in Indicator definition to Percentage of MCA Honduras Loan Portfolio At Risk (PAR) (over 30 days)
Details and Justification	The original design for ACA considered the transfer of loan fund resources from MCA Honduras to financial intermediaries. This has been modified during implementation process where, the funds are now transferred first from MCA to a trust fund, administered by “Banco Mercantil” (BAMER), and then from BAMER to participating financial intermediaries, which in turn make loans to the farmers.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Increase the productivity and business skills of farmers who operate small and medium sized farms and their employees (the “Agricultural Objective”);
Activity	Rural Development Project: Farmer Access to Credit
Indicator	Lien Registry equipment installed
Modification Type	Target changed
Details and Justification	Target moved to a period corresponding to the expected approval of condition precedent to this activity. The GoH must enact the Law on Access to Credit (“Ley para facilitar el Acceso al Crédito”) and corresponding implementing regulations acceptable to MCC. GoH will approve lending guidelines under the Farmer Access to Credit work plan acceptable. to MCA-H and MCC prior of equipment acquisition

### **Transportation Project**

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5 highway
Indicator	Freight shipment cost from Tegucigalpa to Puerto Cortes
Modification Type	Target Change
Details and Justification	Transportation Project has undergone restructuring moving the completion dates. The final target depend on the CA-5 works completion expected on 06/2011 for MCA Honduras, also other

	donors may affect the shipment cost as works progress to upgrade logistical corridor-
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<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	CA-5 highway
Indicator	Km of highway upgraded
Modification Type	Target Change
Details and Justification	Transportation Project has undergone restructuring moving the completion dates. The final target depends on the CA-5 works completion expected 49.5 Km on 09/2010 and 59.4 Km on 07/2011 upgraded.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	Secondary Roads
Indicator	Km of Secondary Roads upgraded
Modification Type	Target Change
Details and Justification	Transportation Project has undergone restructuring moving the completion dates. Targets adjusted according to updated cost per Km and completion dates moved to a total of 62 Km on 09/2010.

<b>Indicator Modification Form</b>	
Date	August 2008
Project Objective	Reduce transportation costs between the production centers, regional and global markets
Activity	Weight Control System
Indicator	Number of weight station built
Modification Type	Target Change
Details and Justification	Targets adjusted according to updated costs and CA-5 completion. One fixed and three movable weight control stations will be built according to updated budget 2008. Subject to contract signature for administration of weight control system stations

Any indicator target changes that have been made post Compact-signing are contained in Annex II, Indicator Target Modifications. For the avoidance of doubt, the current targets that MCA-Honduras is accountable for are contained in **Annex I, Baseline and Targets**. Any changes to ERRs that may have been caused by these modifications are addressed in Section 2, Program Impact.