



MCA-Honduras

*Reducing Poverty through Economic Growth*

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**GOVERNMENT OF HONDURAS**

**MCA - Honduras**

**Quarterly Program Progress Report**

**Activities Performed during the period  
from April 1 to June 30, 2007**

**Prepared by**

**MILLENNIUM CHALLENGE ACCOUNT  
MCA - HONDURAS**

**July, 2007**

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Compact Country:	<b>Honduras</b>
Reporting Period	<b>04 – 06/2007</b>
Report Date:	<b>07/27/2007</b>
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## **A. EXECUTIVE SUMMARY**

The Honduras Millennium Challenge Account (MCA-Honduras) is an entity ascribed to the Presidential Office of the Secretary of State, that was established on behalf of the Government of Honduras (GoH) as responsible for the administration and oversight of the Program and implementation of the projects and activities comprised in the Millennium Challenge Compact, document that was signed between the Government of the United States of America, through the Millennium Challenge Corporation and the Government of Honduras June 13, 2005

This progress report reflects the main achievements and the outcome of the activities programmed and implemented by MCA-Honduras during the period from April 1 to June 30, 2007.<sup>1</sup>

By the end of the period reported, the Program was able to commit US\$ 32.5 million from the total grant, which corresponds to 50% of the goal projected to December 2007 (US\$ 65.4 million), and 15% of the total Compact amount (US\$ 215 million). From the resources committed by the end of this report, MCA-Honduras disbursed US\$ 6.8 million, that is, 33% of the projected disbursement goal for December, 2007. Resources committed correspond to goods and services that will be developed during Program implementation, that is, during the 40 remaining months, therefore, disbursements will be made according to these projection.

Significant advances of the period reported include the selection and contracting of ACDI/VOCA as Program implementing unit for Technical Assistance of Agriculture Access (FACA) for US\$ 3.6 million, the selection of the National Law Center for International Free Trade as implementing unit for the Program for the Strengthening of the Registry for Secured Interests for US\$ 2.2 million, to support FACA, the selection and contracting of field facilitators to provide support to municipalities in the prioritizing of Farm to Market Roads, and in the launching of the First Round of the Public Agriculture Goods Grant Facility (US \$ 9 million) , for which MCA-Honduras received more than 120 initiatives nationwide.

Fintrac Inc., the Farmer Training and Development Program (FTD), continues advancing in a satisfactorily manner in the incorporation of farmers that will become high value crop producers. By the end of this quarter, FTD incorporated 681 farmers, located in 16 departments and identified 208 farmers to be selected as farmer leaders. In addition, assistance was provided to 237 agri-businesses (118 buyers, 86 business service suppliers and 33 counterpart organizations). To date, more than 30 different crops have been planted in 450 hectares and are being produced under new technologies that have been adopted by the FTD Program farmers. Nevertheless, most significant is that to date, FTD clients have invested \$196,701 of their own resources in new assets, based on the recommendations of FTD technicians - \$59,388 in June. Most of these investments are related to installment of irrigation equipment.

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<sup>1</sup> Third Quarter of FY 2007 in the United States of America

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Among the secondary activities of incentives for farmers transform their farms, MCA-Honduras delivered incentives to 225 farmers under the MCA-Honduras “Small Grants” Program, in the amount of \$ 287,800. To date, 174 drip irrigation systems (of 0.6 hectares), 170 sand filters, 225 Backpack pumas, 7,402 plastic baskets and 7,875 trays.

The Transportation Project advances include the design of the Tegucigalpa- Comayagua four lane highway, Section II, originally not considered (only section I), prioritization of secondary roads to be funded by MCA-Honduras, a total of 74.5 kilometers, and most important, initiating preparation of the North Highway Resettlement Plans.

With regards to secondary roads, during this period, MCA-Honduras assessed the prioritized list of 12 roads proposed for paving with grant resources, pursuant to the Board’s mandate authorizing the PMU to analyze the roads in the proposed order until finishing available resources with segments meeting implementation conditions. According to the criteria defined, such as traffic volume, beneficiary population, quality of information and designees available, resettlement, environmental impact, cost of the section and strategic relevance, among others, LBG prioritized a list of 4 segments:

Sonaguera-Km. 35	(26.6 Km)
Comayagua-Ajuterique-La Paz	(15.9 Km)
Choluteca-Orocuina	(23 Km)
Dos Caminos-La Lima	(9 Km)

In this period, MCA-Honduras, through the Secretary of the Presidency, obtained the approval of the National congress of the Executive Decree on Resettlement Procedures for persons affected by Program Works. This Decree modifies and expedites negotiation, affectation, compensation and payment mechanisms that will be used with affected persons by the project of the CA-5 North upgrading project. The Decree was approved by the Council of Ministers March 15<sup>th</sup> and published in *la Gaceta* June 4th; likewise, National Congress approved the decree on May 31 and enacted it as law. The objectives of the Executive Decree are:

- Instruct public entities to prioritize administrative procedures, legal processes, issuance of licenses, permits or registers required to assure a timely fulfillment of the civil Works and activities foreseen in the Millennium Challenge Compact.
- Take expeditious actions, through the responsible institutions for the regularization of municipal and state property occupied by natural persons, by compensating the owners of this land in an effective manner.
- Granting MCA-Honduras the faculty to undertake, either directly or through a firm responsible for the preparation of Resettlement Plans, all the activities related to census, inventory, cadastre, valuation and negotiation of affectations and compensation of persons affected by the Transportation Project of Millennium Challenge Account Program.

Finally, according to the updated Financial Plan, MCA Honduras plans to commit US\$ 65.36 million of the grant by the end of 2007, US\$ 139.3 million by the end of 2008, US\$ 4.5 million by the end of 2009 and the remnant of the Compact by June 2010. This means that to December 2008, 95% of the Grant’s resources will have been committed. The following chart shows the main management indicators adopted by the MCA-Honduras Board to monitor Program advances.

**MCA-HONDURAS management indicators (US\$ 000)**

Level	Goal	Indicator	Date of appraisal: 30/06/2007		I Quarter (January-March 2007)		II Quarter (April-June 2007)		III Quarter (July-September 2007)		IV Quarter (October-December 2007)		Annual Accrued Goals				
			To Reporting Date	% advance based on annual goal	By quarter's end	% advance based on annual goal	Projecte d Quarterl y Goal	% advance based on projecte d annual goal	Projecte d Quarterl y Goal	% advance based on projecte d annual goal	Projecte d Quarterl y Goal	% advance based on projecte d annual goal	2007	2008	2009	2010	
Compact	USD 218 million committed to September 2010 in contracts (USD 215 million from MCC plus USD 3 million from repayment of agriculture line of credit)	Accrued amounts contracted of total Grant (US \$ 000)	32,480	50%	28,576	44%	33,483	51%	56,484	86%	65,398	100%	65,398	204,710	209,234	218,000	
	USD 218 million disbursed to September 2010	Accrued amounts disbursed from total grant (US \$ 000)	6,846	33%	4,807	23%	6,988	34%	10,869	52%	20,726	100%	20,726	107,743	174,885	218,000	
Rural Development Project	USD 76.6 million committed in Rural Development Project contracts to September 2010 (USD 70.7 million of the Rural Development Project plus USD 6 million of repayment of the agriculture line of credit)	Total contracted accrued amounts (US \$ 000)	26,637	60%	22,796	51%	26,768	60%	39,872	90%	44,303	100%	44,303	72,166	72,166	76,688	
		By Component:															
		FTD	22,821	81%	22,766	81%	22,966	82%	28,070	100%	28,070	100%	28,070	30,415	30,415	30,415	
		FCA	3,697	34%	0	0%	3,689	34%	9,689	89%	10,901	100%	10,901	11,251	11,251	15,773	
		Rural Roads	119	4%	30	1%	112	3%	112	3%	3,332	100%	3,332	21,500	21,500	21,500	
	Agriculture Grants	0	0%	0	0%	0	0%	2,000	100%	2,000	100%	2,000	9,000	9,000	9,000		
USD 76.6 million disbursed to September 2010 in advances of the Rural Development Project	Total disbursed accrued amounts (US \$ 000)	5,186	39%	3,832	29%	5,264	40%	7,389	56%	13,262	100%	13,262	54,724	64,895	76,687		
	By Component:																
	FTD	5,002	50%	3,847	38%	5,053	51%	6,838	68%	9,994	100%	9,994	19,210	23,882	30,414		
	FCA	184	9%	0	0%	184	0%	439	22%	1,991	100%	1,991	9,067	10,513	15,773		
	Rural Roads	0	0%	0	0%	27	0%	112	40%	277	100%	277	19,947	21,500	21,500		
Agriculture Grants		0%	0	0%	0	0%	0	0%	1,000	100%	1,000	6,500	9,000	9,000			
	8,255 FTD Program Farmers and that by the end of 2010 will harvest high value crops	Number of farmers enrolled in the program receiving technical assistance	682	50%	451	33%	688	50%	1,032	75%	1,375	100%	1,375	3,508	7,040	8,255	

	6 Million USD in agriculture loans granted to FTD Program Farmers	Amounts disbursed for loans to Program farmers (US \$ 000)	0	0%	0	0%	0	0%	0	0%	900	100%	900	6,000	6,000	6,000	
Transportation Project	USD 127.2 million committed to a December 2009 in Transportation Project contracts	Total contracted accrued amounts (US \$ 000)	3,308	21%	2,955	19%	3,394	22%	12,103	78%	15,420	100%	15,420	124,165	127,208	127,208	
		By Component:															
		CA-5	353	3%	0		439	4%	8,789	83%	10,588	100%	10,588	97,920	97,920	98,244	
		Secondary Roads	0	0%	0	0%	0	0%	319	18%	1,807	100%	1,807	21,280	21,280	21,280	
		Weight Control System	0	0%	0	0%	0	0%	40	57%	70	100%	70	2,010	4,730	4,730	
		Outside Project Manager	2,955	100%	2,955	100%	2,955	100%	2,955	100%	2,955	100%	2,955	2,955	2,955	2,955	
		USD 127.2 million disbursed to September, 2010 in transportation project advances	Total accrued disbursed amounts (US \$ 000)	478	11%	148	3%	478	11%	1,306	29%	4,506	100%	4,506	46,998	101,058	127,208
		By Component:															
		CA-5	35	1%	0	0%	35	1%	399	14%	2,955	100%	2,955	28,162	72,685	98,244	
		Secondary Roads	0	0%	0	0%	0	0%	0	0%	313	100%	313	15,302	21,280	21,280	
	Weight Control System	0	0%	0	0%	0	0%	20	36%	55	100%	55	1,761	4,730	4,730		
	Outside Project Manager	443	38%	148	13%	443	38%	887	75%	1,182	100%	1,182	1,773	2,364	2,955		
	Upgrading of 109 km of the CA-5 North Highway	Km of road upgraded, extended and rehabilitated	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	0	109	
		50 km segment I	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	0	50	
		59 Km segment II	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	0	59	
	Paving of 4 stretches of secondary roads	Number of secondary road stretches extended and rehabilitated	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	4	4	
		Sonaguera- Km 35	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	1	1	
		Comayagua - La Paz	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	1	1	
		Choluteca - Orocuina	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	1	1	
		Dos Caminos - La Lima	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	1	1	
	Construction of 8 stations for an effective control of vehicular weight	Number of weight control stations built / equipped and operating	0	0%	0	0%	0	0%	0	0%	0	0%	0	0	8	8	

## B. PROGRAM IMPLEMENTATION

### B.1 Period Precedent Conditions Compliance

Following are the MCA-Honduras advances related to precedent conditions compliance applicable to the quarterly report and included in Schedule 1 in force of the Disbursement Agreement signed between MCC and the Government of Honduras:

Conditions Precedent	Period Status
B.1.1 The Government adopts and expeditious reimbursement mechanism for taxes payment by providers with a legal exemption, as provided in the Grant Agreement.	Condition delayed final documentation is at the Presidency of the Republic for signature and publication.
B.1.2 MCC is satisfied that, prior to disbursing MCC funds for a Project or Project Activity, all necessary Permits to develop such Project or Project Activities have been obtained, including any environmental permit required as well as any information public accountability and consultation.	Condition delayed, permits will be required for extending CA-5 Highway in the Transportation Project.
B.1.3 MCC is satisfied that the Government has maintained a clear policy condition against the adoption of any action limiting or otherwise altering the original condition of any obligation of a borrower of paying a loan obligation duly documented without the consent of the lender.	Condition complied, MCA Honduras has not known of any action from the Government that would breach this condition.
B.1.4 Continued compliance, to MCC satisfaction, in the methodology of the Farmer Selection Program, that will include a plan to assure the participation of outreach female workers to facilitate reaching and training women farmers.	Condition complied. Documentation relevant is the quarterly and monthly report of the Farmer Training and Development prepared by FTD/Fintrac and delivered to MCC. This report describes the advances of Technical Assistance, Training, and Market Linkage activities, including a break-down of gender and environmental impact that Fintrac implements towards the achievement of FTD objectives.
B.1.5 Continued compliance, to MCC satisfaction, with the environmental sustainability principles that include and appropriate selection, use, storage and disposal of pesticides.	Condition complied, Documentation relevant is the quarterly and monthly report of the Farmer Training and Development prepared by FTD/Fintrac and delivered to MCC.
B.1.6 A total of 960 business plans have been prepared this past year by Program Farmers assisted by the Technical Assistance provider	Condition postponed, according to a note of June 13, requesting the postponement of this condition. It is expected that by January 30, 2008, 1000 business plans will be prepared by the Program Farmers.

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## **B.2 Period additional implementation arrangements**

### **B.2.1 Selection and hiring of additional MCA-Honduras PMU staff**

During the reported period, and according to the needs of increasing the technical staff of the Program Management Unit, and in compliance with selection and contracting procedures for consultants approved by MCC, the contracting process for the hiring of two monitoring and evaluation officers assigned to the Agriculture Public Goods Grant, an Agriculture Credit Specialist and a Legal Officer to support follow-up of Resettlement Plans, Environmental Management Plans and Legal Counseling for different evaluation panels was completed.

### **B.2.2 MCA-Honduras Communication Strategy and Social Organization**

The Procurement Plan establishing information and communication needs was approved and several activities are already being implemented. The office has corporative image material such as folders, envelopes, pens, murals and banners. Specifically a threefold was edited with general MCA-Honduras general information and a book-marker; a threefold of the Farm to Market Roads Activity; a pocket booklet about the CA-5 Highway resettlement process; a brochure on Farmer Credit Access; and a threefold about the Law on the Law of Secured Interests.

Updated news are periodically posted on the Program's Web Page and three e-bulletins have been edited which will be Publisher on a monthly basis. The photography base is continuously increasing and the first hard copy bulletin – magazine type – is in process. The objective of this bulletin is to inform, educate and promote technology transfer among its readers.

Through massive communication coverage, both national and local, we have generated positive news and favorable public opinion. Five workshops, aimed at socializing the Rural Road Activity, the three workshops of the Grants Fund and the opening workshop of the Farmer credit Access activity have been covered.

Contacts have been established with the main media of the country and the events have had excellent participation. Communication with key government and non government actors continues as well as with the technicians of the implementing firms related solely with social issues of impact, gender, environment, integral development and Information, Communication and Education strategy implementation which are being implemented by some firms and are being monitored.

Invitations, notifications and communications have been prepared and diffused to improve our approach with different audiences. The office has a press monitoring system for current issues and in particular transportation and the agriculture sector, which allows the staff keeping updated with national events and a rapid positioning of the Millennium Challenge Account and its goals in the national context.

## **C. IMPLEMENTATION AT PROJECT /ACTIVITY LEVEL**

### **C.1 Advances of the Rural Development Project**

#### **C.1.1 Farmer Training and Development Activity (FTD)**

By quarter's end, FTD had incorporated 681 farmers, located in 16 departments and identified 208 farmers for selection as leader farmers. Also, assistance was provided to 237 agro-businesses (118 buyers, 86 business service suppliers and 33 counterpart organizations). To date, more than 30 different crops have been planted in 450 hectares. These crops are being produced with the new technologies adopted by the FTD Program farmers.

#### FTD CLIENTS BY DEPARTMENT

Department	Registered Lead Clients	Registered Beneficiary Clients	Clients in the Selection Process
Atlántida	12	6	3
Choluteca	31	6	4
Colón	11	7	3
Comayagua	55	41	48
Copán	6	-	1
Cortés	14	5	10
El Paraíso	24	58	30
Francisco Morazán	117	90	50
Intibucá	8	3	2
La Paz	11	5	20
Lempira	12	15	1
Ocotepeque	41	33	10
Olancho	10	5	2
Santa Bárbara	16	6	10
Valle	6	10	6
Yoro	27	13	8
<b>Total</b>	<b>401</b>	<b>303</b>	<b>208</b>

**Marketing activities:** including the expansion of the buyers list, production of a market study (Sweet Corn for the United States Market); establishing links with more than 137 local and export supermarkets, wholesalers, distributors, processors and exporters; provision of logistics support for two international buyers interested in Honduran products, visit to USA select buyers aimed at developing production and export programs for the 2007/2008 season.

**Production activities:** increasing target production areas and continuous selection of program farmer clients; technical assistance at farmers' parcels and outreach services, performing more than 3,777 visits where technical assistance was provided throughout this period; two crop production manuals were completed, as well as four technical bulletins and nine technical presentations; 297 in-farm training activities were carried out with 2,467 participants; technical assistance was provided on EurepGAP and other certification programs; 17 training events on use of agrochemicals safety with 110 participants; alliances were established with services to develop businesses with input and equipment suppliers, including Bayer (training in the use of pesticides) and Remargo (with seeds experiments).

**Post Harvest and Processing Activities:** technical assistance on design, product flow, equipment selection, production of six technical bulletins and three technical presentations was provided to three companies; 31 training events on post harvest were carried out with 446 participants; support was provided to farmers on field sampling and field packaging operations, including the design and introduction of low cost packaging facilities; support was given to a vegetable processor under the onion and sweet corn development and production expansion program. With the purpose of focusing attention more on production, technical assistance to processing operations

**TRAINING ACTIVITIES BY AREA  
AUGUST 2006 TO JUNE 2007**

Area	Participants	Event
<b>EurepGap</b>	116	26
<b>Business/finance skills</b>	976	57
<b>Food Security</b>	50	2
<b>Market Information</b>	302	14
<b>Marketing</b>	0	0
<b>Post Harvest</b>	929	56
<b>Production</b>	4620	299
<b>TOTAL</b>	<b>6947</b>	<b>755</b>

**Business skills:** Preparing business plans for 115 farmers, preparing five technical bulletins and four technical presentations, 35 training events with 552 participants. During the month of June, FTD technicians provided assistance to 30 clients in the preparation of their business plans (to date, 289 have been finalized). They also helped 7 clients with their documentation and loan requests to be submitted to *Banadesa* and *Cooperativa La Guadalupe*. To date, 16 program farmers, with FTD assistance, have obtained loans from several financial institutions for a total amount of Lps 1.595 Million.

**Special Events:**

Plantain: Facing the challenge of increasing in the next four years the plantain production area in 3,000 hectares, FTD successfully convened more than 450 participants for the first plantain promotion event at a national level. This event brought together producers, buyers, service and input suppliers, and they were able to establish closer links in the added value chain of this crop. Speakers of companies such as *Chiquita*, *INALMA*, *Rica Sula* and *Alimentos Dixie*, participated in a holistic fashion, and had the opportunity of presenting their annual volume requirements, including for local and export markets.



Onion: FTD convened the First National Event on Increase of Onion Production. More than 200 participants attended among which Producers – Buyers – Equipment, Input and Service Providers. During the event, FTD technicians and marketing companies also participated as speakers, among which: *La Colonia*, *FRUVETSA* and *HORTIFRUTI*. At the end of this event these companies worked with participating farmers in “business tables” where they reached futures contracts, new marketing contracts and established in particular the transparency and clarity that is required in a producer – buyer relationship, promoted by the FTD program among its customers.

**Activities with SAG:** meeting with SENASA on the data base of pesticide register; participation in a workshop on Implementation of the Obligatory Phytosanitary Guide for fruit and vegetable producers and exporters (with SAG, SENASA and OIRSA); with SAG / DICTA in Marcala with the collection center to collaborate with product packaging, transportation and sales; with SAG agro business on baby banana packaging and handling and risk analysis performed for Mexico on peppers and cucurbitaceous (USAID-CDA); with SAG Risk and Drainage Division to identify collaboration areas.

**Investments:** To date FTD customers have invested \$196,701 in fixed assets based on the recommendations of FTD technicians - \$59,388 in June. Most of these investments are related to the installation of irrigation equipment. FTD technicians continued promoting the purchase of the irrigation tape used by export companies in order to minimize initial investment costs.

**Incentives for farm transformation**

Throughout this period, FTD continued with the delivery of equipment to 225 farmer clients under the MCA-Honduras “Small Grants” program, in the amount of \$ 287,800. To this date, 174 drip irrigation systems (of a hectares), 170 sand filters, 225 backpack pumps, 7402 plastic baskets and 7875 have been delivered.



### C.1.2 Credit Access Activity

MCA Honduras carried out a financial evaluation to hire Technical Assistance services to Improve Agriculture Credit Access, it selected the winning firm, negotiated with the firm selected and signed the corresponding contract.

The selected firm, ACDI VOCA received the respective order and initiated activities June 1, 2007. ACDI VOCA presented its Inception Report to specify the activities that will be developed and that were agreed in the corresponding contract. These services include developing innovative financial products, improving risk analysis of farmers, promoting the use of non traditional type guarantees that are appropriate for the farmers and leveraging bank and other financial intermediary resources in the country. As the first implementation task leading to the achievement of its objective, during the first two weeks of July, ACDI VOCA will hold, a Workshop to present and obtain feedback (“socialize”) the results of a Report on an Evaluation of Agriculture Credit in Honduras.

In this framework, MCA-H organized a working meeting between ACDI VOCA and the Board, in full, of the Honduran Association of Banking Institutions (*Asociación Hondureña de Instituciones Bancarias (AHIBA)*) that represents the 19 banking institutions that are currently operating in the country. Representatives from 11 banks attended this meeting, in which MCA Honduras and ACDI/VOCA presented the scope of the Program and the specific implementing unit. The banking representatives expressed their interest in ACDI/VOCA’s technical assistance and reaffirmed that the condition of having parallel technical assistance for the farmers is vital for credit. This last task is being implemented by MCA Honduras through the FTD.

### Access to Credit Trust Fund Implementation

The documentation of the terms of reference and proposal requests for the management of the agriculture line of credit through a US \$ 6 Million Trust fund has been reviewed and modified

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several times. The creation of a Trust Fund that will be administered by a local bank includes a proposal of concessionary and decreasing interest rates for financial intermediaries that are willing to place their own resources for the leveraging of the loans. With this fund, MCA Honduras hopes that financial institutions will leverage sufficient resources of their own to satisfy the credit needs the FTD beneficiary farmers will have, starting as soon as the fourth quarter 2007. Currently, the Restricted Proposal Request is being reviewed by MCC, prior to the respective No objection. The draft, of the contract, attached to the Restricted Proposal Request is also being discussed by MCA-Honduras and MCC's Legal Department, subject to a proposal that will be prepared by Arias & Muñoz, MCC's legal counsel in Honduras.

### **Advances in the enactment of the Law on Secured Interests and its Registration**

La Law on Secured Interests should be submitted to National Congress in July 2007, following a broad socialization process that included discussion with most of the productive/commercial sectors, both at the national level as among foreign banks, with the latter supported by the National Law Center for Inter-American Free Trade (NLCIFT). Part of the socialization process included visits of MCA-Honduras Directors and officers and CCIT Representatives to the NLCIFT, which was complemented by a videoconference where representatives of interested organizations from Honduras and several United States cities had the opportunity of participation.

The advances in this activity are due mainly to the following aspects:

- Formulation of the last version of the Bill draft of the Law on Secured Interests that will be submitted to National Congress on August, 2007.
- Elaboration of a Concept Paper to explain and clarify the Terms of Reference of the activity of implementing this Law and the operational aspects of the Register of Secured Interests.
- Reformulation of a Single Source Proposal Request, so NLCIFT can provide the services including the elaboration of regulations linked to the implementation of the Law on Secured Interests as well as the implementation of the Register of Secured Interests and its normative.

#### **C.1.3 Farm to Market Roads Activity**

This period, MCA- Honduras prepared and obtained MCC's No Objection for an operational guide to select and fund rural roads. The proposed guide establishes criteria to select the rural roads requested by the municipalities, establishes the requirements for co-funding, and a detailed work plan for the implementation of this activity.

A Rural Roads Consultative Committee was established, which will be the entity responsible of evaluating and approving the selection of roads after verifying the compliance of all requirements provided in the Compact. The Committee comprises the following institutions: Ministry of Agriculture and Livestock, Ministry of Public Works, Transportation and Housing, Ministry of Natural Resources and the Environment, Honduras Social Investment Fund (*Fondo Hondureño de Inversión Social*), Association of Municipalities of Honduras (*Asociación de Municipios de Honduras*) and the Honduras Millennium Challenge Account.

Socialization workshops were held in Tegucigalpa, San Pedro Sula, La Ceiba, Santa Rosa de Copan and Juticalpa with the participation of more than 200 mayors and representatives of the

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Municipalities. The eligibility criteria to access funds to upgrade Farm to Market roads were explained in these workshops.

MCA- Honduras, contracted local consultants, who will facilitate the work with the municipalities related to identifying, prioritizing and assessing the information on the road segments proposed by these municipalities. These roads will be visited in coordination with local municipality authorities.

At the same time, Economic and Social Research Center (CIES COHEP, in Spanish) made advances with the delivery of a concept paper, data base and application form to input information related to economic return rates of rural roads at the municipal level. This tool is being used during the selection process of rural roads to analyze the roads proposal prepared by the municipalities. Based on the tool application in an excel sheet that calculates the estimated rate of return and its interaction with the Geographic Database, a Rate of Return will be calculated for each one of the roads, until obtaining a "List of Eligible Rural Roads" that will be integrated as to the municipal proposals submitted to the Rural Roads Consultative Committee and MCC.

This tool will also be used to supplement the excel sheet analysis based on an estimate of the profitability which is in turn based on the World Bank Road Economic Decision (RED) model. It will be used as an information source for entry data and as a way to measure impact related to: (i) maximizing the development of high productive value zones; (ii) quantifying beneficiary population (origin, destination and route); and (iii) improve accessibility to education and health services. All three aspects indubitably trigger economic and social growth and are therefore, factors to be considered in the prioritization framework.

Upon confirmation of the profitability of the road and the co-funding amount required as matching contribution of interested municipalities and compliance of the Millennium Corporation (MCC) criteria, MCA-H, through a Pre-selection and Procurement process will contract the Supervision and Construction, that will initiate the upgrading of rural roads, thereby facilitating trade for beneficiary rural communities to the markets, as well as health and education services.

#### **C.1.4 Agriculture Public Goods Activity**

The notices inviting parties interested in submitting project profiles were published on April 27<sup>th</sup>. For this purpose two workshops were held on May 10<sup>th</sup> in the City of Tegucigalpa and May 11<sup>th</sup> in San Pedro Sula. Both workshops had a record attendance, to such extent that the workshop had to be repeated in Tegucigalpa. On May 25, 126 project profiles were received from non profit organizations, education institutions and public institutions. The project profile evaluation period concluded June 28. The outcome of this assessment was the selection of 20 profiles which meet the requirements established in the Grants Manual.

On July 5, the 126 applicants were notified on the outcome of the project profile evaluation. Participants passing to the following round were notified on the date and venue of a workshop to discuss the different forms of the Grants Manual that need to be filled to submit their proposals. This workshop was held on July 12 in the city of Tegucigalpa, with the participation of all 20 organizations except the Pico Bonito Foundation. During this seminar meetings were agreed with each organization to specifically discuss the terms and criteria to be used when developing their proposals. Grant officers will assist the organizations to develop their proposals during elaboration process.

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## C.2 Advances of the Transportation Project

### C.2.1 Transportation Project Preliminary Arrangements

#### **Transportation Project Manager Activities (TPM)**

The Transportation Project Outside Manager of the Honduras Millennium Challenge Account (MCA-Honduras) contract with the Louis Berger Group firm was signed on January 22. This firm is providing assistance in the implementation of the CA-5 North Highway rehabilitation and Expansion project, the paving of the secondary road network in the country and the implementation of a Weight and Measurement Control System. The support component of the upgrading of rural roads to date has been limited.

Among the main activities performed by the Louis Berger Group from April to June can be highlighted the review and update of designs of the civil works projects for the two segments of the CA-5 North highway, going from Tegucigalpa – Detour to Villa de San Antonio and End of the Comayagua Valley to Taulabe. Substantial progress has been made in Segment II.

On the other hand, with regards to procurement process management, Expressions of Interest were evaluated to contract supervision services for works of the two CA-5 North segments, work is being done on the proposal request document for the supervision of segment II of the CA-5, A EOI document was prepared for rural and secondary roads supervision services and prequalification documents for the Companies that will be in charge of the paving works of secondary roads and the rehabilitation of rural roads.

#### **Weight Control System**

The implementation of a Weight Control System is subject to the decentralized operation of management of the system through *Fondo Vial*<sup>2</sup>. To define an implementation plan for the system, identify the necessary legal reforms and the sustainable operation of the system, and also to supplement the studies performed by SOPTRAVI, MCA--Honduras prepared the scope of the services of an individual Consultant to establish financial mechanisms that will assure the financial sustainability of the Weight Control System, once it has been implemented. It has also established a bank of international consultants. The scope is still pending discussion with MCC.

#### **Road Maintenance Multi-year Plan**

*Fondo Vial* submitted its first Quarterly Report on physical implementation and financial execution of road maintenance on May 21, which was completed with information required by MCC, who issued a note on July 5, accepting the information to approve the Transportation Project funds disbursement. During this quarter, several meetings were held with *Fondo Vial* and the Ministry of Finance executives with the purpose of agreeing the scope of the submission of the quarterly physical and financial execution report supported by SEFIN SIAFI records.

### **C.2.2. Activity: CA-5 Highway Implementation**

#### **Design Review and update:**

Among the main activities the Louis Berger Group developed during the months of April to June can be highlighted the review and update of the designs for works projects of the two CA-5 North Highway segments, from Tegucigalpa – Detour to Villa de San Antonio (segment I) and End of the Comayagua Valley to Taulabe (segment II). Substantial progresses have been achieved in segment two, adding considerations such as road safety; minimizing affectation of properties in

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<sup>2</sup> Condition Precedent established in the Compact

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the right of way, by modifying the horizontal alignment without sacrificing the planned road capacity; particular attention has been given to the urban zone interchanges of Siguatepeque, where the construction of roundabouts with traffic lights have been foreseen, as well as other aspects related to sewage details are being incorporated to the designs, and services relocation plans that will be added.

In addition, during this period discussions were held with the sector entity, SOPTRAVI, aimed at defining the pavement structure to be considered, asphalt or hydraulic pavement. LBG prepared a comparative analysis and the decision was made by SOPTRAVI, MCA Honduras, with MCC's approval, of allowing both options, awarding the option that submits the lowest price after comparing the asphalt pavement bid and adding the difference of maintenance costs of asphalt concrete minus the maintenance costs of hydraulic concrete maintenance costs. LBG is preparing two sets of specifications and quantities for this purpose.

**Procurement:**

22 expressions of interest were received for the supervision of CA-5 segments I and II, Tegucigalpa – Beginning Comayagua Valley and End Comayagua Valley – Taulabe, with MCA Honduras support, LBG evaluated these expressions and finalized the evaluation report on June 8, for which MCC NO Objection was obtained June 21.

Simultaneously, advances were made in preparing the proposal request document for supervision services for CA-5 Segment II. The expectation is to submit the short list of firms during the first two weeks of July.

The pre-qualification document of contractor enterprises for CA-5 Works was submitted for MCC No Objection on June 18, and it was obtained on June 25. This document was published in DgMarket, Development Business and greatest circulation dailies in the country on June 28 and July 2. Applications are expected for August 1.

To respond to the lack of available topographic data of segment I, MCA Honduras published a Proposal Request for Topographic data collection services for that segment on May 7 in Development Business and greatest circulation dailies in the country. 6 firms submitted proposals, which were evaluated by the LBG panel, who submitted the combined report on June 20, for which MCC's No Objection was obtained on June 21, and the Board's No Objection on June 28. A contract was signed with the Firm Tecnisa – Cinsa and works will initiate July 2.

The Executive Decree supporting the negotiation, affectation, compensation and payment mechanism for possible affected persons with the CA-5 North Highway upgrading project was approved by the Council of Ministers March 15, and published in the Gazette June 4. Also National Congress approved this decree, enacting it as Law. The objectives of the Executive Decree which will be approved first by the Council of Ministers and subsequently by the National Congress are:

- Instruct public entities to prioritize administrative procedures, legal processes, issuance of licenses, permits or registers required to assure a timely fulfillment of civil works and activities provided in the Millennium Challenge Compact.
- Take expeditious actions through the entities responsible of regulating municipal and state land by natural persons and compensating the owners of these properties in an effective manner.
- Granting MCA-Honduras the faculty of preparing, itself or through the firm responsible, Resettlement Plans, all census activities, inventories, cadastre, valuation and negotiating

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affectations and compensations of persons affected by the Transportation Project of the Millennium Challenge Account Program.

The fifth meeting of the Cooperation Table of the Inter-Oceanic Corridor was held on June 12, in which SOPTRAVI shared the limited advances and problems faced in clearing the right of way of the CA-5 sections funded by other donors. Among relevant issues discussed were the actions MCA-Honduras intends to undertake for the implementation of the Weight Control and Measures System through a consultant. Soptravi indicated that National Congress has expressed its support with the reforms to the legal framework that are necessary, and that in turn the GOH has to meet the condition of standardizing regulations at the Central American level as part of the Puebla - Panama Plan commitments.

### **C.2.3 Secondary Roads**

LBG evaluated the list of 12 prioritized roads proposed for paving with Grant resources, according to the Board's mandate, which authorized the PMU to analyze the roads in the order proposed until completing the resources available with sections meeting implementation conditions. Based on the definition of criteria such as traffic volumes, beneficiary population, information quality and designs available, as well as resettlement, environmental impact, cost of the section and strategic relevance, among others, LBG prioritized a list of 4 sections:

Sonaguera-Km. 35	(26.6 Km)
Comayagua-Ajuterique-La Paz	(15.9 Km)
Choluteca-Orocuina	(23 Km)
Dos Caminos-La Lima	(9 Km)

An invitation of Expression of Interest was prepared for supervision services, which was submitted on June 20 to MCC, and the respective No Objection obtained on June 26. It will be published on the first week of July and the expectation is to receive the expressions of interest on June 24. At the same time, the document for prequalification of contractor Enterprises is being prepared for the paving works of these secondary roads.

The design of the Comayagua – Ajuterique – La Paz Section was contracted by the beneficiary communities through an alliance among agro export enterprises in the zone, the Municipalities, National Congress and *Fondo Vial*, for which MCA provided the required standards and scope of the study in order for them to be acceptable for works procurement effects.

For the three remaining sections, MCA Honduras has requested LBG a service bid to finalize the designs. In order to make the best decision for the hiring of these services the possibility of a procurement process was also proposed. This decision will be made in July.

## **C.3 MCA-Honduras PMU Financial Administration Directorate Performance**

During the period reported the following outcomes were achieved:

- The audit for the period from July 1st to December 31, 2006 of MCC resources manager by MCA-H was initiated. Also, preliminary findings have been discussed with the auditors. The auditors are focused mainly in the documentation gaps in procurement processes, registration of inventories and compliance with insurance requirements by consulting enterprises (FINTRAC), contingency manual for the system's area. In this respect, most of the comments made by

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PriceWaterHouseCooper about the findings have been responding and currently MCA-Honduras expects to receive the corresponding draft report.

- Resources in the amount of US\$ 2.0 Million were executed.
- The corresponding budget rescheduling for Year 2007 was prepared. Also, the 2008 Budget was formulated to be submitted to the Ministry of Finance, including the multi-annual budget to year 2010
- Commitment schedules to Year 2010 were prepared
- Jointly with MCC, the first draft of the Fiscal Agent Service Performance Evaluation Report was prepared for the period from January 11 to March 31, 2007.
- The fifth disbursement request, for the July 1 to September 30, 2007 Quarter, for US\$1.6 million was prepared and submitted to MCC and the Board.
- The quarterly commitment quota for July 1 to September 30, 2007 was recorded and requested in SIAFI.
- Program categories for the resettlement plans for the segments of section 1 and 2 and the environmental management plan were recorded in SIAFI.
- 290 payment transactions were performed in SIAFI and 48 transferred between bank accounts.
- A vehicle tax exoneration and renewal of the MCA-H tax exemption for the period from June 2007 to May 2008 was processed and obtained.
- The onset of the Fiscal Supervisor Agent Evaluation Process was coordinated
- Monthly reports on the use of exonerated purchase orders related to payment of Tax Sale were submitted to DEI.
- Participation in bid evaluation commissions for goods and services procurement processes.
- The health/life insurance policy for employees was negotiated and obtained.

The financial execution estimated for this quarter was US\$ 3.4 million from which US\$ 2.0 million were executed, leaving US\$ 1.4 million outstanding that correspond to payments that were reprogrammed for different consultancy concepts for Evaluation and Coordination of the MCA-H Monitoring and Evaluation Component in the amount of US\$ 70 thousand, payment for resettlement and resettlement study of US\$ 433 thousand, payment for farmer credit access in the amount of US\$ 415 thousand and a non-billed payment corresponding to the month of June for Farmer Training and Development (FTD/Fintrac) of US\$ 322 thousand, as well as non-billed payments to the Outside Transportation Manager (OTM-Louis Berger Group) for US\$ 147 thousand and CIESS payment of US\$ 29 thousand.

Other relevant activities include:

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- Updating of the Procurement Plan and the Procurement Performance Report jointly with the Transportation Project Procurement Specialist
  - Preparing the ICB (International Competitive Bidding) document for goods and procurement of Trays for Plants and Plastic Baskets, Drip Irrigation Systems and Sand Filters.
  - Follow-up to the II Auditing Process related to the Financial Evaluation Report, combined evaluation report, corresponding approvals, preparing and signing of the PriceWaterhouseCoopers contract
  - Preparing the RFP OF THE Fiscal Oversight Advisor, delivery of a short list, conference, reception and evaluation follow-up.

#### **C.4 Program Environmental and Social Management**

##### **Transportation Project Environmental and Social Management:**

On April 30, MCA Honduras signed the Consultancy Service Contract with ASP consultores-Giraldo Calle y Asociados for the Preparation of the Resettlement Policy Framework, Resettlement Action Plans and Supplementary Social Impact Studies in the CA-5 North Highway of the Transportation Project. As part of the negotiation process, it was agreed to add to services required, information gathering for the central line in the sections requiring alignment changes or where additional works will be incorporated to change the central line. It is important to highlight that this topographic tasks were performed in permanent consultation with TLBG (OPM), with regards to the width the transportation project implementing firm will need to include in its designs of each section. In fact, for Sections 2, 3 and 4, TLBG confirmed that it will only use the 40 meters that make up the current band of the Right of Way, to reduce compensation costs, and more important simplify the implementation of civil works.

Likewise, it is important to mention that these works were performed to be used exclusively in the socio-economic assessments and surveys of the Consultant, and cannot be used as the base for new designs, redesigns, and changes in existing plans or other related engineering works.

The firm started activities during the first week of May, presenting its Inception Report on May 14, according to timeframes established in the contract. The report included a review and update of the Work Plan, a description of eligibility criteria to define RAP's target population categories and the description of the methodology that will be used to assess the losses for affecting business and vendors.

Among the Census and socio-economic activities and according to the Work Plan for the month of May, these were concluded in sections 3 and 4 of the CA5 North Segment, reflecting the following results summarized in the following charts:

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### Preliminary summary of CA-5 section 3 affected

Affected type	Original 2004	Current 2007
Household	15	55
Business	22	38
Household and Business	0	33
Other	4	0
Collective infrastructure	0	4
<b>Total</b>	<b>41</b>	<b>130</b>

### Preliminary summary of CA-5 section 4 affected

Affected type	Original 2004	Current 2007
Household	25	51
Business	16	68
Household and Business	0	40
Other	3	24
Collective infrastructure	0	0
<b>Total</b>	<b>44</b>	<b>183</b>

The firm carried out also measurement and information gathering for the preliminary assessment of assets that will be affected in each one of the sections. During the first week of June, census and socioeconomic activities were initiated in Section 2 of the South Segment. At the same time, joint DIAS/MCA visits to the Municipalities of Comayagua, Siguatepeque, El Rosario and Villa de San Antonio were carried out with the purpose of establishing liaisons and communication and coordination processes to facilitate cadastre and assessment tasks that will be starting very soon.

Also, meetings with the population located along the right of way of the CA5 North were held, in particular with the *Patronato and Inhabitants of Sitio de la Cuesta* located in section 1 of the South Segment of the Project, with the purpose of continuing informing on the advances of the process of presenting the firm responsible of preparing the RAPs and responding to the concerns and questions of the population with regards to the Project, and at the same time establishing coordination and communication mechanisms and processes between them and MCA-Honduras.

During the month of April an ESA/MCC mission visited carried out field visits to the roads, and coordinated and held working meetings with ASP/Giraldo y Cia, and LBG in order to plan and coordinate supplementary activities to the implementation and preparation of designs and RAPs studies. Likewise, planning activities to incorporate additional studies such as the EMP of the CA5 in the Procurement Process documents for construction and supervision works were undertaken.

In this sense the contracting process for preparation of the Environmental Management Plan for the CA5 North was initiated, starting by the EOI invitation for 11/04/2007, bid reception date being established for 30/04/2007. Seven (7) bids were received and the evaluation process began 15/05/2007, and ended 19/05/2007 with the drafting of the respective report and preparing of the short list including six (6) firms that qualified for the invitation to submit technical and economic

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bids. The terms of reference and respective Request for Proposal (RFP) document were prepared, for which 29/06/2007 was set as deadline date for firms to submit their bids.

With regards to environmental licenses and permits, MCA-Honduras continued with the process to renew the Environmental Licenses before the Ministry of Natural Resources and the Environment (SERNA) which includes the North and South Segments of the CA-5 North that to be improved under the Transportation Project. For this activity a number of meetings were coordinated with the Legal Department of the General Directorate of Roads of SOPTRAVI with the purpose of defining alternatives to find solutions for the final payment process for the renewals, and on behalf of the institution responsible of which such renewals should be issued. This situation will be solved through coordination and instruction of the MCA-Honduras Board to SERNA who will promote the immediate solution.

#### **Rural Development Project Environmental and Social Management:**

A gender activity analysis was completed by EAP-Zamorano for the FTD in six working zones. One of the findings is that although the percentage of women assisted by the FTD Program has increased it has still not reached the 20% participation goal

During the ESA/MCC mission, field visits were carried out to see some FTD Project beneficiaries with the purpose of verifying in situ, fulfillment of environmental management instruments such as the Environmental Plan and the Gender Plan.

As a result of the working meetings with the Minister of the National Women's Institute and its technical team to coordinate support activities to comply the INAM Gender Policy, contacts were made with institutions and organizations linked to capacity building and participation of women in productive activities, and consequently two workshops were scheduled by the FTD Project for the month of August to inform on the Project scope and maximize the incorporation of a larger number of women as FTD Project beneficiaries.

The Preparation and inclusion of environmental criteria into the Farm to Market Roads Project Implementation Guide were coordinated with the MCA Honduras Rural Roads Specialist.

As established in the Farm to Market Roads Project Implementation Guide, the Environmental Plan for such activity was prepared.

### **D. PROGRAM GOVERNANCE AND MANAGEMENT**

During the period reported, the MCA Honduras Board continued meeting at least once a month. The main resolutions during this period were:

- (i) Approval of MCA Honduras management indicators
- (ii) Approval of the January-March 2007 Quarterly Report
- (iii) Ratification of authorization for the General Director to negotiate and sign the recurrent Program Auditing
- (iv) Ratification of authorization for the General Director to negotiate and sign the Program Evaluation contract
- (v) Ratification of authorization for the General Director to negotiate and sign the contract for the preparation of the Resettlement Plans of the CA-5 North Road

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- (vi) Ratification of authorization for the General Director to negotiate and sign the contract for Agriculture Credit Access Technical Assistance to Intermediary Financial Institutions
  - (vii) Approval of the 5th Disbursement Request to MCC

## **E. M&E KEY ACTIVITIES**

### **Design and Implementation of the MCA Honduras Program Evaluation**

The technical and financial evaluation process was completed and MCC's No Objection to the combined report was obtained on April 24. The National Opinion Research Center (NORC), the firm selected in the process, was notified on May 3 to begin contract negotiations. The contract was negotiated on May 9 and signed May 25, 2007.

Upon contract signing, NORC sent on May 28 a team of key staff for a two week visit, to initiate planning and design activities of the evaluation. The key team is formed by the following experts Cesar Guerrero (Team Leader), George Caldwell (Evaluation Specialist), Michael Reynolds (Survey Design Expert) and Varuni Dayaratna (Contract Manager).

NORC delivered the draft Inception Report on June 29. This report includes the discussions and information collected during the visit from May 28 to June 8, including identification of survey needs, working schedule and tentative design for the MCA-Honduras evaluation.

### **Consulting Services for MCA Honduras Data Quality Review**

The firms that participated in the EOI were notified of the cancellation of the contracting process at the end of May. The data quality review was incorporated to NORC's activities.

### **Quarterly Reports**

The fourth Program quarterly report was completed, and approved by the Board on 11/05/07. This report is pending MCC final approval.

### **Follow-up**

FTD. Information gathering for the Programs baseline of new clients, including production and sales, continued.

## **F. IMPLEMENTATION AND MITIGATION MEASURES OBSTACLES**

Activities reported and the status of each one of the precedent conditions described in the previous sections reflect the corrective measures adopted by the PMU to expedite the aggressive Program Implementation.

### **Rural Development Project**

The Rural Development Project Director will leave his position at the end of July; therefore a competitive selection process has been opened to contract a new director. No delays are expected as a result of this change.

The general implementation plan of the FTD Technical Assistance Program has advanced according to the projections, after a delay when launching agriculture production incentives through small grants. The first phase of this activity was completed during this quarter. The second phase for international bidding

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process for the equipment was initiated in June 2007; however there has been a three month period between the first and second phases. This delay will not affect the implementation of the demonstration farms of customer leaders. The credit access activity was launched in June; nevertheless, there will be a delay in making loans available for FTD Farmers.

Although advances were made in preparing Proposal Requests for the Agriculture Credit Access Trust fund Administration, this activity has not been completed due to a lack of understanding between MCC and MCA Honduras of how the Trust fund will operate according to local legislation. In conformity with the existing regulation in Honduras, upon establishment of the Trust Fund, it becomes an independent entity in terms of any legal action, and its resources are administrated separately from the trustee's resources. This clarification needed to be discussed between MCC and MCA's legal counsels in order to prepare a document that will meet all the legal requirements of the Corporation

### **Transportation Project**

Decision making about the type of pavement that will be used with the participation of the pectoral sector delayed the preparation of the deliverable of segment I by LBG who is working on two sets of specifications and amounts instead of one.

The poor performance of the LBG team leader and procurement specialist lead to MCA-Honduras requesting their replacement

### **Environmental Management**

The same obstacles have made it impossible to process and obtain environmental permits expeditiously, in particular those related to the CA-5 Highway Upgrading Project. This was due first to the complicated and long processes of public instances (SERNA) in charge of issuing these permits, and second, because it has not been clearly defined what institution is responsible of assuming the cost of renewing such permits, nevertheless, through negotiations with senior authorities of SOPTRAVI and the General Treasury of the Republic these processes have been expedited and it is expected that they will be successfully completed very soon.

### **Communications**

Throughout the first few months of Program implementation (March 2006-January 2007), the lack of disclosure and promotion of the activities of the Millennium Challenge Account Program among Honduran society was evidenced. This was causing an almost lack of awareness of the objectives and scope of this program, resulting from the non-existence of a communication strategy that would facilitate this process. Notwithstanding, as from January 2007, and with the hiring and start of activities of the Program's communication and social organization specialist, it was possible to initiate the design and implementation of a communication strategy, with clearly defined objectives, plans and projects, that through promotion, information and consultation mechanisms have contributed to the gradual disclosure and promotion of the corporative and organizational image of MCA Honduras. This work has been coordinate with different public instance and the support of MCC and the American Embassy.

### **Monitoring and Evaluation**

MCA Honduras is subject to four different Monitoring and Evaluation Systems, three of which are additional to the Monitoring and Evaluation Plan agreed with MCC. These three systems are based on the Financial Plan originally established in the Compact in June 2005. According to this Plan, MCA Honduras would disburse 60 million dollars during the First Year of Implementation. UNAT jointly with MCA Honduras reviewed and summarized the institutional advance indicators and clarified the percentage weight methodology.

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## **G. OTHER DOCUMENTATION**

### **Rural Development Project**

- FTD monthly bulletin April 2007
- FTD monthly bulletin May 2007
- FTD monthly bulletin June 2007
- FTD monthly bulletin April – June 2007
- Negotiation Minute with ACDI VOCA on the Credit Access Component
- Rural Roads Guideline
- RFP Credit Access Trust Fund

### **Transportation Project**

- Feasibility study and design for section Las Flores – Detour to Villa de San Antonio
- Review of pre-feasibility of the four lane option in the CA-5 sections
- design review and update of Sections 1 and 2
- Design review and update of secondary roads
- *Fondo Vial* physical and financial execution report 21/05/06
- EOI Report on supervisions of CA-5 segments I and II
- Segment I topography combined report to 28/06/07
- Resettlement Decree approved by National Congress 31/05/07

### **Environment and Social**

- Drafting Resettlement Framework Policy, Resettlement Action Plans and Supplementary Social Impact Studies of CA5 North Highway

### **Monitoring and Evaluation**

- Technical evaluation report for contracting of the evaluation firm
- Combined evaluation report for contracting of the evaluation firm
- Minute on Contract Negotiation with NORC
- Inception Report on design and implementation activities of MCA Honduras Program Evaluation by NORC
- Institutional goals matrix to 30/06/07 to UNAT SDP
- MCA Honduras management indicators matrix to Board to 18/06/07
- Institutional goals measurement Report to 30/06/2007 to Investment Directorate /SEFIN

### **Administration**

- Budget execution to June 2007 (SIAFI Report)

### **Governance**

- MCA Honduras Board Meeting Minute No. 20
- MCA Honduras Board Meeting Minute No. 21

ANNEX A:

Follow-up Indicators Chart

Indicator	Goals																				
	Year /Period End																				
	2006	2007	2008		2009		2010		2011		2012		2013		2014		2015		2020		2025
Sep-30	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30
<b>Goal</b>																					
Increased Income of beneficiaries (annual US\$ Million) <sup>3</sup>	n/a																				
<b>Measured by</b>																					
Benefits from upgrading of the CA-5 Highway: <sup>4</sup>	n/a																				
Benefits from upgrading of Secondary Roads <sup>5</sup>	n/a																				
Farm income increase resulting from the Rural Development Project <sup>6</sup>	n/a																				
Employment increase resulting from the Rural Development Project <sup>7</sup>	n/a																				
Benefits from the Farm to Market Roads <sup>8</sup>	n/a																				
Benefits from the Agriculture Public Goods Grant	n/a																				

Key: n/a = Period of preparatory arrangements

<sup>3</sup> Disaggregated by level of income, gender and age, when appropriate.

<sup>4</sup> Beneficiaries: CA-5 Highway users, employees and business that use the highway

<sup>5</sup> Beneficiaries: paved secondary roads users and employees and businesses that use these roads.

<sup>6</sup> Beneficiaries: Program farmers

<sup>7</sup> Beneficiaries: Program farmers' employees

<sup>8</sup> Beneficiaries: Farm to Market Roads nearby communities

		Goals Years											
			2006	2007		2008		2009		2010		2011	
Indicator	Baseline	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01	Sep-30	May-01
<b>Rural Development Project</b>	<b>Objective</b>												
	No. of Program farmers harvesting high value crops by the end of the year		n/a										
	No. of hectares producing high value crops at the end of the year		n/a										
	<b>Outcome</b>												
	No. of business plans prepared by Program Farmers assisted by the implementing entity (total a year)		n/a	289									
	Value of loans granted to Program Farmers (at the end of the year in US\$ Million)		n/a										
	% of MCA-Honduras loan portfolio at risk		n/a										
	No. of liens registered		n/a										

Key: n/a = Period of preparatory arrangements

		Outcomes																			
		Year 1: Quarter				Year 2: Quarter				Year 3: Quarter				Year 4: Quarter				Year 5: Quarter			
Indicator		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>Rural Development Project Activities</b>	# of Technical Assistance visits to Program Farmers				n/a	2062	6010	9798													
	MCA-Honduras Funds lent to Financial Institutions				n/a		0	0													
	Technical Assistance hours provided to Financial Institutions				n/a	0	0	0													
	Lien Register equipment installed				n/a																
	Kilometers of roads upgraded				n/a	0	0	0													

Key: n/a = Period of preparatory arrangements

		Goal			
		Year			
	Indicator	Road	Baseline	FY 2008	FY 2010
<b>Transportation Objective</b>	<b>Objective</b>				
	Freight and delivery Cost from Tegucigalpa to Puerto Cortes	CA-5			
	Price of basic products basket	Farm to Market Roads			
	Number of days per year that the road is passable				
	Daily average volume of traffic of the sections funded by MCC	CA-5: S1			
		CA-5: S2			
		CA-5: S3			
		Secondary Roads			
		Farm to Market Roads			
	<b>Outcome</b>				
	Time per journey	CA-5: S1			
		CA-5: S2			
		CA-5: S3			
		Secondary Roads			
Time per journey	Farm to Market Roads				
Proportion of vehicles with excess weight that travel through the main road network	CA-5				

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## ANNEX B

### Infrastructure Project Technical Report Infrastructure Project: CA-5 Highway and Secondary Roads

#### 1. Studies

##### CA-5 Highway

- **Design Review and Updating of Sections 3 and 4.**  
Substantial advances have been achieved in the review and update of Segment II.
- **Feasibility Study and design of the section *Las Flores – Detour to Via de San Antonio***  
LBG is working on a design alternative that minimizes the most the resettlement and affectation of persons in the zone of *Las Flores*, consisting of locating four lanes in the right side of the present right of way of the road, by adding one lane at each side, and eliminating the 6 meter median in the original design. This proposal will be submitted to SOPTRAVI for the procurement process with IDB Funds.
- **Review of feasibility of the four lane option for the CA-5 sections**  
LBG submitted an Evaluation Report on the feasibility of the Tegucigalpa – Comayagua highway, ruling out this initiative and recommending the expansion through a fourth lane in the existing road. This alternative will be negotiated with the LBG firm in the first week of July, for its incorporation in the final designs of segment I.
- **CA-5 Interchange – Peripheral Road**  
LBG has not initiated this activity, however the final designs have been remitted and Soptravi contracted the firm Cinsa for the best design of the Interchange between the Peripheral Road and the CA-5
- **Review of the design and updating of Sections 1 and 2**  
LBG initiated the review of the Section 1 and 2 studies. For this purpose topographic data collection will begin during the first week of July.

##### Secondary Roads

- **Design review and updating**  
LBG reviewed the available design and studies documentation for the roads prioritized and approved by the MCA Board, defining a list of 4 stretches for which the most appropriate option will be defined to contract the finalizing of existing designs and preparation of environmental and social studies.

#### 2. Civil Works

##### 2.1 Civil Works Progress \_\_\_\_\_

Sub.- Project	Studies (1)	Physical Progress during Quarter % Actual /Programmed	Physical Progress to date % Actual /Programmed	Financial Progress during this quarter – IPC Certificates (2) US\$/(% of Contract)	Financial Progress to date – IPC Certificates (2) US\$/(% of Contract)
Total					

Notes: (1): Indicate status, as completed, underway, programmed initiation date, not initiated, etc.  
(2): IPC = Interim Payment Certificates

## 2.2 Civil Works Contractor

### Contract Details and Progress Summary

Name of Contractor	
Contract original amount	
Reviewed contract amount	
Date of initiation note	
Initiation Date	
Initial contract period (in calendar days)	
Reviewed contract period (in calendar days)	
Original end date	
Reviewed end date	
Time elapsed since initiation (calendar days)	
Time elapsed since initiation (% contract period)	
Programmed progress to date (%)	
Actual progress to date (%)	
Road slide (%)	
Work scope	Brief description of Works
Value of IPC Certificates for this Quarter (amount)	
Value of IPC Certificates to date (amount)	
Value of IPC Certificates for this quarter (amount)	
Payments to date (% of contract amount)	
Withholdings to date (amount)	

## 2.3 Physical Works planned to date, main problems, and comments

Physical Works completed to date	Main encountered Problems	Actions taken or proposed	Comments

## 3. Construction Works Supervision Contractors

### Contract Details and Progress Summary

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Name of Consultant	
Contract original amount	
Reviewed contract amount	
Date of initiation note	
Initiation Date	
Original end date	
Reviewed end date	
Time elapsed since initiation (calendar days)	
Time elapsed since initiation (% contract period)	
Payments during this quarter (amount)	
Payments to date (amount)	
Payments to date (% contract amount)	

### 3.1 Comments

## ANNEX C

### Rural Development Project Technical Report

#### 1. Farmer Training and Development

##### 1.1. Studies (Gender, Markets)

Brief description of status of ongoing activities of programmed studies, or completed.

##### 1.2. Technical Assistance Activities

###### 1.2.1 Technical Assistance Progress

Crop	Location	Number of farmers (break-down by gender)	Total hectares	Net income per hectare	Average salary of labor
n/a	n/a	Male farmers 661			
		Female farmers 21			
<b>Total</b>		Total 682	450		70L / day

Note: (1): indicate status, as completed, ongoing, programmed initiation date, not initiated, etc.  
n/d: currently not available in CIRIS

###### 1.2.2 Market Activities

	No. of business plans	No. of commercial contracts	Value export sales	Value local sales
Several	289	324		

Note: (1): indicate status, as completed, ongoing, programmed initiation date, not initiated, etc.

#### 2. Credit Access

##### 2.1. Credit Activities

Credit Progress \_\_\_\_\_

Crop	Regional location	Number of farmers by gender	Total hectares	Loan amount	% of portfolio at risk

##### 2.2 Rural credit participating institutions

Institution	Location	Number of farmers	Loan amount	% of portfolio at risk

#### 3. Rural Development Project: Agriculture public and quasi public goods.

### 3.1. Studies

Brief description of status of ongoing activities of programmed studies, or completed.

### 3.2. Civil Works /research/projection

Civil Works progress \_\_\_\_\_

Grant	Studies (1)	Physical Progress during this quarter % Actual/Programmed	Physical Progress to date % Actual /Programmed	Financial Progress during this quarter – IPC Certificates(2) US\$/(% of contract)	Financial Progress to date – IPC Certificates (2) US\$/(% of Contract)
Total					

Note: (1): indicate status, as completed, ongoing, programmed initiation date, not initiated, etc.

### 3.3 Grants advance detail (list of public goods submitted at profile level that were invited to submit a proposal)

Good's Description	Planned beneficiaries
Community irrigation systems for horticulture production in the department of Santa Barbara	1350
Strengthening the economy of small horticulture producers in the department of Ocotepeque.	350
Co-management plan for management of <i>Alta del Humuya</i> watershed	Not defined
Supermarket options for mountain slopes (SOL): strategy to intensify and diversify small and medium farmers agriculture production systems	800
The effect of beneficial microorganisms to preserve a healthy soil and horticulture crops in two regions in Honduras	53
Development of new crops that can adapt to the conditions in the department of Valle.	1260
Declaring the area free of the Mediterranean fruit fly in the valley of the Aguan river	200000
Sustainable community horticulture by building capacities of community water councils with an entrepreneurial vision	1700
In Vitro production of hybrid clones FI of Arabic coffee by somatic embryogenesis	315000
Pilot project of integration into the coffee value chain of Café Marcala in differentiated markets.	8400
Marketing and competitiveness among horticulture producers of the Celaque Highlands, Belen Gualcho, Ocotepeque.	1200
Introduction and validation of new clones and manioc, sweet potato, yam, sesame seeds and pineapple material.	13694
Strengthening of laboratory for production of potato germplasm in the Marcala-La Paz Santa Cruz experimental station, to Benefit producers of the potato national chain.	1800
Establishing a horticulture cluster in the Comayagua-La Paz region, research and awareness of local actors.	8000
Application of TIC's for the implementation of a market intelligence system, horticulture dynamics in Honduras.	Not defined
Construction of a coffee collection and processing center	1988
Management of the Arauco River watershed	13200
Investigation of the wild berry ( <i>Rubus I sp</i> ) production system in La Esperanza	500
Increasing productivity and income of sustainable crops of the MCA/FTD program by increasing market value of fresh vegetables and fruits produced.	540
Increasing productivity and income of Honduran small and medium scale farmers through biologic control in horticulture production.	8255

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#### 4. Farms to Market Roads

##### 4.1. Studies

Rural road selection tool using geographic information systems by CIES/COHEP

##### 4.2. Civil Works/research/projection

Civil Works progress \_\_\_\_\_

Road	Studies (1)	Physical Progress during this quarter % Actual/Programmed	Physical Progress to date % Actual /Programmed	Financial Progress during this quarter – IPC Certificates(2) US\$/(% of contract)	Financial Progress to date – IPC Certificates (2) US\$/(% of Contract)
Total					

Note: (1): indicate status, as completed, ongoing, programmed initiation date, not initiated, etc.