MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

Fact Sheet

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Early Results: Honduras and Cape Verde

The Millennium Challenge Corporation (MCC) was founded with bipartisan support in Congress and a focused mission: to reduce poverty through economic growth. MCC's model is based on a core set of principles essential for development to take place and for development assistance to be effective – good governance, country ownership, focus on results, and transparency.

MCC works with countries that are poised to become the next generation of emerging markets and creates strong incentives to advance democratic, market-based principles in its partner countries. Our goal is not only to help poor countries rise out of poverty, but also to create stable trading and investment partners for the United States, which will strengthen the American economy and keep our nation more secure.

MCC is committed to producing results and ensuring that the American people are getting a good return on their investment. All development partners, both donors and host countries, are interested in achieving results. What distinguishes MCC is its commitment to technically rigorous, systematic and transparent methods of projecting, tracking and evaluating the impacts of its programs. Though MCC can point to real change in these countries now, MCC's stringent standards for measuring and reporting results will require independent evaluations to verify the immediate and long-term impact of our partnerships.

MCC's results exist along a continuum – from policy changes countries make to become compact eligible, to interim outputs and outcomes as compacts mature, to post-compact income increases. In the first two MCC compact country partners, Honduras and Cape Verde, which completed their five-year compacts in late 2010, **we are seeing strong results in the form of policy changes, outputs, and** (based on preliminary data that will be refined as MCC completes the rigorous third-party evaluations of the programs) **promising gains in incomes**.

Results from the MCC Compact with Honduras

MCC and Honduras identified low agricultural productivity and high transportation costs as key barriers to economic growth and poverty reduction. The MCC Compact, therefore, sought to improve small farmer productivity and public investment in transportation. The $205 million compact was signed on September 29, 2005 and finished on September 29, 2010.

Policy reforms achieved

- ★ **Increasing access to credit through a moveable property registry**: The Honduran government has enacted a secured transaction law and established a movable property registry system that are enabling borrowers to use as collateral an entirely new category of moveable, non-real estate property—such as shop inventory, future crops, tractors, supply contracts, and sewing machines.
- ★ **Enabling responsible resettlement**: To start and complete road construction more quickly than other projects investing in the same highway and facing similar resettlement needs, the Government of Honduras passed a special decree authorizing MCA-Honduras to carry out a comprehensive resettlement program to protect those affected by road construction, which allowed for timely and fair compensation, well-managed resettlement activities, and timely clearance of the road right of way.
- ★ **Ensuring road sustainability**: To promote the sustainability of MCC-funded roads in Honduras, MCC worked with the Honduran government on a weight control system and road maintenance fund. Although MCC terminated assistance for the weight control system, the Honduran government and other donors are constructing and operating the system designed by MCC. At MCC's request, Honduras increased its road maintenance budget by more than 60 percent -- from less than $40 million in 2005 to $64 million in 2010.

Outputs completed

- ★ More than **7,000 farmers** received technical training in better crop management, irrigation techniques, business skills, marketing, and post-harvest handling. More than **10,000 loans** have been disbursed to more than **5,800 agricultural entrepreneurs**. These loans make it possible for farmers to purchase equipment, seeds, and tools that help them expand their production and increase their farm profits.
- ★ More than **10,000 loans** have been extended to **5,800 farmers, agribusinesses and other producers**, giving them the means to buy equipment, seeds and tools to help them expand their production and increase their profits.
- ★ A total of **611 kilometers of roads** have been rehabilitated, including sections of the CA-5 Highway as well as rural and secondary roads, reducing transportation costs and time to national, regional and global markets.

Preliminary income gains reported

An analysis by MCC using preliminary data from the implementer of the agriculture training program in Honduras shows that **farmers assisted by the compact have seen their annual net income per hectare rise from approximately $1,880 at the baseline to $3,550 on average after 2 years of assistance, a gain of 88 percent, which is much faster than the approximately 7 to 11 percent growth that would have been expected in the absence of the program**. This initial estimate will be refined as MCC completes the rigorous third-party evaluation of the program that is currently underway.

Results from the MCC Compact with Cape Verde

Low-income households engaged in subsistence farming have limited opportunities to adopt new practices to raise incomes. MCC and Cape Verde sought to increase agricultural productivity, build vital infrastructure and develop a robust private sector to transform agriculture into a productive, competitive business sector. The $110.1 million MCC compact with Cape Verde entered into force on October 17, 2005 and finished in October 17, 2010.

Policy reforms achieved

- ★ **Decree Lifting Embargo**: Cape Verde issued a national decree lifting a 20-year embargo on agricultural exports from the island of Santo Antão that were put into place because of a millipede infestation, contingent upon the construction and operation of the MCC-funded post-harvest inspection center. This policy change now gives Santo Antão farmers an outlet for income-generating trade.
- ★ **Road Maintenance Fund**: In response to the compact, the Government of Cape Verde established a Road Maintenance Fund that is financed by a levy on road users for maximum sustainability of the road improvements.
- ★ **Citizens' House**: The MCC Compact contributed to e-government service through a Cape Verdean agency by investing in equipment, software and technical assistance valued at more than $3 million. As a result, in 2007, it took 52 days to start a business in Cape Verde. By 2010, Cape Verde had lowered the cost and decreased the time to start a business to less than a day.
- ★ **Microfinance Legislation**: As a condition precedent to providing technical assistance to micro-finance institutions, Cape Verde enacted a micro-finance law that, among other improvements, authorized micro-finance institutions to collect savings.

Outputs completed

- ★ To increase agricultural productivity in targeted rural watershed areas, **28 reservoirs** have been completed, **549 farmers** have been trained in new technologies, and four participating microfinance institutions have issued **$617,000 in rural agricultural loans** to **209 farmers or agribusinesses**.
- ★ Three rural roads, totaling **40.6 kilometers**, have been upgraded from cobblestone to asphalt pavement connecting coastal and inland villages with larger population centers and markets. In addition, all **four bridges** have been completed, reducing the average annual number of days riverbeds were impassable from eight to zero during the heavy rainy seasons and contributing to the overall improvement of Cape Verde's rural transport network.
- ★ The **Port of Praia's efficiency increased** with the completion of the first phase of work, including the construction of a cargo village and access road and the rehabilitation of Quay 2.
- ★ To increase financial intermediation and competition in the government securities market and develop the private sector, MCA-Cape Verde provided **eight microfinance institutions with technical assistance**, building capacity through training on best practices in accounting, credit appraisal, delivery, collection, human resources management, and marketing. Cape Verde also is launching its first **private credit bureau**.

Preliminary income gains reported

In Cape Verde, preliminary findings of the Agricultural Support Project show significant results for farmers who received MCC assistance. **After a year of very bad rains, farmers not receiving MCC assistance experienced a decrease in income of 88 percent, while incomes declined by only 18 percent for those farmers receiving MCC assistance**. This improvement was seen in less than one harvest period. MCC's combination of agricultural credit and training in soil and water management techniques are associated with a significant difference in the income of Cape Verdean farmers. These results, which are from an income survey of the first warm season agricultural cycle, will be refined as MCC completes the rigorous third-party evaluation of the program that is currently underway.

MCC's mission is to reduce poverty through economic growth by making sustainable investments in a select number of well-governed countries. As our first two partner countries complete their compacts, we are seeing those investments produce strong returns for the people of Honduras, Cape Verde, and the United States.

For more information, visit www.mcc.gov.