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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

HONDURAS

PROJECT PAPER

STRATEGIC PLANNING AND TECHNICAL SUPPORT

AID/LAC/P-255

Project Number:522-0269

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A

A = Add
C = Change
D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY HONDURAS

3. PROJECT NUMBER

522-0269

4. BUREAU/OFFICE

LAC

5. PROJECT TITLE (maximum 40 characters)

Strategic Planning and Technical Support

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
01 7 31 18 18

7. ESTIMATED DATE OF OBLIGATION
(Under "B" below, enter 1, 2, 3, or 4)

A. Initial FY 815

B. Quarter 4

C. Final FY 818

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 85			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(2,200)	(-)	(2,200)	(4,000)	(-)	(4,000)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other						
U.S.						
Host Country			500		1,500	1,500
Other (onoris)						
TOTALS	2,200		2,700	4,000	1,500	5,500

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	280	290				1,100		2,500	
(2)						1,100		1,500	
(3)									
(4)									
TOTALS						2,200		4,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters).

To (1) enhance Honduran capabilities to identify priority development problems, and to design approaches, strategies, and plans to address these problems in the context of Jackson Plan objectives and (2) provide technical support services to priority development areas..

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
N/A | | | | 0 5 8 7

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY

Signature



Title

Carl H. Leonard
Acting Mission Director

Date Signed

MM DD YY
0 8 0 2 8 5

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY
| | | | | |

PROJECT AUTHORIZATION

Name of Country: Honduras
Name of Project: Strategic Planning and
Technical Support
Number of Project: 522-0269

1. Pursuant to Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Strategic Planning and Technical Support Project for Honduras (the "cooperating country") involving planned obligations of not to exceed Four Million United States Dollars (\$4,000,000) in grant funds ("Grant") over a three-year period from date of authorization, subject to the availability of funds in accordance with A.I.D./OYB/allotment process, to help finance foreign exchange costs for the Project. The planned life of the Project is three years from the date of initial obligation.
2. The Project ("Project") consists of support to enhance Honduran capabilities to identify priority development problems and design approaches and strategies to address these problems in the context of Jackson Plan objectives, and to provide technical support services in priority development areas.
3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, shall be subject to the following essential terms and major conditions together with such other terms and conditions as A.I.D. may deem appropriate:

Source and Origin of Commodities, Nationality of Services

Except for ocean shipping, the suppliers of commodities or services financed by A.I.D. under the Project shall have their source and origin and nationality in the United States or in countries that are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.



Carl H. Leonard
Acting Mission Director
USAID/Honduras

5/1/85

Date

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ANNEX I

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I. PROJECT SUMMARY AND RECOMMENDATIONS

A. Recommendations

USAID/Honduras recommends authorization of a \$4,000,000 Development Grant to finance the Strategic Planning and Technical Support Project (522-0269). It is further recommended that the Project be implemented over a three-year period.

B. Grantee

The Grantee will be the Ministry of Finance and Public Credit (MHCP).

C. Project Summary

1. Problem and Rationale

The development efforts of the Government of Honduras (GOH) and USAID/Honduras are at a crossroads. Despite the significant accomplishments in the economic and social fronts by the Governments of Honduras during the last decade, and specifically by the present democratic administration, Honduras still faces serious economic and social problems which must continue to be dealt with in the short and medium term. A new Honduran administration will take office in early 1986 and will need to have a sound analytical base to develop a clear development strategy to carry out this effort and implement policies which generate self-sustaining and equitable growth and social development.

The Government of the United States, through A.I.D., has responded to the economic crisis in Honduras through significant increases in its level of economic assistance, spurred by the Report of the National Bipartisan Commission on Central America (the Kissinger Commission) and by the subsequent Jackson Plan. Total A.I.D. obligation rates have increased over six times from approximately US \$34 million in Fiscal Year (FY) 1981 to over US \$220 million in FY 1985. Honduras now has one of the largest A.I.D. programs in the world; it ranks fourth on a per capita basis among major A.I.D. recipient countries. In coordination with the GOH and the Honduran private sector, A.I.D. has expanded its program in agricultural production, export promotion, primary education, primary health care, housing, and numerous other areas highlighted by the Kissinger Commission and supported by the GOH. Moreover, the growth in the USAID program has enabled GOH agencies and officials responsible for policy formulation and implementation to accelerate the pace of development efforts and to examine significantly more issues and areas related to future development undertakings. It has also increased pressures on the USAID Mission to assess its own development strategy and review, on a macro and sectorial basis, ways in which additional funds can be used more effectively. However, the increase in financial assistance has not been accompanied by similar gains in grant funds to finance strategy planning.

Given the problems facing Honduras, the analytical needs of the incoming Honduran administration, and the expansion of the USG program, it is imperative that both the USG and Honduras formulate effective strategies and have in place the needed expertise and key technical support necessary to attain the ambitious targets that have been established.

2. Project Description

The goal of the Project is to promote the economic and social development of Honduras. The purpose of the Project is (1) to enhance the Honduran capabilities to identify priority development problems, and to design approaches, strategies and plans to address these problems in the context of the Jackson Plan objectives, and (2) to provide technical support services to priority development areas.

This technical assistance Project will provide the means to upgrade strategy development and technical support services to address key economic and social constraints. Its objective is to provide A.I.D., and foremost the GOH, with timely, reliable information derived through sound analysis to determine medium- and long-term growth strategies.

The Project will be divided into two components: (1) joint Honduran-A.I.D. analyses of strategic planning and policy papers on a macro and sectorial basis and preparation of feasibility studies, and (2) medium- and long-term technical support and assistance to key areas which can significantly improve the prospects of policy analysis, enhance ongoing development programs, and provide support to the GOH, the private sector, and USAID/Honduras in carrying out an expanded Jackson Plan program.

Among the types of sector assessments and policy reviews that may be carried out under the Project are assessments of nutritional status, primary health care cost recovery systems, and agricultural issues such as basic grain-pricing policies. On the macro-economic side, potential assessments include the structure and level of foreign trade taxes, overall tax structure, the formation of capital markets, producer/ export and import prices indices, etc. Potential feasibility studies include alternative energy studies, Sula Valley Agricultural Development, and irrigation and other rural infrastructure. Appropriate technical expertise will be a key element in formulating the critically needed analyses. This Project will provide the means for furnishing both A.I.D. and the GOH the required expertise.

D. Relationship to A.I.D. Strategy and Programs

The Jackson Plan is the key thrust in the Mission's development strategy. This Project supports A.I.D. initiatives to accelerate Jackson Plan implementation. It encompasses a series of technical assistance inputs targeted to discrete activities under the rubrics of financial stabilization, economic transformation, spreading the benefits of economic growth broadly, and strengthening democratic institutions and processes during the upcoming transition period in Honduras. The Project will gear interventions toward areas well-identified in the Mission's programming documents. These include incorporating the private sector's role in all phases of development, rationalizing agricultural strategy, advancing the concept of cost-sharing for

social services, strengthening educational quality, and determining an appropriate housing strategy. Therefore, this activity will fulfill a dual purpose in developing and implementing A.I.D. strategy. It also reflects the Mission's recognition of the need to complement its own capacity in areas essential for programming A.I.D. resources toward meeting Jackson Plan objectives.

E. Funding Level and Sources

The total cost of the Project is \$5.5 million over a two-year period. A.I.D. will contribute \$4.0 million in foreign exchange and the GOH will contribute the equivalent of \$1.5 million in local currency. Of the \$4.0 million in A.I.D. resources, \$2.5 million will be funded out of Section 103 of the FAA (Agriculture, Nutrition, and Rural Development) and \$1.5 million will be funded from Section 106 of the FAA (Selected Development Activities).

F. Summary Findings

The Project Development Committee has reviewed all aspects of the proposed Strategic Planning and Technical Support Project and concluded that the Project is institutionally, financially, economically, technically, and socially sound, and consistent with the development objectives of the GOH and with USAID's strategy and objectives.

II. PROJECT BACKGROUND/RATIONALE

A. Country Setting

Honduras is one of three functioning democracies and the poorest country in Central America. Of its 4.1 million people, 2.6 million live in rural areas. Per capita income in 1981 was estimated at \$675; approximately two-thirds of the population had earnings below the calculated poverty line income of \$230 per capita. Despite a modest rise of 2.5 percent in GDP during 1984 due to the impact of a one-time infrastructure investment, the country's real GDP growth rate has been in steady decline, dropping from an average of 7 percent per annum in the late 1970's to a negative rate of over 1 percent annually from 1981 to 1983. There are serious imbalances in fiscal and balance of payments accounts, as well as high under- and unemployment. GDP per capita has dropped by almost 14 percent since 1981.

Honduras' poverty is reflected in key social indicators associated with underdevelopment. The human resource base is extremely weak and social services are woefully inadequate. The high 3.4 percent population rate exacerbates the country's problem in providing sufficient employment opportunities and has neutralized growth in agriculture, the basis of the economy. The literacy rate for the adult population is 60 percent, and only 20 percent of the rural population over 14 years of age is literate. The situation is similar in the health sector where generally poor health status continues to limit the productivity, earning power and quality of life of Hondurans. Malnutrition, particularly protein deficiencies, affects 70 percent of the population. In combination, these and other factors contribute to a comparatively high infant mortality rate and a life expectancy of only 58 years.

B. Project Setting and Problem Statement - Honduran Development at a Crossroads

1. Policy and Analytical Environment

The GOH has taken significant measures to resolve the country's current economic difficulties. In order to decrease the fiscal deficit, tax administration has been improved, the Central Government budget has been held constant over the last three years, and an initiative has been launched to balance the budgets of autonomous agencies. To ameliorate balance of payments deficits, new incentives have been approved to promote increased exports and a revision of investment incentives and tariff legislation is under consideration with the goal of developing a more competitive production and export base. In both instances, A.I.D. has provided project assistance and a joint GOH/US Economic Working Group (JEWG) has been established to analyze the country's economic situation and recommend policies that will promote short-term economic stabilization and establish the base for sustained growth over the long term. With some, albeit important, exceptions, agricultural policies are generally sound. And the GOH has made significant strides in implementing more efficient and cost-effective primary health care and education systems.

Despite these positive initial steps, there are still very serious gaps in efforts to implement an overall sound economic growth and development program. In agriculture, the legal basis for defining riparian rights and providing incentives for the establishment of private irrigation systems needs to be developed. Rationalization of basic grains support pricing is needed (the GOH currently subsidizes production heavily, though not necessarily to the benefit of farmers) in order to minimize the cost of the system to the state and improve market functioning. With respect to commodity exports, numerous disincentives exist which must be corrected. On the macro-economic side, despite policy improvements, serious gaps remain including exchange rate, taxation, and macro-accounting practices. Moreover, the ability of the Honduran economy to achieve Jackson Plan targets by 1990 is constrained by deficiencies in the analytic information base required for effective policy formation, and wide gaps in the depth and a dearth of trained professionals needed to develop the required knowledge base. A new GOH administration will be in place in early 1986. It will need to have a sound analytical foundation to develop development strategies to carry out its program and implement policies which generate self-sustaining and equitable growth, and social development.

2. The Jackson Plan and an Expanding A.I.D. Program

The Government of the United States, through A.I.D., has responded to the economic and political crisis in Central America, and specifically Honduras, through significant increases in its level of economic assistance, spurred by the Report of the Bipartisan Commission on Central America (the Kissinger Commission) and by the subsequent Jackson Plan (as well as the Presidential Agricultural Task Force, the Dam Commission, and the Caribbean Basin Initiative). Total A.I.D. obligation rates have increased over six times in recent years from approximately US \$34 million in Fiscal Year (FY) 1981 to

over \$220 million in FY 1985, including the FY 84 Supplemental Appropriation. Honduras now has one of the largest A.I.D. programs in the world; it ranks fourth on a per capita basis among A.I.D. recipient countries. And it is expected that significant assistance levels will be maintained for at least the next five years. In coordination with the GOH and the Honduran private sector, A.I.D. has expanded its programs in export promotion, primary education, primary health care, shelter, and numerous other areas highlighted by the Jackson Plan. In addition, large levels of local currency generated by the Economic Support Fund (ESF) program and by PL-480 Title I and Title III programs have increased the magnitude of the Mission's program and widened investment opportunities. The growth in the A.I.D. program has enabled GOH agencies and officials responsible for policy formulation and implementation to increase the pace of development efforts and to examine significantly more issues and areas related to future development undertakings. But it has also increased pressures on the USAID to assess its own development strategy and review, on a macro and sectoral basis, ways in which additional funds can be used more effectively. However, the increase in financial assistance has not been accompanied by similar increases in grant funds to finance this strategy/planning endeavor.

In summary, there is a clear need on both the part of the GOH and A.I.D. to review and assess current development strategies, macro and sectorial policies, and to fill, over the short- and medium-term, clear gaps in skills and knowledge through technical assistance that will permit a more effective use of development resources. Prospects for economic revival and a continuation of the democratic process are directly tied to the country's ability and capacity to design effective macroeconomic and sectorial strategies, policies, plans, and programs that will facilitate the desired expansion and assure that the benefits accruing from this growth are distributed equitably.

C. Project Rationale

This Project addresses the problem of sustaining economic and social progress made under past and current A.I.D. assistance efforts while preparing for major new programs that relate directly to the Jackson Plan.

The volume of assistance, the range of problems addressed, and the complexity of development efforts undertaken have changed the nature of the program and the requirements for program and project development and management. A program which until quite recently involved almost exclusively traditional A.I.D. development assistance loan and grant projects now comprehends large amounts of ESF and PL 480 funds, and an expanded and vigorous policy dialogue on macro-economic issues and sectorial policy concerns.

Given the problems facing Honduras, the analytical needs of the incoming Honduran administration, and the expansion of the USG program, it is imperative that both the USG and Honduras formulate effective strategies and have in place the needed expertise and technical support in key fields necessary to attain the ambitious targets that have been established. Over the long run, development programs will address key issues and broaden and deepen the existing stock of professionally trained Hondurans across the full range of the required disciplines. The Mission is developing such programs.

But the measurable impact of this solution is largely beyond the 1990 timeframe of the Jackson Plan, and therefore, other means such as that proposed under this Project must be utilized to address strategic and technical assistance gaps.

The Strategic Planning and Technical Support Project is designed to provide this assistance to the incoming GOH administration to assure that the crucial requirements of this transitional decision-making period are met, and that new and expanded program directions are implemented with optimal efficiency and analytical precision. Resources must be available to allow USAID/Honduras to work with the new GOH administration in optimizing sounder decision-making. Effective technical assistance -- on a range of important issues such as development policies, strategies, plans and project implementation -- lies at the core of requirements needed to achieve USAID objectives in Honduras. There is a clear need for a project to provide the resources for the kind of strategic planning (including sectorial analyses, feasibility studies, and similar undertakings) and technical support (including medium- and long-term assistance) to assist the GOH and the USAID Mission in the formidable task at hand. An important tenet in Project formulation has been that the activities addressed by the Project are not simply support functions, but that they are development activities since they enhance the analytical base for policy analysis and decision-making.

III. PROGRAM FACTORS

A. Relationship to USAID Strategy

The Jackson Plan is the key thrust in the Mission's development strategy. This Project supports A.I.D. initiatives to accelerate Jackson Plan implementation. It encompasses a series of technical assistance inputs targeted to discrete activities under the rubrics of financial stabilization, economic transformation, spreading the benefits of economic growth broadly and strengthening democratic institutions and processes during the upcoming transition period in Honduras. The Project will gear interventions toward areas well-identified in the Mission's programming documents. These include incorporating the private sector in all phases of development, rationalizing agricultural strategy, advancing the concept of cost-sharing for social services, strengthening educational quality and determining an appropriate housing strategy. Therefore, this activity will fulfill a dual purpose in developing and implementing A.I.D. strategy. It also reflects the Mission's recognition of the need to complement its own capacity in areas essential for programming A.I.D. resources toward meeting Jackson Plan objectives.

B. Relationship to the S&T Agricultural Planning and Policy Project

For technical support of strategic and policy planning related to the agricultural sector, the proposed Project (SPATS) will make use of expertise from the S&T/AGR-sponsored Agricultural Policy Analysis Project (APAP). APAP not only offers an agile mechanism for procurement of technical services; it is also in a position to bring to Honduras' agricultural policy problems an international perspective and lessons from experience elsewhere in the

world. There is also a marked consistency of interest in the preferred operating style of both SPATS and APAP, namely, continuity of technical assistance. In other words, the Mission gets the best of both worlds: long-term commitment and flexibility in the short term to meet evolving needs.

C. Relationship to Host Country Strategy/Programs

The new GOH administration will require a significant number of technical studies and analyses to formulate strategic plans and policies, particularly in the areas of macroeconomic policy, housing, water/sewer systems, infrastructural development, health, nutrition and agriculture. They will further require the continuity offered by having long-term advisors present in key sectors and for specific activities, and the added benefit to technicians of having informal but extremely important on-the-job training. Regardless of the outcome of the November elections, all candidates are committed to the concept of long-term social and economic development. The assistance contemplated in the Project will serve to provide a strategy base to move forward in an expeditious manner. Therefore, this Project not only conforms to recipient country strategies, but will form the basis of the GOH's approach for years to come.

D. Relationship to Other Donors Programs

There is a vacuum in strategy development within Honduras. The World Bank provides sectorial assistance of the nature addressed in this Project under the rubric of Municipal Development. In general, other donors approach the problems in a piecemeal fashion. There is a lack of comprehensiveness and coherency to these efforts. To enhance coherency of these efforts and to increase the impact of allocated resources, the Mission believes that activities under this Project will also assist other donors in examining investments and designing projects which complement better defined GOH strategies.

IV. PROJECT DESCRIPTION

A. Project Goal and Purpose

The goal of the Project is to promote the economic and social development of Honduras. The indicators of goal achievement will be increases in per capita income, more equitable income distribution, improved health and nutritional status, improved shelter conditions, improved educational attainment, increases in aggregate agricultural production and productivity, economic diversification, shifts in the allocation of labor to more value added industrial and manufacturing production, and improved competitive advantage of Honduras in world markets.

The attainment of this goal will depend on the following assumptions: (1) adopted policies are translated into effective programs and projects (2) improved international economic conditions (3) improved political stability in Honduras and Central America leading to increased private sector confidence to invest in Honduras, and (4) a GOH commitment to institutionalize the policy analysis process, including linkages between analysis and policy making, to assure timely updating and modifications to policy. While little can be done within the scope of the Project to affect assumptions two and three, the validity of the first assumption will be enhanced to the degree that A.I.D., through the technical assistance and direct contacts with counterparts, is able to develop within the counterparts an appreciation for the need to actively develop projects that respond to the economic and social development needs based on sound analysis of the policy issues. The GOH has consistently demonstrated a commitment to the social and economic development of the country. What is new in this Project is developing the linkage between sound policy analysis and project development.

The Purpose of the Project is (1) to enhance Honduran capabilities to identify priority development problems and design approaches, strategies, and plans to address these problems in the context of the Jackson Plan objectives and recommendations and (2) to provide technical support services to priority development areas. The accomplishment of the Project purpose will require: (1) close collaboration between the GOH, A.I.D., and the private sector in determining strategic planning and technical support priorities, and (2) effective mechanisms for the review of strategic studies and analyses.

B. End-of Project Status

By the end of the A.I.D.-financed implementation period, it is expected that no less than ten sector/policy assessments will have been carried out and policy and/or regulatory reform will have been accomplished or initial steps will have been taken to translate recommendations into specific actions. Approximately three major feasibility studies will have been undertaken. In cases where the investment is feasible, donors/investors will have taken initial steps to implement the respective projects. Over 300 person months of technical assistance will have been provided in key areas, resulting in improved Honduran policies, procedures, and decision-making. An indirect -- but important -- benefit of the Project will be improved skills of Honduran technicians and policy-makers who will be involved in the formulation of policy assessments, feasibility studies, or who will be beneficiaries of technical assistance.

Project outputs will be completed strategic planning and policy assessments, and delivered technical assistance packages. Project inputs will be grant assistance for the support of these endeavors. On a limited and selected basis, Project funds may also finance commodities such as data automation and software packages. Limited amounts of in-country training may also be financed depending upon the nature of the activity.

C. Description of Project Activities

1. Project Components

The Project will be divided into two closely related components: (a) Strategic Analysis, and (b) Technical Support and Assistance. The first will include the formulation, review, and joint Honduran-A.I.D. analysis of strategic planning and policy papers and feasibility studies, including the review of potential investments by the Hondurans, A.I.D., other donors, and the private sector. The second will include medium- and long-term technical assistance to participate in carrying out the analyses and formulation of development strategies and policy options. As stated above, however, they are closely linked; the division of Project activities into these two components is more useful as a tool to conceptualize Project objectives than as a means to strictly divide Project activities.

As discussed in Section II C.3, the planned identification and review of studies and technical assistance under the Project is designed to facilitate the positive resolution of assumptions identified in the Project Purpose statement: close collaboration between the GOH, A.I.D., and the private sector in determining strategic planning and technical support priorities, and an effective mechanism for the review of strategic studies and analyses.

a. Strategic Planning and Policy Analysis

This component is aimed at addressing key policy issues facing Honduras in stimulating and sustaining economic and social development and at identifying investment/intervention opportunities in Honduras for the GOH, A.I.D., the private sector, and other donors. Studies, assessments, and feasibility studies carried out will aim to: (1) enhance the data base, and review and analyze all available data on the issue to be addressed, (2) interpret results to feed into the GOH policy-making process, and (3) identify specific interventions that translate the information into concrete activities to address the most serious developmental problems facing Honduras. The focus will be on the development of policy determinations and the design of alternative strategies for implementation. There are a number of areas of developmental concern for which serious analysis and extended strategy formulation are necessary to lay the groundwork for future policy dialogue and program development. An illustrative listing of these areas includes the following:

1. Agriculture and Rural Development. Two areas in particular impact directly on development efforts: water resource management and land tenure. Although the need for an integrated and complete synthesis of water resources information is critical for the GOH, producers, and international donors, no such package is available. There is a requirement to review existing hydrologic data and irrigation-related documentation currently available on Honduran water resources, to synthesize and summarize this information into an up-to-date and concise report, to prepare a series of recommendations regarding priority water resource exploitation based on current information, and to generate a set of priorities regarding needed physical and hydrologic studies and surveys in specific watersheds and/or geologic formations in Honduras.

In the case of land tenure, the Bipartisan Commission on Central America Report highlighted the need to address agrarian problems. Yet there is very little reliable information on the agrarian situation in Honduras. There is a need to gather more reliable data on land tenure patterns and to identify potential solutions - such as the establishment of a commercial land market - to the problems of the landless, both in terms of the social goal of land settlement and the economic goals of increased production and employment generation.

ii. Energy Assessments. Enhanced economic productivity is dependent in large part on the availability and proper utilization of current and future energy sources. Currently, the GOH lacks a coherent assessment of its energy resources (real and potential) and does not possess an analysis of the effective application of these resources. Accordingly, research and subsequent development of an energy strategy is essential to: (1) analyze the resource base (2) identify necessary actions and activities related to energy planning and describe how and when they should occur (3) assess the present in-country technical capability as related to short- and long-term energy activities and the interventions necessary to meet these goals, and (4) analyze GOH policy and recommend actions and reforms necessary to achieve goals and reduce dependency on imported petroleum products.

iii. Nutrition Status. The NBCCA Report identifies malnutrition along with other social problems as an "unstable foundation on which to encourage the growth of democratic institutions." The USAID has and will continue to support programs which affect nutritional status. The PL-480 Title II program, for example, has been instrumental in meeting emergency food shortages in southern Honduras and in providing supplementary school feeding to address child malnutrition. Several OPGs have also supported nutrition activities, including breast-feeding promotion. Because of changing economic and social conditions, however, the Mission, in conjunction with the GOH, must reformulate its nutrition strategy. Such a reformulation will require, as a first step, a comprehensive nutrition survey in order to determine the nature, causes, and distribution of malnutrition in Honduras. The survey will include a thorough literature search and analysis of the existing sources of food and nutrition information in Honduras. In addition, it will identify the most at-risk groups and the extent to which malnutrition is due to poor nutritional information rather than the inadequate availability of affordable food.

iv. Housing and Urban Development Strategy. During the last decade, rural-urban migration has become a major factor in Honduran development. As urbanization accelerates, there is an ever-increasing need to formulate appropriate strategies to address the problems encountered in the cities, and to ensure that maximum benefits to national economic and social development are realized during the urbanization process. Currently, the development of these action plans is hampered by the lack of information, specifically with regard to spatial development, municipal management and finance, cost recovery of public sector capital investments, and national urban shelter needs. Sporadic, uncoordinated data collection and analysis efforts have only exacerbated the situation by creating project-specific data bases, which offer little potential for developing a nation-wide approach to confronting the attendant problems. Moreover, the linkage between data that is available and policy determination is weak and often non-existent.

v. Infrastructure and Area Development Feasibility Studies. The evaluation of alternative projects and programs to carry out the recommendations of the policy analysis and strategic planning process will be critical to programming future economic assistance. There is a need to evaluate investments previously identified by the GOH, other donors, the private sector, and A.I.D which support the GOH and USAID strategy of promoting economic growth and transformation. Possible areas include a feasibility study of development of the Sula Valley, reconstruction of the El Coyolar dam to improve the potential for greater irrigation use, and construction of bulk handling facilities for Puerto Cortés. Follow-up to studies that indicate positive economic returns will not, in all cases, involve direct A.I.D. Development Assistance financing but may be financed by other donors (which will participate in study development), by the private sector, or by the GOH.

b. Technical Support and Assistance

This Project component will target medium- and long-term technical assistance to selected areas which can significantly improve the prospects of policy reform and analysis, enhance ongoing development programs, and provide support to the GOH, the private sector, and USAID Honduras in carrying out an expanded Jackson Plan program. Technical assistance will play a key role in bridging gaps between the identification of specific needs for external expertise and the formal process of program/project design, and may also be targetted to support the GOH in accomplishing specific objectives. In most cases, technical assistance packages under the Project will permit the GOH, A.I.D., and other donors to accelerate the design and implementation of future development efforts. The following is an illustrative list of the types of technical support and assistance activities that will be financed:

1. Agricultural Sector Activities. The USAID's Agricultural Sector II project initiated important technical assistance activities in various areas of agricultural development. All project activities terminate this year. Nonetheless, there are important technical assistance packages that are incomplete and/or that the Mission expects to continue and expand in the near future due to their importance to Honduran agricultural development. These areas include: (1) agricultural planning (2) information (3) basic grain pricing and marketing, and (4) research and extension. It is expected that Project funds will finance technical assistance in these areas to avoid the loss of momentum and form a natural link to discrete interventions planned for the near future.

For example, technical assistance will provide an effective A.I.D. linkage to the major Honduran public and private units involved in agricultural planning, provide practical training for key individuals, and establish more coordinated agricultural planning. A long-term (one- to two-year) contractor will be financed to work with the appropriate Honduran institutions. The incumbent may also be supported by short-term assistance to be made available through the AID/W S&T Agricultural Planning and Policy Analysis Project.

Similarly, ongoing efforts to improve the quality of agricultural information may be expanded through the Project. An Area Sample Frame (ASF) was created under the Agricultural Sector II project. Yet the usefulness of the ASF will depend on how Hondurans can apply it. The ASF requires experienced technicians to provide guidelines to the national team as to how to take full advantage of this tool. The GOH also requires technical assistance to carry out a series of agricultural surveys which, due to current budgetary problems, will substitute for a planned agricultural census.

Through the Agricultural Sector II project, the Mission has used the wide-ranging experience of Kansas State University to provide technical assistance to the Honduran Agricultural Marketing Institute (IHMA) with particular emphasis on reducing the role of the public sector in agricultural marketing. There is a clear need to continue this assistance and to provide bridge financing until an agricultural marketing project planned for FY 86 comes on line.

Technical assistance will also be required to provide the Ministry of Natural Resources (MNR) with an expert to guide the MNR in the structuring of a decentralized institute for agricultural research and extension. At the request of the Minister of MNR, A.I.D. has participated in the drafting of a law, soon to be presented to Congress, which creates this new institute. Additional longer-term assistance is now needed to develop the organizational structure, operational rules, and manuals to ensure a smooth transition and start-up of the new institute.

ii. Macro-Economic Policy Dialogue Support. During the last four years, the USG, through A.I.D., has provided over \$278 million in Economic Support Funds (ESF) to provide short-term economic stabilization assistance and institutionalize a continuous policy dialogue with the GOH on economic stabilization. A Joint Economic Working Group (JEWG) has been established for this purpose which has met regularly and has been responsible for the implementation of numerous reforms. The GOH has now requested that A.I.D. finance the participation of foreign economic experts to enhance the basis for timely policy formation and implementation. Among the areas that will be covered are technical assistance packages to examine the structure and level of foreign trade taxes, the overall tax structure, the formation of financial markets, producer, export and import indices, the input-output structure of the Honduran economy, the establishment of a flow of funds accounts system, and other macro-economic assistance. Technical assistance and, in particular, the incorporation of recommendations within the decision-making structure are expected to significantly improve the prospects for intelligent policy decisions. The Mission plans to use these studies and technical assistance packages as a basis for policy discussions with the new GOH during the immediate post-November 1985 transition period and after it takes office in early 1986 .

iii. Technical Support Programs. Technical support and expertise will be financed under the Project to assist in the design and implementation of the expanding USAID programs. For example, while part of program assistance-generated local currencies support GOH activities, the local currency program has expanded significantly the level of resources that must be programmed, and projects and programs that must be designed and monitored. The Mission is in a good position to respond to most of the Jackson Plan initiatives - but there must be adequate technical support to do this effectively. Likewise, through D.A. and ESF-generated local currency programs, the Mission has channeled over \$30 million dollars to U.S. and Honduran PVOs over the last three years. Technical support is required to implement this growing program and permit the Mission to take advantage of the proven outreach capabilities of PVOs to reach a wide-range of Honduran society. In addition, the number of technical assistance requests will increase the overall Mission contract requirements by 25 to 30 percent. In order to alleviate the pressures on the Contracting Officer, the Project will finance the services of an assistant. This individual will have the responsibility of preparing contract documentation and negotiating with contractors. The assistant will prepare the completed documentation in final for the review, approval and signature of the Mission Contracting Officer.

Given the increased workload in managing Strategic Planning and Technical Support Project activities, a Project Liaison Officer will also be contracted with Project funds.

Table I presents an illustrative listing, including estimated level of required effort, of activities that may be financed under the Project. It is important to emphasize that this is an illustrative listing. Specific decisions will be undertaken according to the Project management mechanism described below.

TABLE I

ILLUSTRATIVE LIST OF PLANNED ACTIVITIES

<u>ACTIVITY</u>	<u>ESTIMATED LEVEL OF EFFORT (PERSON/MONTHS)</u>
I. <u>Strategic Planning</u>	
A. Agriculture and Rural Development	
1. Water Resources/Irrigation Policy	20
2. Agrarian Problems, Land Settlement and Colonization	20
3. Sula Valley Development	50
B. National Energy Assessment	12
C. Honduran Nutrition Status Survey	6
D. Educational Quality Survey	
E. Pre-Paid Health Care Assessment	6
F. Urban Development and Shelter Strategies	44
G. Private Sector	
1. Informal Sector Assessment	12
2. Puerto Cortés: Bulk Handling Feasibility	12
II. Technical Support	
A. Agriculture and Rural Development	
1. Agricultural Planning	32
2. Organization Expert - MNR	6
3. Domestic Agricultural Marketing	13
4. Agricultural Information	32

TABLE I

ILLUSTRATIVE LIST OF ACTIVITIES
(CONT'D)

<u>ACTIVITY</u>	<u>PLANNED LEVEL OF EFFORT</u> <u>(PERSON/MONTHS)</u>
B. Macro-Economic Policy Dialogue Support	
1. Capital Markets and Divestiture	6
2. Input-Output Structure	12
3. Prices Indices	3
4. Structure/Level of Foreign Trade Taxes	6
5. Overall Tax Structure	6
6. Flow of Funds Accounts	3
7. Other Macro-Economic Technical Support	24
C. Project/Program Technical Support	
1. Project Manager	24
2. Contracting Assistant	24
3. Project/Strategy Design Assistant	24

2. Operating Methodology and Project Management.

a. Project Management. The Project will be managed by a Consultive Committee, composed of three representatives from the GOH and three representatives from A.I.D. The GOH will be represented in the Committee by the National Superior Council of Economic Planning (CONSUPLANE), the Central Bank, and the Ministry of Finance and Public Credit. To expedite implementation, requesting institutions will submit proposals simultaneously to the Technical Secretariat of CONSUPLANE and to the A.I.D. Mission.

b. Proposals. To ensure that studies and technical assistance are in line with Honduran and Jackson Plan objectives, a letter from a Honduran public or private sector entity or a direct request from A.I.D. will be required for the proposal to be reviewed by the Consultive Committee. Requesting Honduran entities will indicate their interest in obtaining assistance under the Project, the specific activity to be funded, and their willingness to work with consultants. The exception to this process will occur in the case of management support consultants, who will be contracted directly by the A.I.D. Mission to provide support for the Project implementation and other related programs. A detailed proposal format, which will be used to present requests for technical services, will be developed by the USAID Mission in coordination with CONSUPLANE's Technical Secretariat and will be distributed to the Honduran entities from the private or public sector. The scope will contain a general summary of what will be done, how it will be accomplished, and the proposed time frame.

c. Review of Proposals. The Consultive Committee will meet, review, and approve proposals on a quarterly basis. Nonetheless, either party may call for an extraordinary meeting of the Committee to review a priority proposal. Approval will be by simple majority. A precise schedule for reviews will be agreed upon through a Project Implementation Letter.

To ensure timely implementation, the Committee will meet, review and approve proposals no later than 15 days after the scheduled quarterly review unless agreed upon by both Parties. After 15 days, the Committee will meet, review and approve proposals irrespective of quorum.

d. Selection Criteria. Proposals will meet the following criteria to be considered for approval:

i. An official request from a Honduran public or private sector institution or an official request from A.I.D. related to Jackson Plan objectives.

ii. Responsiveness to Honduran development objectives and Jackson Plan recommendations.

iii. Conformity with the Project purpose.

iv. Where follow-up financing will be required, e.g. feasibility studies, likelihood of available funding.

v. Planned medium- to long-term technical assistance (at least three months of duration).

e. Execution and Review of Completed Studies and Proposals.

All technical assistance efforts will be structured to ensure the transfer of the basic knowledge and skills required to carry out policy analysis and strategic plan and program development. This will be accomplished by technicians working closely with counterpart institutions and personnel on a daily basis over the life of the Project. To ensure effective assistance findings, representative(s) from public and private institutions that requested studies and/or technical assistance will be invited to review these findings. The Consultive Committee will meet periodically, as will be defined through a Project Implementation Letter, to review these findings.

To review priority studies and recommendations, the Agricultural Bilateral Commission (ABC) model will be adapted to other sectors. As with the ABC model, sectoral commissions will review assessments and make recommendations to the President for action(see Administrative Analysis, Section V.D.).

V. PROJECT ANALYSIS

A. Technical Analysis

A technical analysis will be conducted for each activity. It is important to highlight, however, that the Project is technically in line with one of the most important pillars of A.I.D.'s strategy: the transfer of knowledge, skills, and technology. Technical assistance provided by the Project will directly and indirectly enhance Honduran capabilities to gather and analyze data, and provide the vital link between these activities and sound policy formulation.

B. Cost Estimates and Financial Plan

1. Funding Level and Sources

The total cost of the Project is \$5.5 million financed over a two-year period. A.I.D. will contribute \$4.0 million in foreign exchange and the GOH will contribute the equivalent of \$1.5 million in local currency funding. A.I.D. funds will finance all external assistance and foreign exchange costs while GOH funds will complement these resources by funding host country technicians, in-country expenses, including per diem, housing, travel, etc. Since local currency funding will be used to complement A.I.D. resources as needed, they are attributed below to general budget categories and not to specific activities. Of the \$4.0 million in A.I.D. resources, \$2.5 million will be funded out of Section 103 of the FAA (Agriculture, Nutrition and Rural Development) and \$1.5 million will be funded from Section 106 of the FAA (Selected Development Activities).

2. Financial Plan

Table II presents an illustrative Project budget. The actual Project budget will depend, of course, on the strategic planning and technical support activities chosen. It is estimated that approximately \$1.5 million will be dedicated to the Strategic Planning component and approximately \$2.5 to the Technical Support and Assistance component. These amounts are sufficient to achieve Project objectives. It is expected that Project funds will be disbursed in equal amounts during the approximate three-year life of Project implementation.

TABLE II

ILLUSTRATIVE FINANCIAL PLAN
(\$000)

	<u>AID</u> <u>(FX)</u>	<u>GOH</u> <u>(LC)</u>
I. STRATEGIC PLANNING	<u>1,955</u>	750
A. Agriculture and Rural Development		
1. Water Resources/Irrigation Policy	200	
2. Agrarian Problems, Land Settlement and Colonization	200	
3. Sula Valley Development	550	
B. National Energy Assessment	160	
C. Honduran Nutrition Status Survey	50	
D. Pre-Paid Health Care Assessment	55	
E. Urban Development and Shelter Strategies	500	
F. Private Sector		
1. Informal Sector Assessment	120	
2. Puerto Cortés: Bulk Handling Feasibility	120	
II. TECHNICAL SUPPORT	<u>2,045</u>	<u>750</u>
A. Agriculture and Rural Development		
1. Agricultural Planning	270	
2. MNR Reorganization-Autonomous Research and Extension Institute	75	

	AID (FX)	GOH (LC)
3. Domestic Agricultural Marketing	175	
4. Agricultural Information	270	
B. Macro-Economic Policy Dialogue Support		
1. Capital Markets and Divestiture	60	
2. Input-Output Structure	120	
3. Prices Indices	30	
4. Structure/Level of Foreign Trade Taxes	60	
5. Overall Tax Structure	60	
6. Flow of Funds Accounts	30	
7. Long-term Technical Support	220	
Support		
C. Project/Program Technical Support		
1. Project Manager	200	
2. Contracting Assistant	175	
3. Project/Strategy Design Assistant	150	
4. PVO Liaison Officer	100	
III. Audit Services	50	
TOTAL	<u>\$4,000</u>	<u>\$1,500</u>

3. Disbursement of A.I.D. Funds

A variety of standard A.I.D. disbursement procedures will be employed, depending on the specific activity and contractor financed. Normal A.I.D. direct disbursement mechanisms will be under the Project and will be controlled at the Mission level (see also Section VI.B.).

C. Economic Analysis

The ability of the Honduran economy to achieve Jackson Plan targets by 1990 is constrained by serious deficiencies in the analytic information base required for effective policy formulation at the macro, sectoral and project levels of decision-making. The SPATS project seeks to narrow this gap by providing external technical assistance resources required by the GOH and USAID to perform a series of analytical studies essential for sound policy development and programming decisions.

In essence, the target of this project is the efficiency with which resources are allocated in Honduras. An improvement in efficiency directly translates into an increase in real GDP. This is so either through (1) a reduction in the intermediate inputs required to produce a given set of final outputs (2) an expansion in outputs with no change in intermediate inputs (3) a change in the composition of final outputs such that the new set of outputs is more valuable (at shadow prices) than the old set of outputs or (4) an expansion of outputs through augmenting the utilization rate of un- and underemployed resources.

As suggested above, the economic benefits accruing as a result of this Project are appropriately measured as gains in real GDP due to the more efficient allocation of scarce resources that the activities of this project will make possible. The implicit assumption of this Project is that the policy recommendations, strategies, and activities called for in the analytical studies will be implemented, and this will result in measurable improvements in real GDP. The potential gains are large and easy to document.

For example, consider the potential gains resulting from the project's impact on the average rate of return on the Mission's DA project portfolio.

-- SPATS project costs over the next three years are estimated at \$5.5 million, including \$4 million in direct foreign exchange costs and L3 million in local currency costs. Using L2.70 as the shadow price for one dollar of foreign exchange and an estimated 6 percent annual inflation rate, the adjusted three-year project cost is \$4.9 million (in constant 1985 dollars).

-- Estimated DA obligations over the next three years are about \$142 million. Add to that the equivalent of approximately \$47 million in project-related local currency investment (shadow priced at \$35 million). Assuming a 6 percent annual inflation rate, the total three-year investment would equal 168 million 1985 dollars.

-- If, therefore, the annual return on the \$168 million were to increase by 1 percent, the expected stream of additional economic benefits would approximate \$1.7 million annually.

On the basis of these figures the economic rate of return for the project would be 30%, i.e., the discount rate which makes the present value of the expected future benefit stream just equal to current economic costs is equal to 30%.

In addition to improving the potential gains from the Mission's project investment in a manner which leads to gains in real GDP, this project will also fund technical assistance and studies whose target is to improve the macro and micro policy environment which governs the allocation of the non-A.I.D. supplied or related resources available to Honduras. These additional resources can be approximated by the GDP itself. The importance of the policy framework as a target of this project is clearly suggested by the size of the GDP.

The current mix of monetary, fiscal, tax exchange rate, trade and pricing policies for publicly provided services can, in fact, be substantially improved from the perspective of allocating resources more efficiently. To take some cases in point, tight credit policies and direct controls over the allocation of foreign exchange have substituted for adjustment in the overvalued exchange rate as a response to balance of payments pressures. The consequence has been to reduce economic growth through stimulating import demand, while simultaneously reducing incentives for the domestic production of tradeable goods - both exports and products that compete with imports. Pricing policies for telecommunications, electricity and water/sewer services do not provide a rate of return on invested capital sufficient to enable the companies supplying these services to obtain funds for capital expansion through equity and/or debt issues or through retained earnings. Given the absence of available funds from the GOH budget, the result has been to reduce growth through the lack of availability of these service inputs into the production process.

As suggested by these examples, many of the studies emanating from this project are explicitly directed towards improvements in policy areas that, if implemented, could result in measurable increases in real GDP combined with improved prospects for the balance of payments, enhancement of the availability of infrastructure services, etc. If, as a result of this project, real GDP were to increase by as little as one-half of one percent over the current level, the additional stream of benefits would total approximately L35 million per year (given that 1985 GDP is projected at L7 billion). Using L2.70 as the shadow price for one dollar of foreign exchange, the adjusted benefit stream would be \$13 million annually. Given the adjusted three year project costs of \$4.9 million, this benefit stream would result in an economic rate of return of over 600 percent. While the magnitude of this return is quite high, it highlights the fact that the primary gains from the SPATS studies will accrue due to their impact, if implemented, on how Honduras manages her own resources. A return of this high magnitude also insures that should only 50 percent, or even only 25 percent, of the studies performed under this project actually be implemented, an acceptable economic rate of return could still be achieved.

D. Administrative Analysis

As described above, the Project will be implemented by a Consultive Committee including representatives from USAID/H, and three GOH institutions in close collaboration with, inter alia, GOH line Ministries, Commissions, joint USG/GOH groups such as the Joint Economic Working Group, the Agricultural Bilateral Commission, and private sector groups. Given the relative simplicity of this administrative/institutional mechanism, a detailed administrative analysis is not required. Nonetheless, Project design has been guided by three issues related to administrative/institutional feasibility which merit highlighting.

The proposed institutional mechanisms deal with important Project assumptions that:

- there will be a true GOH commitment to carry out the studies/assessments and/or technical assistance package;
- there will be energetic Honduran involvement in the implementation and review of activities to make the important link between studies/technical assistance and actual policy review and reform;
- there is the administrative capacity within the A.I.D. Mission to take on the workload presented by the Project;

The judgement of the Project Design Committee is that these issues are adequately addressed. With regard to the level of Honduran involvement, it is important to emphasize again that, with the exception of USAID technical support, no study or technical assistance package will be considered without the explicit support of a Honduran institution expressing its interest in the activity and its commitment to work with contracted technicians during the preparation and review stages. As noted above, it is also the intention to link activities to formal policy dialogue groups such as the Agricultural Bilateral Commission (ABC), which will participate fully in the review of activities related to that sector.

The ABC is a model of effective linkage between technical assistance and policy dialogue and reform. Formal representatives include the Embassy Deputy Chief of Mission, the A.I.D. Director, the Minister of Natural Resources, and the President of the National Agrarian Reform Institute. Following the Presidential Agricultural Task Force visit two years ago, the Commission has met on a regular basis to review Task Force recommendations and follow-up assessments and policy recommendations. Its deliberations have played a key role in policy reforms incorporated in the Mission's Export Promotion and Services Project (522-0207), in the GOH agreement to create an independent agricultural research foundation (supported through an A.I.D. project), and in current efforts to establish an independent research (for basic grains in areas not covered by the private research foundation) and extension

institute. Through independent working groups, it has also been an important mechanism in bringing the private sector to the policy dialogue table. The ABC has also commissioned several studies and technical assistance efforts similar to activities to be carried out under the Project, e.g., the ongoing technical assistance effort by Kansas State University on basic grain marketing has been under review and discussion by the ABC.

Under the Project, similar commissions or task forces will be organized on a sectoral level. This structure provides a point of contact with policy makers to ensure their involvement in the entire process and result in greater acceptance of the findings. In agriculture, as well as other sectors, experience indicates that close collaboration with counterparts produces positive results as they come to see recommendations more as their solution rather than one imposed by outside consultants.

Another important question regarding GOH involvement is whether a more formal A.I.D./GOH institutional mechanism, at a higher level and with a greater degree of involvement than that envisioned for the Consultive Committee, might be more effective. This option was discarded as the objective of the Project is not to institutionalize the policy analysis process in Honduras. This will be the purpose of the Policy Analysis Project now planned for FY 86. The intent of the Project is to have a flexible mechanism to carry out required assessments and technical assistance with Honduran support.

Finally, with respect to A.I.D. administrative capacity, it is recognized that the Mission does not currently have the capacity to significantly expand its policy dialogue agenda, and to assist the GOH in developing the analytical and skills base that it will need in the near future. For this reason, the Project contemplates the contracting of a Project manager as well as other technicians to assist in Project implementation.

E. Social Analysis Summary

A complete social analysis is found in Annex I Exhibit C. This section aims to summarize its findings. The analysis centered on the question of the social soundness of Project design given: (1) the interest manifested by public sector institutions in planning, and (2) the anticipated use of medium- and long-term technical assistance.

1. Planning in the Public Sector

The lack of appropriate data bases supporting the diagnosis of developmental problems, the definition of policies and strategies, and the design of programs and projects is not the result of a tendency on the part of the Honduran public sector institutions to consider that these activities are unnecessary. It is rather, a result of the reduced financial and technical resources available to these institutions to perform efficiently in each one of these areas, particularly in data bank creation, adequate analysis and interpretation of collected information, and planning per se.

A review undertaken by the Mission, based on written documents and observation, of the institutional capacity to define and implement policies and programs by sectors has demonstrated that, across the board, Honduran institutions are active in these areas. This review indicates that:

-- Independent of whether the institutions considered perform sectorial or cross-sectorial functions, in no case is there a satisfactory capacity to execute every single one of the activities included in the diagnosis-planning-implementation process. Nevertheless, these activities are carried out by the majority of the institutions evaluated.

-- Despite the fact that in some sectors there is a relatively developed data collection system, there is no complementary capacity to interpret these data and to formulate adequate diagnoses.

-- The existing institutional capacity to define policies seems to be better than that to diagnose; it can be assumed that not all policies conceived result from objective analyses.

-- The capacity to define policies is either not paired or does not necessarily enhance the capacity to define strategies; the possibility of defining strategies does not necessarily suppose the existence of the capacity to translate them into programs and projects.

-- Finally, a clear definition of programs and projects is not always matched by an equivalent institutional capacity to implement them.

From this discussion it can be deduced that the diagnosis-planning-implementation process is not alien to public sector institutions in Honduras. As a matter of fact, in some sectors it has been common practice to collect data, identify development problems and provide solutions to them. The Project will not be introducing practices incompatible with traditional bureaucratic behavior in the country.

2. The Importance of Medium- and Long-Term Assistance

The Project strategy calls for the provision of medium- and long-term assistance in order to improve the deficiencies of the diagnosis-planning-implementation process discussed above. This strategy is socially sound for two reasons. First, it allows foreign consultants to develop indispensable rapport with counterparts and to become culturally sensitive to the Honduran milieu. Thus, solutions to development problems offered are not only technically sound, but also socially and politically viable. Second, medium- and long-term technical assistance contracts may provide needed continuity in policy formulation, program definition and project implementation, an important aspect of institutional performance particularly during a period of transition related to the election of a new government.

The USAID Mission in Honduras has recently accumulated experience in the use of medium- and long-term consultants to implement projects among which the more important are: the Grain Marketing Component of the Agricultural Sector II Program, Natural Resources Management, and Development Administration. This experience has shown that medium- and long-term technical assistance may be instrumental in suggesting innovative solutions to developmental problems and institutional deficiencies given the decision-making practices characteristic of public sector institutions, the prevalence of political concerns during an election year, and the socio-economic constraints that may be faced by the project's target groups. In addition, the presence of medium- and long-term assistance teams has increased the involvement of local counterparts in problem analysis and solution identification, thus making the experience more pedagogical. It has also allowed consultants to participate in the implementation of recommendations made, thereby giving them the opportunity to make the necessary adjustments to solutions proposed once theory is applied. Finally, as adequate rapport and professional respect have developed between consultants and counterparts, the Mission has been able to be more successful in policy dialogue and in making public sector institutions pay increased attention to constraints and problems previously ignored. That is, medium- and long-term consultants have played an important catalytic role between AID and the GOH. It is expected that the advantages and impact of medium- and long-term TA observed in previous interventions will also take place in this Project.

Recent experience has also indicated that external consultants may also have an impact on institutional continuity. The presence of medium- and long-term consultants in certain public sector agencies has been important to instruct a chronically unstable management about both developmental problems in the institution's area of competence and the rationale behind policies and strategies adopted. Continuous enforcement of these policies and strategies would have not been possible had the consultants not been present. A new administration will be sworn in office in January 1986, during the initial life of the Project. It is customary in Honduras that when a new faction or party comes into power, a substantial number of top echelon officials and many technicians in public sector institutions are replaced. It is expected that the foreign consultants hired under this project will be able to play a role similar to that described above. Once again, they will be instrumental in providing needed information for the decision-making process, and in justifying sound policies and strategies.

External consultants hired under this Project to implement project activities will need to play a pedagogical role. Given the personnel turnover that can be anticipated throughout the public sector after the elections, pre-electoral assistance will be provided to those institutions known to be more stable and where personnel have a less probability of being removed.

F. Environmental Concerns

This Project will provide technical assistance, limited commodities, training, and therefore in agreement with Environmental Procedures, Regulation 16, Section 216.3 (a) does not require an Initial Environmental Examination (see Director's Statement, Annex I Exhibit E). Any assessment/feasibility study where environmental concerns are contemplated will include an environmental analysis. LAC will be kept informed of specific environmental concerns.

VI. PROJECT IMPLEMENTATION

A. Implementation Arrangements

As a pre-implementation action to expedite Project execution, USAID technical and staff offices have already informed GOH and other Honduran agencies of proposed Project activities. Accordingly, it is expected that the USAID Implementation Committee will begin analyzing proposals by August 1985.

The activities under approved proposals will begin within six months of the issuance of the quarterly implementation plans. If the process to contract TA has not begun in three months after the issuance of the implementation plan, the USAID Project Implementation Committee will meet to determine whether the activity should be dropped or allow more time for the activity to move forward. The contracting of technical assistance will follow normal A.I.D. and Mission procedures.

B. Procurement of Services

Both A.I.D.-direct and host country procurement is anticipated through established Agency mechanisms. In addition to direct procurement of services and advertisement, the Project will also tap into existing programs such as centrally managed technical assistance projects to expedite the procurement of services

C. Implementation Schedule

The following is a chronological listing of the expected Project actions to be taken by the USAID and the implementing entities:

<u>Date</u>	<u>Activity</u>
August 1985	<ul style="list-style-type: none">-Project Authorized-Project Agreement signed-Designation of USAID Project Committee-Formation of Consultive Committee
September 1985	<ul style="list-style-type: none">-Receipt of letters of request for specific proposals-Review of 1st quarterly plan proposals-Final selection of 1st plan projects
October-November 1985	<ul style="list-style-type: none">-Contract/procurement actions finalized for 1st plan projects-USAID Technical Support service contractors on board-Activities initiated under 1st quarterly plan
December 1985	<ul style="list-style-type: none">-Submissions and approval of proposals for 2nd quarterly plan and review by Consultive Committee
January 1986	<ul style="list-style-type: none">-Procurement actions undertaken under 2nd plan
April-May 1986	<ul style="list-style-type: none">-Review and approval of 3rd quarterly proposals
May-July 1986	<ul style="list-style-type: none">-First review of completed assessments with Consultive Committee, private sector, other GOH entities
August 1986	<ul style="list-style-type: none">-Review and approval of 4th quarter proposals
September 1986	<ul style="list-style-type: none">-Contract/procurement actions for 4th quarter proposals
November 1986	<ul style="list-style-type: none">-Second review of assessments/findings

December 1987

-Review and approval of 5th quarterly proposals

April 1987

-Review and approval of 6th quarter proposals

June 1987

-Third review of assessment and findings

August 1987

-Review of 7th quarter plans

December 1987

-Eight quarter review and approval of proposals
(which can be completed with PACD)

January 1988

-Review of assessments and findings

May 1988

-Project Activities completed
-Final review with Consultive Committee and high level GOH
representatives

D. Evaluations

Given the nature of the Project, its relatively short implementation period, and the close monitoring expected from the USAID Project Implementation Committee, a mid-term evaluation of the Project is not planned. It is expected that in design of the Policy Analysis Project, a review and analysis will be undertaken (funding for this effort will be provided as a discrete activity under this Project) which will focus on SPAT Project mechanisms, success in carrying out assessments and technical assistance, dissemination and implementation of results, etc.

VII. NEGOTIATION STATUS, CONDITIONS AND COVENANTS

A. Negotiation Status

The GOH is in full agreement with the Project. Other than legal and statutory requirements, there will be no Conditions Precedent to Disbursement in order to expedite project implementation to the greatest extent possible. The GOH will covenant to support the dissemination of assessments, studies, and recommendations resulting from the Project.

ANNEXES

ANNEX I

Project Exhibits

Exhibit A

Log Frame

Exhibit B

Illustrative Assessment, Feasibility Studies
and Technical Support

Exhibit C

Social Analysis

ANNEX II

Legal Exhibits

Exhibit A

611 (e) Certification

Exhibit B

GOH Letter of Request

Exhibit C

Statutory Checklist

Exhibit D

Delegation of Authority to Mission

Exhibit E

Initial Environmental Statement

NARRATIVE	OBJECTIVELY IDENTIFIABLE INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
Goal			
To promote the social and economic development of Honduras.	<p>-an increase in employment by up to 250,000 by 1990;</p> <p>-an increase in per capita rural income from \$155 to \$200 per annum by 1990;</p> <p>-a reduction in infant mortality from 87/1,000 to 70/1,000 by 1990.</p>	GOH, A.I.D. and IFI published sources.	<p>-policies are translated into effective programs</p> <p>improved international economic conditions</p> <p>-improved political stability in Honduras and the Central American Region leading to increased private sector confidence to invest in Honduras.</p> <p>-GOH commitment to institutionalize the policy analysis process, including linkages between analysis and policy making, to ensure timely updating and modifications of policy</p>

Purpose

To enhance Honduran capabilities to identify priority development problems and design approaches and strategies to address these problems in the context of the Jackson Plan objectives and, (2) to provide technical assistance and support services to priority development areas.	<p>GOH adopts policies and strategic plans in key policy areas identified in the Jackson Plan:</p> <ol style="list-style-type: none"> 1. financial stabilization; 2. economic transformation; 3. equitable distribution; of development benefits; 4. strengthening of democratic institutions and processes. 	GOH policy and strategic planning documents, laws, and regulations.	<p>-GOH commitment to adopting policies and plans consistent with the findings of policy analysis;</p> <p>-GOH commitment to collaborate with, and promote participation of the private sector in developing the policies and plans.</p>
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Outputs

1. Strategic planning, policy analysis, and feasibility studies completed.	-no less than 10 sector/policy assessments carried out with progress established reform and Mission interventions prepared;	Project Records	-Contracting mechanisms established to procure technical assistance on a timely basis.
2. Technical Assistance support contracted.	<p>-approximately three major feasibility studies prepared;</p> <p>-Over 300 person months of technical assistance provided to the GOH, the Honduran private sector, and the USAID Mission.</p>		-GOH and private sector participate actively in activity proposal process.

INPUTS

A.I.D. \$4,500,000	-technical Assistance, training, commodities;	Project Records
GOH \$1,500,000	-local technical assistance per diem, travel, other local currency expenses.	

ILLUSTRATIVE ASSESSMENTS
FEASIBILITY STUDIES, AND TECHNICAL ASSISTANCE
AND SUPPORT

I. STRATEGIC PLANNING

A. WATER RESOURCES SURVEY/IRRIGATION STUDIES

1. Purpose: The purpose of this technical assistance is to provide the Mission and the GOH with medium-term TA to assist in special studies and survey required in developing a national irrigation strategy and to identify specific interventions to be included in a bilateral irrigation project.

2. Background/Problem: The Mission is in the preliminary stages of developing the Irrigation Development Project (522-0268) for FY 1986 obligation. In addition, we continue to place emphasis on agricultural diversification and export marketing of farm products, both of which require increasing attention to irrigation and increasing knowledge of water resources in Honduras.

Although the need for an integrated and complete synthesis of water resources information is growing within the Mission, the GOH, and the Honduran private sector, no such information package is available. In addition, neither the GOH nor the USAID has at this time the fully qualified personnel to devote full time to such a task. In addition to an overall sector survey, several feasibility studies and special analyses in irrigation, irrigation policy and management, irrigation training, and agricultural engineering are also required.

3. Summary Scope of Work: Several specialists will be required over a period of 9 to 12 months to work with AID, GOH, and private counterparts, and prepare final technical reports on their particular assignments.

Minimum requirements would include a team of experts consisting of a hydrologist and an irrigation engineer which will: Review all hydrologic data and irrigation-related documentation currently available on Honduran water resources; synthesize and summarize this information into an up-to-date and relatively concise report with all necessary tables, graphs, maps, and other visual presentations; prepare a series of recommendations regarding priority water resources exploitation based on current information; and to generate a set of priorities regarding needed physical and hydrologic studies and surveys in specific watersheds and/or geologic formations in Honduras.

4. Benefits: Benefits will accrue to the Honduran private sector irrigators and potential irrigators, as well as their employees, suppliers, and marketing jobbers. Benefits would accrue to both the private and public sector in Honduras through the increased availability of usable information on irrigation possibilities and potential and the prioritizing of needs for additional information on Honduran hydrology.

5. Proposed Inputs: It is estimated that up to 20 person/months of technical assistance will be required at an approximate cost of \$200,000 - \$220,000.

B. THE AGRARIAN PROBLEM: LAND SETTLEMENT AND COLONIZATION

1. Purpose: The purpose of this technical assistance will be to assess the degree of the Honduran agrarian problem in light of its social, political and economic context; to review the experiences to date in attempting to solve the land problem; to examine the possible alternative policies and programs that could alleviate current and future problems in a manner consistent with the Honduran economic and social reality (including mini-settlements accompanying the Titling Program, land intensification vs. colonization and settlement, consolidation and resettlement, expropriation, etc.); and, lay the groundwork for possible future GOH and AID initiatives in this area.

2. Background/Problem: Even though USAID/Honduras is now embarking on its third successful year of a land titling program, the problem of access to land remains a key concern and a potential source of social conflict which may be retarding economic growth in the agricultural sector. The report of the National Bipartisan Commission on Central America highlighted the need to address agrarian problems as its strongest recommendation for the agricultural sector. While there is very little reliable information on the agrarian situation in the country, there are several facts that are immediately evident when considering the relation of man to land in Honduras:

--Almost two-thirds of all farms are classified as minifundia, consisting of 5 hectares or less. The vast majority of these farm families are characterized by their extremely low per capita incomes (approximately \$100 per year), low educational levels, poor living conditions, high fertility rates, and low nutritional intake levels.

--While only approximately 15-20% of the land is considered to be arable for annual crop production, only a quarter of this potential has been exploited for such production. Large-scale livestock operations are believed to be using land resources that should better be used in agricultural production. A similar pattern can be noted in the area of perennial crops.

--Even though apparent opportunities exist for expansion into available lands that would help solve some economic and social problems, we are witnessing ever increasing natural resource degradation instead of land expansion and enhancement.

--Estimates of the landless population in the rural areas range between 100-200,000 families, or approximately a third of the rural population, although there are no estimates of what percent of these families actually want for their own land, nor what percent are actually middle class laborers, such as the Banana Union Members.

--While Honduras is perceived as having had a successful agrarian reform in terms of number of people settled, there have been high rates of desertion from these settlements reaching as high as 60%. The result has been substantial investment with limited economic returns.

--The implementation of the Agrarian Reform Law has emphasized communal farming, despite an apparent preference by recipients for individual farming.

--Only approximately 10% of the rural population is affected by the Law.

--The Agrarian Reform Law provides greater protection for certain uses of the land, which often distorts its optimum allocation.

--The Agrarian Reform Law prohibits legal ownership of land under 5 hectares, thereby inhibiting development activities with a large portion of Honduras' farmers.

--Reportedly, most land units in Honduras are actually within the limits of the Agrarian Reform Law, as large holders have successfully divided their lands among family members or controlled corporations.

--The uncertainty of ownership by virtually all farmers, with the exception of those who have recently received titles as a result of the Small Farmer Titling Project, inhibits farm investment.

--In settled areas, very few services are found that would either help increase the crop productivity among rural farmers or offer them gainful opportunities. Rural to urban migration continues to accelerate at disturbing rates each year. The rural areas cannot today provide solutions to Honduran development problems. They only exacerbate growing urban problems.

3. Summary Scope of Work: A technical assistance team of local and foreign technicians/practicioners in the area of agrarian reform will be required. This team will be composed of the following types of talents:

a. Data gathering/preliminary analysis--would work with local experts and institutions (ADAI, INA, etc.) to gather as much bibliographical information and hard data on both the macro and micro experiences and current conditions.

b. Social Economist--to begin an evaluation of the current situation, the impacts of past programs and prospective future directions.

c. Agronomist--to analyze prescriptions and recommendations based on wide ranging experience with agrarian problems and AID programs in other countries.

d. Productive Resources Expert--to balance the need for ancillary services that are needed for successful agrarian efforts, including agricultural training, credit, inputs, health, housing, markets, etc.

e. Overall Coordinator/Team Leader--to sift through what will undoubtedly be conflicting information and opinions, reach some reasonable alternative paths and act as spokesperson for the group in its presentations to the USAID and GOH transition team, after the elections.

The team will address the following areas of concern in their report:

1. What specific objectives should the GOH define for identifying potential solutions to the problems of the landless both in terms of the social goal of land settlement and the economic goal of production and employment generation?
2. Approximately how much land is actually available for expropriation under the Agrarian Reform Law?
3. Approximately how much land is available in small national plots scattered through already settled areas, and what relatively virgin land units might be made available through major infrastructure investments?
4. What is the feasibility and the advantages of each of the following possible responses to land demand:
 - a. expropriation of existing farms and settlement of beneficiaries,
 - b. colonization of virgin tracts,
 - c. settlement of small national owned land units within populated areas,
 - d. technification of production on existing small form units,
 - e. commercial land market.
4. Benefits: The benefits of the TA will accrue to the GOH and the Honduran populace in general as definition of the alternatives available and their further definitions as well as the programatic options and costings are developed. The benefits--social, political and economic--are expected to be high, not only when viewed in light of the new initiative, but with complementary effects to our ongoing Titling and INA reorganization efforts.
5. Proposed Inputs: The proposed inputs include approximately 20 months of technical assistance at a cost of approximately \$200,000 to \$250,000.

C. EL COYOLAR RECONSTRUCTION FEASIBILITY STUDY

1. Purpose: To provide technical assistance for a topological survey, economic feasibility study and construction plans for the reconstruction/repair of El Coyolar.
2. Background/Problem: Due to construction faults and natural deterioration of Coyolar dam, the area being irrigated by dam waters has actually fallen from around 1100 to between 400 and 500 hectares in recent years, as concerns for the dam have forced managers to operate it at less than half capacity. A full rehabilitation of the dam, including raising the capacity, would restore and enhance its irrigation potential to approximately 2,300 hectares.

Coyolar dam at the South end of the Comayagua Valley is one of the oldest irrigation structures in Honduras, and for decades numerous small-scale irrigators have depended on its water supply. In addition, other farms in the area are well suited for irrigation, and could be brought into much more productive and profitable use if more water were available from Coyolar. The option of ground water exploitation may hold promise for the future, but long-term costs would most probably be greater, due to required exploration, drilling, and pumping/maintenance costs.

The MNR is currently financing a study of the dam through FOHPREI (Fondo Hondureño de Pre-Inversión--originally BID loan funds), which is being carried out by a Canadian firm (LAVALIN). A final report on the status of the dam and required repair procedures/costs is to be presented to MNR no later than May, 1985. This report should be followed immediately by an economic feasibility study. The GOH currently has no potential source of financing the study or the dam rehabilitation. The subject of financing this key project is frequently brought up in discussions with counterparts in the irrigation sector, since numerous agricultural projects in the Comayagua Valley depend on this water source.

3. Summary Scope of Work: The technical assistance team would perform a topological survey, an economic feasibility study, and formulate the construction plans for the indicated work to be performed.
4. Expected Benefits: Benefits would accrue to scores of farmers and farm workers in the southern Comayagua Valley. Recent experience in Comayagua has shown that small farmer net income has risen from a few hundred to as much as L. 18,000/hectare with irrigation and effective commercialization, and irrigation has brought a more labor-intensive production which has reduced area unemployment. The Coyolar project could bring such productivity and benefits to an additional 1500 to 1800 hectares, at a cost which is yet to be determined with any degree of certainty, but which could be as low as \$2,750 per hectare.

Additional benefits will accrue to Hondurans as a whole due to a more abundant food supply and increased employment, and to the Honduran economy from an

increase Overall Coordinator/Team Leader--to sift through what will undoubtedly be conflicting information and opinions, reach some reasonable alternative paths said Laotian spokesperson for the group on the presentations to the USAID and GOH transition team after the elections, that other donors will fund no less than one half of the study.

The team will address the following areas of concern in their report:

1. What specific objectives should the GOH define for identifying potential solutions to the problems of the landless both in terms of the social goal of land settlement and the economic goal of production and employment generation?

2. Approximately how much land is actually available for expropriation under the Agrarian Reform Law?

3. Approximately how much land is available in small national plots scattered through already settled areas, and what relatively virgin land units might be made available through major infrastructure investments?

4. What is the feasibility and the advantages of each of the following possible responses to land demand:

- a. expropriation of existing farms and settlement of beneficiaries,
- b. colonization of virgin tracts,
- c. settlement of small national owned land units within populated areas,
- d. technification of production on existing small form units,
- e. commercial land market.

4. Benefits: The benefits of the TA will accrue to the GOH and the Honduran populace in general as definition of the alternatives available and their further definitions as well as the programatic options and costings are developed. The benefits--social, political and economic--are expected to be high, not only when viewed in light of the new initiative, but with complementary effects to our ongoing Titling and INA reorganization efforts.

5. Proposed Inputs: The proposed inputs include approximately 20 months of technical assistance at a cost of approximately \$200,000 to \$250,000.

D. ENERGY STRATEGY DEVELOPMENT

1. Purpose: To develop an energy strategy for Honduras that will provide a basis for planning, developing and utilizing future energy resources required for increased economic productivity and foster social stability.
2. Background/Problem: The GOH has taken steps to reduce its dependency on fossil fuels through the construction of major hydroelectric facilities and also its current geothermal resource investigation. Nonetheless, at present only some twenty percent of the population is served by electricity. Despite the construction of a major dam this year, Honduras' electrical network basically consists of a limited national grid that runs from Puerto Cortés to San Pedro Sula to Tegucigalpa and on to the Choluteca area. Also, a portion of the north coast is served by the grid. A small percentage of the rest of the country depends on isolated thermal or in a few cases hydroelectric generation. Some two-thirds of the populated area of Honduras is not reached by the power grid. There is also ineffective planning, insufficient funds and a need for additional technical training in the energy sector.
3. Summary Scope of Work: In 1983, A.I.D. funded the services of Meta Systems Inc. to assist USAID/Honduras with an initial energy planning effort to better understand the energy sector in Honduras. The resultant report provides a background and starting point to develop an energy strategy for the country. An energy strategy is necessary to: (1) focus the GOH's attention on the need for a standard energy development plan with planned results and achievable goals (2) identify necessary actions and activities related to energy planning and describe how and when they should occur (3) assess present in-country technical capability as related to near and long term energy activities and what is necessary to meet goals (4) analyze GOH policy and suggest actions necessary to achieve goals and reduce dependency on imported petroleum products (5) set out how Honduras can gain control of energy development and establish a realistic method of updating the resultant energy strategy. This is intended to be an attainable action-oriented plan.

The AID/W Office of Energy has made significant progress in recent years in determining what is useful and has potential for success in the developing world. Prior to finalizing the scope of work, ST/EY will be consulted for their input. In addition to charting out a strategy for Honduras, a strategy for AID involvement will be developed. During the development of the energy strategy those areas found to be of particular interest to AID will be researched in sufficient detail to allow the Mission to carefully analyze specific Project interventions.

4. Expected Benefits: The proposed study is intended to lay out an Action Plan in the energy sector. The immediate benefits (outputs) resulting from the study will be the development of a comprehensive strategy for the energy sector. Potential benefits include a reduction in portion of a National Budget that is spent on imported petroleum products (in 1982 fuels amounted to

24 percent of total imports); more effective utilization of natural resources used to produce energy; more efficient use of energy for productive purposes and energy technologies available in Honduras will be better understood at a local level to aid in making practical technology selections.

5. Inputs:

An energy Planner and numerous short-term consultants will be required for a total of 12 person months (\$120,000 - \$144,000). Some micro-computer equipment may also be required.

E. NATIONAL NUTRITION ASSESSMENT

1. Purpose: To conduct a comprehensive nutrition assessment in order to determine the nature, causes and distribution of malnutrition in Honduras.
2. Background/Problem: Malnutrition and its complications are the principal causes of morbidity of the childhood population of Honduras. Data on the prevalence and causes of malnutrition are either sketchy or out of date or both. The Mission for some time has been supporting and will continue to support programs which affect nutritional status. The programs are in the health sector (PROALMA, Meals for Millions, Health Sector I), the agricultural sector and the PL 480 sector. Substantial resources are being made available to the GOH which could have an important impact on malnutrition. For example, under the PL 480 programs, more than 2 million pounds of food are brought into the country each year. While each of these activities have specific objectives and have been carefully planned, the Mission, however, lacks a comprehensive strategy in food and nutrition, primarily because of the lack of reliable and up-to-date information. For example, there is not clear information indicating the groups most nutritionally at risk and their location; the extent to which malnutrition is related to inadequate education as opposed to inadequate availability of affordable food staples; the most appropriate nutrition surveillance and monitoring system.
3. Summary Scope of Work: Before conducting a comprehensive nutrition study, a literature search and analysis of the existing sources of food and nutrition information needs to be carried out. This would identify information gaps and would more precisely frame the scope of work for the comprehensive nutrition study which would follow.
4. Description of Expected Benefits: The Jackson Plan identifies malnutrition along with illiteracy, poor education and health, and inadequate housing as an "unstable foundation on which to encourage the growth of democratic institutions." The reduction of malnutrition is listed as the first priority in the area of human development. The CDSS calls for the development of a coherent nutrition strategy, while the FY87 Action Plan strategy is to expand primary health care services, including nutrition activities.
5. Proposed Inputs: About three person months of technical assistance is required to conduct a literature search and analysis and another three person months is required to develop the scope of work, design the protocol, and develop and pre-test a questionnaire. TA from both INCAP and AID/W will also be used. The in-country data collection costs and the processing costs would be borne by the Health Sector I Project. Estimated cost is \$50,000.

F. HOUSING AND URBAN DEVELOPMENT STUDIES/ASSESSMENTS

1. Purpose: To develop a national housing and urban development policy for Honduras.

2. Background/Problem: Urbanization has become a major factor in the development process of Honduras. Between 1960 and 1981, the urban population of Honduras has tripled from approximately 450,000 to over 1.37 million persons. The projected increase will result in an urban population of some 3.9 million persons by the year 2000. This urban population growth will involve major migratory shifts in the spatial distribution of population as well as natural increase.

As urbanization accelerates, there will be an increasing need to develop appropriate urban development policies to ensure that maximum benefits to national economic and social development are realized by the urbanization process. Developing the economic potential of urban places will involve policy determinations and concomitant strategic plans and programs in the areas of physical infrastructure to support economic and residential development; shelter finance and production for all segments of the population, but particularly low-income households; municipal revenue generation and service delivery, and; urban land use management. The degree to which appropriate governmental policies are developed will affect the potential for stimulating and channelling private sector capital investment to those settlements with the greatest potential for contributing to the overall developmental objectives of Honduras.

The development of these policies has, however, been hampered by the lack of timely data and analysis upon which to base rational policy development. The last Censuses were conducted in the early and mid-seventies. Since then the country has experienced dramatic demographic shifts, as the urban areas continue to experience accelerated growth and new agricultural regions have been opened up through the Agrarian Reform movement. Sporadic and uncoordinated data collection and analysis efforts have only exacerbated the situation by creating project-specific data bases, with little potential for generalization to the national level or to categories of human settlements. Moreover, although some GOH agencies, such as CONSUPLANE, do collect data and perform preliminary analysis, the linkages between the analysis stage and the policy determination stage are weak or non-existent.

Similarly, the linkages from stated policies, where they do exist, to strategic planning, program and project development, and subsequent implementation have traditionally been poor. Consequently, there is a need to strengthen the links among the various stages of analysis, policy making, and implementation as well as to fill in the gaps where pieces of the chain are missing or poorly developed. The result of this situation has been the lack of a comprehensive housing and urban development policy framework, based on sound data analysis, to guide the development of specific programs and projects to address the most urgent needs.

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3. Summary of Scope of Work: Technical assistance will be provided by a long-term PSC to facilitate the development of scopes of work and to monitor the implementation of a variety of studies designed to feed into the policy development process. Furthermore, this assistance will be targeted to strengthen the capacity of the Honduran institutions to collect and analyze data, as well as develop the policy determinations based on the analysis. To facilitate this, it is anticipated that a Task Force will be formed for Shelter and Urban Development to provide for participation by key policy makers in the development of the research and thereby facilitate the assimilation of the results into a broad based policy determination and subsequent strategic plans and programs. Specific medium-term technical assistance will be provided for the following activities:

- a. A Spatial Development Assessment to determine the most appropriate role for different regions and types of human settlements in Honduras' national economic development process, including specific analysis of alternative development strategies for national, secondary, market towns and rural village centers as well as the linkages between the provision of urban-type functions and facilities to stimulating rural and agricultural development. This assessment will recommend alternative spatial development strategies to achieve differing policy options.
- b. An Institutional Assessment of the key GOH and private sector institutions involved in shelter and urban development policy or programs. This assessment will examine the array of roles played by the various institutions and recommend a rationalization of roles for more efficient policy development and implementation.
- c. a Municipal Management and Finance Assessment to determine how best to strengthen the administrative and revenue generation capacity of the local governments.
- d. a Valorization Policy Assessment to develop a program for efficient and equitable cost recovery of public sector capital investments.
- e. a Shelter Sector Assessment to determine the shelter needs for the population across a variety of settlement types and regions, the most appropriate shelter solutions to effectively reach A.I.D.'s target group of beneficiaries, and the institutional and financial structure required to develop a self-sustaining low-income shelter program on a national scale. As part of this effort, a national household survey program will be carried out to collect and analyze the basic socio-economic and demographic data required to develop sound shelter and urban development policies.

4. Expected Benefits: The immediate benefit will be the development of a National Shelter and Urban Development Policy aimed at rationalization of the roles of the various levels of government in the areas of development policy, planning, and administration, with emphasis on the specific settlements that should be targeted for intensive integrated development, the degree of

devolution of the revenue generation and management functions that may be feasible to provide basic services currently provided by the central government, appropriate shelter institutional and financial arrangements for both urban and rural areas, equitable cost-recovery policies, and policies to stimulate urban employment in productive activities. Another benefit will be the enhancement of the Honduran capabilities in research design and data analysis as input to developing sound shelter and urban development policies and strategies.

As policies are developed and implemented under the proposed program, it is anticipated that the effort will contribute to the following:

1. Economic transformation will be enhanced as the development of sound urban policies contribute to the diversification of the urban economic based, capable of absorbing the growing labor force in productive employment.
2. Equitable distribution of development benefits will be realized as basic shelter, urban services (including health, education, infrastructure, credit, etc.), and employment opportunities become available to a wider-range of the population.
3. Strengthening of democratic institutions and process as appropriate decentralization policies are developed to devolve authority and power to local governmental levels to implement the national shelter and urban development policies. This is particularly true to the extent that efforts are successful in instituting policies that require cost-recovery mechanisms to make development more self-financing.

Inputs

<u>Activity</u>	<u>Foreign (PM)</u>	<u>FX Cost</u>
Spatial develop.	6	\$60,000
Institutional assess.	4	40,000
Municipal assess.	6	60,000
Valorization study.	4	40,000
Shelter assess.	10	100,000
Sub-total Studies	34	\$300,000
Long-term TA	24	\$200,000
Total	58	\$500,000

G. PUERTO CORTES: BULK HANDLING AND STORAGE FACILITIES:

1. Purpose: To provide technical assistance for the pre-feasibility studies, feasibility studies, and engineering designs required as a basis for construction financing.

2. Background/Problem: Honduras imports wheat in excess of 100,000 M.T. per year and transportation costs for this wheat are extremely high because unloading facilities allow a maximum of 1,000 metric tons per day and vessels have to be at Puerto Cortes for extended time periods. In addition to wheat imports, Honduras has the potential for exporting basic grains. One of the principal constraints to such exports is the lack of bulk storage facilities at Puerto Cortés. The port development master plan for Puerto Cortés also envisions bulk handling facilities for export of cement or clinker. The Dutch have studied cement and clinker export and from initial investigations seem to favor exporting clinker instead of cement. Honduras could annually export between 400,000 and 600,000 tons of clinker.

3. Summary Scope of Work: The technical assistance is required immediately for a pre-feasibility study and feasibility and engineering designs for the proposed facilities. These two steps are needed prior to the initiation of any construction activities. The studies would determine exactly what is necessary to have bulk storage facilities materialize. The feasibility studies could be completed up to the point of moving into final design stages.

4. Expected Benefits: The feasibility study should begin immediately. Assuming demonstrated need, the engineering studies and contracting should be conducted during the North Coast rainy season (until February, 1986) with construction to begin in the dry season. Bulk handling facilities would result in significant cost reduction for transportation of wheat imports and basic grain and other material exports.

5. Proposed Inputs: Approximately 12 person months of technical assistance will be required at an estimated cost of \$145,000.

H. INFORMAL SECTOR BASELINE STUDY AND ANALYSIS

1. Purpose: To undertake a comprehensive baseline analysis of the informal sector which is necessary to understanding and promoting its development.
2. Background/Problem: Despite recognition that the informal sector represents a major source of income and employment in Honduras, very little is known about this sector of the economy. The lack of knowledge restricts the ability of AID, other donors, and the Government of Honduras to undertake initiatives to promote the development of the sector. Without a quality baseline analysis of the sector, it is difficult to appropriately design projects to strengthen the sector's ability to generate employment and income. Moreover, no comprehensive policy framework can be developed without a sound data base.
3. Summary Scope of Work: The proposed project will define the role of the informal sector in the national economy, provide a baseline analysis and understanding of the sector, and provide recommendations for its development. The activities to be carried out would include: design of survey instruments; selection and training of interviewers; data collection; computer-based analysis of data; report preparation and review of results. Sub-group analysis will be performed for the rural and urban micro-enterprises as well as male operated/denominated and female operated/denominated micro-enterprises.
4. Expected Benefits: The immediate benefit for AID and the GOH will be the development of an in-depth profile of the informal sector, identification of the sector's contributions to the national economy, identification of the characteristics of the participants and the needs of the small-scale enterprises comprising the sector. USAID will then have a sound basis for development of an informal sector program to complement other activities under our Private Sector Strategy. USAID can then promote a coordinated effort of the various groups now providing credit and technical assistance to small and micro-entrepreneurs. We can begin to work with the GOH to develop a policy framework for promoting the sector.

The proposed baseline analysis is crucial to the Mission's success in completing our own program strategy of increasing employment and income through assistance to non-traditional exporters and small-scale enterprises.

The Jackson Plan states, "We recommend the development of aid programs to nurture small businesses, including micro-business." It points out the need to increase the number of institutions providing credit and technical assistance to small business. We can do that only after identifying the needs of the small entrepreneurs."

AID's Policy Paper on Private Enterprise Development points out that "assistance to the productive activities carried out in the informal private

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sector may be the only effective way to stimulate broad-based growth and development-- such assistance is, in any case, highly cost-effective in terms of meeting AID's target group."

5. Proposed Inputs: Twelve person months are required to complete the analysis from project organization and start-up to final report and recommendations for an estimated cost of \$120,000.

I. UNEMPLOYMENT STUDY

1. Purpose: To understand the un-under-employment situation in Honduras in both the urban and rural areas.

2. Background/Problem: The 1984-89 CDSS states as one of the Mission's principal objectives the reduction of unemployment in Honduras. However the Mission does not have enough current information on both the un- and under-employment situation in the country to plan its interventions adequately.

There are a number of commonly held beliefs and hypotheses that need to be validated. It has been argued that the Honduran agricultural sector is characterized by (1) a high degree of land concentration, and (2) an underutilization of land, particularly in the larger farms. As a result, there is a substantial number of families living in rural areas which are landless and which normally have difficulty in finding relatively stable jobs in agriculture. In order to make a living these families normally migrate. Some of the data available indicates that they migrate initially to secondary and tertiary cities, and from there they migrate to the larger urban centers. Rural migrants normally, however, do not have the education, training, and skills to occupy urban jobs. Consequently, they are forced to accept either low-paying or temporary jobs. The unemployment problem, which is mainly a rural phenomenon, becomes an underemployment problem when it is transferred to the cities. At the present time, given the current economic crisis, traditional urban residents are beginning to lose their jobs and must compete with rural migrants for available employment. The urban settlers of rural origin, however, never break their ties with the rural world. The maintenance of these ties at present plays an important economic function as it allows these new urban dwellers to return to the countryside also in search of temporary employment, particularly during the peak labor demands period of the agricultural cycle: those periods when the land is prepared and when production is harvested. Temporary and pendular migration patterns between the urban and rural areas are probably beginning to develop.

Based on this line of reasoning, we can say that the following hypotheses need investigation:

- (1) There is a very high unemployment rate in the countryside.
- (2) The unemployment problem is more acute in the countryside than in urban areas.
- (3) The unemployment situation in the countryside is forcing rural families to migrate.
- (4) When the unemployment phenomenon is transferred to urban centers, it changes in nature and it becomes mainly an underemployment problem.
- (5) Given the country's current economic situation, job opportunities are more limited now than before and many urban dwellers previously holding permanent jobs are now underemployed.
- (6) Rural migrants in the city are encountering difficulty in finding even low-paying and temporary jobs in the urban centers where they have migrated. As a result, they are forced to return temporarily to their towns or origin when agricultural labor demands increase.
- (7) Both un- and under-employment problems affect primarily three groups of people: the unskilled, the young, and females.

3. Summary of Scope of Work: Based on the previous discussion and in order to have a comprehensive picture of the un-/under-employment situation in the country, a study of the labor market in both the urban and rural areas must be conducted. The dichotomy urban-rural is an artificial one inasmuch as they are both integrated parts of a whole, mutually influencing each other.

To understand the un-under-employment problem in urban areas, the Mission will support an in-depth analysis of data that has been recently collected and which has not been fully analyzed. The Latin American M.A. Program in Social Work (LAMAP) at the National University of Honduras has sponsored a study dealing with the characteristics of the labor market in the country's urban centers. Through this study, information on the employment situation currently faced by families in six different cities has been collected. Some of the hypotheses presented above could be investigated using the information that has been already gathered. The M.A. Program in Social Work, however, both for technical and financial reasons, did a superficial analysis of these data. Since an assessment of the methodology utilized in this study has proven that the research design, sampling techniques, questionnaire, and data gathering procedures per se are sound, Project funded technical assistance will perform the in-depth analysis that is still lacking. Financing will be required to pay for the salaries of an analyst and a programmer, computer time, and materials. Both the analyst and the programmer will work with the existing LAMAP team in completing this task. The LAMAP team is composed of one sociologist and two social workers.

Since the data collected by LAMAP is limited to urban centers, a complementary effort to understand the magnitude of the rural unemployment problem must be sponsored. Three options to correct for this lack are possible. First, an expert on rural un-/under-employment could be brought to Honduras to advise the Mission on a specific methodology that could be utilized to understand this problem. His recommendations would be implemented immediately after approval of his proposal by the Mission. Second, the sample area frame created under the Agricultural Sector II Project could be modified and applied to take a snap-shot at a given point in time of the labor situation characteristic of typical rural families. And third, secondary data could be utilized to estimate the extent to which the labor supply in the countryside exceeds the demand of the agricultural sector and that of both small industries and small service enterprises in the countryside. This study would include estimates of seasonal variations in the employment situation.

4. Benefits: Support of this activity and the implicit validation of the hypotheses listed previously would allow the Mission to have necessary basic information to accurately define its projects in the following areas: agrarian reform, incentives to agricultural production, employment generation activities in main urban centers and in secondary and tertiary cities, and skills training programs for both males and females.

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5. INPUTS

	<u>Urban Un/Under- Employment</u>	<u>Rural Un/Under- Employment</u>	<u>Total for Both Urban and Rural Un/Under- Employment Depending on Options</u>
Support LAMAP Activity	34,000		
Option 1		300,000	334,000
Option 2		250,000	284,000
Option 3		8,000	42,000

J. RURAL ELECTRIFICATION STUDY

1. Purpose: The purpose of the technical assistance is to provide the technical base to establish a rural electrification system in the Guayape Valley. The T.A. team will review the plans of the National Power Company of Honduras (ENEE) for the design and development of the Guayape Valley, complete base line studies, analyze important linkages between electrification and other related activities, commence investigation of pricing policies for rural electrification, and determine scopes of work for development of future documents leading to the preparation of a Project Paper.

2. Background/Problem: In 1982, 27 percent of the homes in Honduras had installed electricity. The total installed national grid capacity at the end of 1984 was 220.3 MW while the total installed capacity at the end of 1990 is planned to be 524 MW. This increased capacity will allow for the further expansion of electrification in rural areas. The section of Honduras targeted for rural electrification under a new AID project is the Guayape Valley. It is envisioned that with the construction of this activity, ENEE will be able to integrate the Guayape Valley and adjacent regions into the existing national electrical grid, which will result in a reduction of the present-day cost in generating thermal energy for the Valley, an improvement in the reliability of the electrical service provided to this area, and will make possible expansion of the distribution network to communities which presently do not have access to electrical service. The project plans to carry out the construction of (1) the 185 km 69.5 KV transmission line from Santa Fe Substation in Tegucigalpa to Juticalpa; (2) the Juticalpa Substation; (3) the 45 km 34.5 KV sub-transmission line from Juticalpa to Catacamas; (4) the 34.5 kV distribution lines to approximately 50 communities in the Guayape and communities located between Tegucigalpa and Juticalpa.

3. Summary of Scope of Work: USAID will contract with a firm or individuals for most of the services required to provide sufficient background information and data for the Project Paper development. The team will:

- review ENEE plans and documents and confirm technical feasibility of the project and cost estimate.
- review Honduras' rural electrification standards and specifications and determine if modification is appropriate, and recommend modifications.
- analyze cost constraints to the project and reflect decisions in technical design standards and tie to the revenue-earning operations of ENEE.
- identify ongoing and planned Guayape Valley development programs.
- identify potential growth of existing and future market towns.
- identify mechanisms to stretch available financing.

- prepare survey formats for inventorying candidate communities for electrification.
- assess contracting options available for construction of system.
- determine established industries and commercial enterprises in Guayape Valley.
- assess and analyze linkage between rural electrification and increased economic productivity in the Guayape Valley.
- develop detailed project implementation schedule.
- assess utilization of a cooperative for systems operation.
- compare cost of national grid hookup with that of developing independent power sources.
- identify agricultural activities that would benefit from electrification.
- assess project impact on demand for petroleum based imports, specifically the project's relationship to transportation, independent generating units, agricultural, residential, commercial, industrial, and others.

4. Expected Benefits: AID experience has indicated that rural electrification improves the living conditions of the poor through productive social as well as uses of electricity. Electric-run irrigation systems (pumps), for example, account for about 10% of production costs of irrigated export crops but generate more than 40% of the marketed value of the crops. While irrigation represents 40% of production costs of truck-farming for local consumption, it results in 100-200% increases in benefits.

Rural electrification also has important economic impacts in other areas, including modernization of slaughter house operations, lumber production, and mining, and greater potential for agro-industry which exists in Guayape Valley to gin cotton instead of transporting cotton out as is presently done. It is estimated that the project will directly benefit 40,000 people in the Departamento of Olancho and some 20,000 in the Departamento of Francisco Morazan, thereby also contributing to improved distribution of income in rural Honduras.

5. Proposed Inputs:

Technical Assistance:

Economist-consultant
Sociologist-consultant
Development Planner/Economist-consultant (previous rural
electrification experience)
Engineer - part-time consultant with assistance from USAID/ENG

Approximately 16 person months of technical assistance are required for an
estimated cost of \$160,000-\$192,000.

K. SULA VALLEY DEVELOPMENT FEASIBILITY STUDY

1. Purpose: To prepare a feasibility study of the Project.
2. Background/Problem: Sula Valley is the most productive export area in Honduras; 70% of the country's exports are produced there. Nevertheless, only 33% of its total potential area is intensively cultivated due mainly to the hazard of annual flooding and related effects. In February 1984, AID contracted a consultant firm to: "Identify discrete areas of the Sula Valley which may be feasible to develop (prefeasibility study)." The result of the study was the identification of five areas with possibilities to be developed. The most promising is "Los Pájaros" area, (7200 has.). Preliminary economic analysis show an internal rate of return of 12.4% over a period of 50 years with a capital cost of \$22.0 million. In line with the Mission's rural development and Jackson Plan economic transformation objectives, development of this area may be a worthwhile investment for USAID/Honduras and the GOH. However, there is a need for a comprehensive feasibility study for project design.

3. Summary Scope of Work: The consultant will study the technical and economic aspects of the project taking into account the guidelines of the prefeasibility study and the Sula Valley Master Plan prepared for GOH in 1976.

Most of the basic information is already collected by previous works. Environmental impact study should be part of the prefeasibility report in compliance with AID environmental procedures.

The study must reach a sound technical and economic level and should provide necessary information to take decisions and follow-on with final design and bid document.

4. Expected Benefits in Terms of the Contribution in Meeting the above mentioned Criteria: The feasibility study will give AID and GOH enough information to decide the worthiness of the project, its economic benefits in terms of substitution of imports, production of exports agricultural products and should provide enough information to decide the project feasibility compared to other similar projects in Honduras.

5. Proposed Inputs: The consultant must be a highly qualified firm with experience in flood control, irrigation and related disciplines regarding agricultural economics and preparation of feasibility reports. Is advisable a previous experience in similar projects in Latin America. It is estimated that approximately 50 person months of technical assistance will be required at a cost of \$500,000 - \$600,000.

II. TECHNICAL SUPPORT AND ASSISTANCE

A. AGRICULTURAL PLANNING

1. Purpose: To provide long- and medium-term technical assistance that will establish an effective AID liason with the major Honduran public and private planning units, provide practical training for key individuals, establish more coordinated actions and integrate the planning functions with the annual and periodic planning processes for the Mission's sectorial concerns.

2. Background/Problem: Over the past 5 years the USAID has invested \$3.0 million in budgetory support from the Agricultural Sector II project and local currency generations of the PL-480 Title I program to support planning efforts of the National Planning Council (CSPE), the Ministry of Natural Resources (MNR), the Agrarian Reform Institute (INA), Agricultural Development Bank (BANADESA), the Coffee Institute (IHCAFE) and others with the hope of effectively formulating policies, plans and budgets.

Nonetheless, two separate evaluations on this investment have indicated several problems that are contributing to the lack of coordination among the institutions and disappointing results:

- a. Technical planning capabilities are low;
- b. The planning function is divorced from the annual bdegetory process;
- c. A.I.D. offices do not have a continuous direct "link" with the major sectorial planning offices.
- d. Responsibilities among the different offices are not clearly defined, institutional jealousies prevail, and effective coordination suffers.
- e. The private sector is not formally incorporated into the planning process.

3. Summary Scope of Work: This technical assistance will require a two year contract with an agricultural planner. This person should have a knowledge of AID operations, experience practical planning applications, excellent linguistic and writing skills, and be able to establish confidential working relations with both USG and GOH. This person would be expected to coordinate with our information activities and policy analysis. Short-term assistance could be made available through the AID/W S&T based on Agricultural Planning and Policy Analysis Project.

4. Benefits: This technical assistance should be in place before the Nov. 1985 elections in order to garner an impression of current operations, to provide some continuity during the transition, and assist in the inevitable new 5-year plan that will be initiated after the election. The downstream

benefits to Honduras and the USAID programs could be dramatic if this effort proves successful in terms of more effective, sound and workable program and project development.

5. Proposed Inputs:

TA	2 year long-term PSC/PASA or institutional contract	250,000
Commodities	microcomputers, programs/software, UPS, training supplies, books	50,000

B. ORGANIZATION SPECIALIST/MNR

1. Purpose: To provide the Ministry of Natural Resources (MNR) with a technical expert to help them organize and implement a decentralized Institute for agricultural research and extension.

2. Background/Problem: The development and diffusion of technologies is a key stimulus to agricultural progress. Most of the agricultural effort and international agencies in Honduras have traditionally been directed toward the development of public sector institutions (in the case of research and extension through central GOH agencies) and projects implemented through these agencies. These efforts have been plagued by the complexity of government organization and operation, social and political problems, variability in budget support, problems of recruitment of qualified personnel, rapid turn-over and little inter-agency coordination.

In summary, the major problems facing research and extension services in Honduras are:

- inadequate, national, sectorial, and local organization
- administrative impediments
- goals, objectives and strategies not clear or well developed
- lack of incentives and job security
- inadequate training
- poor linkage between research and extension
- inappropriate technological packages
- low pay, low productivity and low morale
- duplication of efforts, lack of coordination
- difficulties of coverage and mobility

The GOH is currently undergoing a reorganization in the Ministry of Natural Resources in order to resolve these problems above. It is expected that this reorganization will lead to the creation of a decentralized Institute of Agricultural Research and Extension to replace the present system in which the two programs are part of the Central Government. The research arm of the Institute will work closely with the USAID - funded private research foundation and will work on those areas not emphasized by the private research foundation, e.g. basic grains.

At the request of the Minister of Natural Resources A.I.D. has participated in the drafting of a law which creates this new Institute. The law will soon be presented to Congress for approval. The plan is to approve the law and have the Institute begin operation under the present Government by January 1986.

A.I.D. has provided short-term T.A. in the development of the law but now longer-term T.A. is needed to develop the organizational structure and operational rules and manuals to ensure a smooth transition and start up of the new Institute. To do this the MNR will form an organizing committee in which this T.A. in organization will play a major role.

3. Summary of Scope of Work: An expert in organization and administration of agricultural research and extension entities is needed for a period of at least six months to participate in an organizing committee made up of MNR and contract personnel to:

- develop the organization of the Institute, including its structure and functions at the national and regional levels;
- select work programs;
- select geographic areas of influence, sites for offices;
- pre-selection of personnel;
- select and develop relation with private entities;
- coordinate with public sector entities;
- develop a budget, and;
- write rules and manuals

The individual must have considerable experience in the development, organization, and management of a research and extension agency, similar to the one being proposed. His experience should be in Latin America, preferably in Central America. He will be expected to play an important leading role in the organizing committee.

Benefits: This T.A. will lay the ground work for the new Institute. It will be extremely influential in the actual design and workings of the Institute and it will be critical in providing for a smooth transition from the present centralized Research and Extension Services to the new decentralized Institute. The T.A. is consistent with the Jackson Plan and Mission priorities.

Proposed Inputs: The proposed inputs includes six months of expert technical assistance in organization and administration of agricultural research and extension e

C. DOMESTIC AGRICULTURAL MARKETING

1. Purpose: The purpose of the technical assistance is to assist the Mission in identifying the bottlenecks which impede a more efficient market and the development of a viable processed food industry. Technical assistance will include an analysis of the present situation, a detailed examination of the existing food processing plants, and an examination of the potential for and the constraints facing the expansion of the domestic industry. The technical assistance will also provide practical recommendations regarding measures which could be taken to improve the processed food marketing system.

2. Background/Problem: Since 1980, Honduras has begun to strong shift from a subsistence-oriented agricultural sector to a more market-oriented one. This gradual yet uneven development is the result of several factors, among them are: (1) accelerated migration from the rural to the urban areas; (2) increased market surplus of agricultural produce encouraged by adoption of modern farming techniques; (3) expansion in agribusiness, and; (4) improved attractiveness of the export market, provoked, in part, by the CBI.

As a result, the traditional marketing systems are overburdened and characterized by inefficiencies representing loses to the producer and consumer, and to the economy as a whole. The more obvious deficiencies include the absence of policies aimed at changing market condition, the lack of personnel both in the private and public sectors with adequate marketing expertise, poor market intelligence network, and inadequate infrastructure and auxiliary marketing services.

The repercussions of an under-developed internal marketing system are pervasive, and include:

-lack of confidence in the market system which creates reluctance on the part of farmers to orientate production to meet market demands;

-loan of foreign exchange as Honduras imports commodities the country has the resources to produce, and;

-increased marketing margins, resulting in inefficient use of resources, manifesting itself in lower farm gate prices, high prices at the consumer level, and non-competitive export products.

3. Summary Scope of Work: The technical assistance team will be headed by a team leader with experience in commercial food marketing in developing countries, along with three specialists (a processed food specialist, an industrial engineer and a food economist) is required. The services of the team leader would be needed for four months to take principal responsibility for the elaboration of the study and the development of recommendations. The specialists would be required for between three to four weeks each to contribute to the study in their areas of expertise. The final study would serve as the basis of a PID to be developed in the area of food marketing and processing.

A study is required of the produce marketing system from Comayagua Valley to Tegucigalpa urban markets with specific focus on tomatoes, onions and cabbage.

The study will include the following:

- I. An overview of onion, tomato and cabbage production in the Comayagua region.
 - A. Land area
 1. Location
 2. Land use
 - B. Population
 1. Size and growth
 2. Socio-economic status
 - C. Regional economy
 1. Growth rate
 2. Employment
- II. An analysis of Marketing Channels between Comayagua and Tegucigalpa
 - A. Graphics depicting the flow of produce
 - B. Description of major functions as activities undertaken at each commodity handled by each marketing channel.
- III. Analysis of Market System Operation
 - A. Types of exchange arrangements
 - B. Terms and conditions of exchange arrangements
 - C. Terms of payment, including cash, credits or deferred payments
 - D. Methods of obtaining information.
- IV. Market Infrastructure
 - A. Description and evaluation of modes of transportation
 1. Modes available
 2. Transport costs
 3. Appropriateness.
 - B. Evaluation of major facilities
 1. Market places
 2. Storage facilities
 3. Processing facilities beyond farm level
 - C. Evaluation of information collection and dissemination services.
 - D. Evaluation of financial intermediaries.
- V. Identification of Major Constraints to Improved Market Efficiency
- VI. Recommended Intervention to Remove Marketing Constraints
 - A. Organizational
 - B. Training
 - C. Credit
 - D. Infrastructure
 - E. Policy

In addition, specific aspects of the marketing system require detailed analysis. These are:

(a) Transport Sector. The transport sector, e.g. truckers, are the linch-pin of the present domestic marketing system. This sector is the nexus between the producer and consumer. As such, a thorough understanding of the structure, financial and organizational, infrastructure, strengths and limitations of this critical component is crucial to any efforts to improve and stimulate the domestic market. A transportation expert is required to examine, analyze and report on the internal transport sector.

(b) BANASUPRO. BANASUPRO is the public sector food retail network. Its purpose is to ensure the availability of basic consumer goods throughout the country at reasonable prices. The network maintains both an urban and a rural presence. The facilities of BANASUPRO include three central warehouses, trucks, cold storage and a grid of retail outlets.

To date, BANASUPRO has been heavily subsidized through donations, largely from the European Community. These have been significantly curtailed. The future of BANASUPRO, therefore will depend upon increased support financed through either the public budget or increased participation of the private sector.

Increased private sector participation would improve competition in the domestic market and release public funds. Therefore, an evaluation of BANASUPRO's facilities and organization and a design of a package which would attract private sector participation is urgently needed. The technical assistance of a marketing specialist with an expertise in financial packages and franchise arrangements is needed to propose in a report to the Mission the various options available to BANASUPRO.

(c) Market Information and Intelligence System. As the agricultural sector continues to increase its market orientation, the need for an effective flow of accurate and timely market information is becoming glaringly obvious. Producers operate with marginal information concerning prices prevailing in the major markets, both internal and external, and are poorly equipped to negotiate with prospective buyers. Improved access to market information would strengthen the producer's negotiating positions and lead to improved gross revenues. Similarly, consumers are poorly informed regarding product availability and quality and price differentials. Such ignorance increases the consumer's food bill and discourages market competition.

An effective and efficient market system can exist with, among other things, a free and complete exchange of information conveying consumer preferences to the producers and product availability to the consumer. In Honduras, the underdeveloped market intelligence system is a serious handicap to the establishment of a modern market network. The services of a communication specialist are needed in country to propose options available to begin to establish viable market communications.

(d) Consumers Education. A serious imbalance, encouraged in part by donor activity, has emerged which poses a significant constraint to the establishment of a smooth functioning marketing system. In many respects, the

productive capacities of the agricultural sector are more advanced than the domestic consuming populace. While Honduras produces a wide variety of fruits and vegetables, the typical Honduran consumer is accustomed to only a very limited set of these products. Lack of consumer awareness of the benefits of a more varied diet of high quality fruits and vegetables 1) reduces nutritional levels 2) increases the risk of export-oriented produce enterprises by limiting their market outlets and 3) constrains the development of a market system that moves efficiently produce to the domestic consumer. Awareness of the importance of a varied diet would increase domestic demand for the nontraditional products Honduras is now producing. In addition such awareness would elevate the current nutritional standards and introduce elementary quality control standards to the domestic market.

An education program relying on mass media communication would increase consumer awareness and demand for a more varied diet supplied with locally grown produce. The technical assistance of a mass communication expert with experience in nutritional problems in developing countries is needed to develop a consumer nutrition education program.

4. Expected Benefits: Assistance is required as soon as possible. Expected costs are approximately \$95,000. A dynamic food marketing system and a processing industry would not only stimulate agricultural production, expand employment and improve nutritional standards, but would also generate significant foreign exchange earnings, by reducing imports and increasing exports of higher valued agricultural products.

5. Proposed Inputs:

Technical Assistance:

Produce Marketing System (8 p.m.)	\$ 95,000
Transport Sector (1 p.m.)	12,000
BANASUPRO (2 p.m.)	24,000
Market Information (1p.m.)	12,000
Consumer Education (1 p.m.)	<u>12,000</u>

TOTAL TA \$175,000

D. AGRICULTURAL INFORMATION

1. **Purpose:** To provide medium-and long-term technical assistance to establish a viable agricultural information system in Honduras. This will include a rationalization of resources within the sector, institutional and administrative reforms, primary field data collection, data processing and publication, and collection of secondary information.

2. **Background/Problem:** The lack of timely and reliable data continues to hinder planning and development efforts in Honduras. The usefulness of the Area Sample Frame (ASF) developed under the Agricultural Sector II (ASP II) project will depend in the future on how Honduras can put it to work. Technical assistance availability will be necessary to the development of a reliable agricultural information system. A.I.D. has supported agricultural information efforts including both documentary (CEDIA and the Agricultural Bibliography) as well as the construction of the ASF. The ASF was used with great success for the Fall Survey which included both the crop forecast and agricultural production data. The construction of the ASF is only the first step; the ASF includes both urban and rural, agricultural and non-agricultural information and has wide-ranging applications for household income and expenditure, health, education, credit, marketing infrastructure, and other surveys. But, in order to continue with agricultural application and expand into other areas of concern, the ASF requires experienced technicians to provide guidelines to the national team as to how to take full advantage of this tool. USAID has been providing this kind of support to DGEIC for the last 9 months through the services of experts from OICD/USDA, funded for the most part with ASPII funds. The completion of the ASPII PACD will not allow the Mission continue this support after June 30, 1985.

Due to the cost increases and general financial conditions of the GOH over the last few years, the undertaking of an Agricultural Census is highly unlikely in the future years. An Agricultural Census was scheduled in 1984, but the GOH decided to substitute as best as possible for the Census with continual Agricultural Surveys. The GOH does not have the qualified personnel to carry by themselves such an enormous task and TA will be required to play a major role if this is to succeed.

3. **Summary Scope of Work:** Continuous job-related assistance in the areas of data collection program planning and execution, including sample design and area frame maintenance, questionnaire design and field collection methods, data processing and programming, publication and establishment of information request system is expected to be provided by USDA/OICD. Some technical assistance and training requirements will be supplied by the International Statistical Programs Center (ISPC) of the U.S. Census Bureau (BUCEN).

Scope of work for Long Term Agricultural Information Technician:

a. Identify and evaluate quality, frequency and level of detail of administrative and primary, generated data from various sources including Central Bank, MRN, INA, IHCAFE, DIFOCOOP, INFOP, BANADESA, and Farmer Organizations. Develop a structured data and information system based upon these needs and budgetary constraints.

b. Maintain liason between data users and DEAR/DGEC to insure that:

- DEAR is responsive to users needs
- Users plan survey requirements to take advantage of regular or special surveys by DEAR that DEAR and users jointly discuss and develop survey specifications to include:
 - scope of survey (who is to be interviewed)
 - what questions are to be asked
 - what output tables are required
 - when is output required
 - what level of precision is desired
 - what financial support can be expected

c. Evaluate requirements for medium-term technical assistance from USDA/SRS with respect to:

- Survey evaluation, including basic variable definitions
- Sampling frame performance measurement
- Special purpose sampling
- Technical training
- Computer operations including systems and software
- Area frame revisions

d. Train data users to evaluate sources and quality of data and recognize and appreciate the statistical and data analysis processes by assisting users with both.

e. Incumbent will work closely with Director of DGEC to assure his support for DEAR and also to expand his awareness of the area frame's potential uses.

4. Expected Benefits: A timely and reliable data base is essential to provide information in support of agricultural planning, basic grain price decisions support, sector assessments, project design and evaluation, nutrition evaluations, credit analysis, livestock inventories, and other sector activities that require reliable information base. The proposed TA supports the basis of SPATS--information that will serve strategy elaboration, project and program design. In the process it will train a group of administrators, professionals and technicians in the area of information gathering, data processing, publication and analysis.

5. Proposed Inputs:

TA:	2 years long term advisor Institutional Contract with USDA/OICD and/or BUCEN/ISPC	\$ 220,000
Commodities:	Microcomputers, software, WPS, satellite imagery, photo paper and supplies	50,000

E. MACRO-ECONOMIC TECHNICAL ASSISTANCE SUPPORT

1. Purpose: To provide technical assistance to the GOH to support macro-economic policy reform and improved accounting procedures.
2. Background/Problem: The ability of the Honduran economy to achieve Jackson Plan targets by 1990 is constrained by deficiencies in the analytic information base required for effective policy formation and wide gaps in the depth and breadth of the economic talent that is currently available in the country to develop the required knowledge base. Over the long run, the solution to this problem lies in education and training programs that will broaden and deepen human capital in economic analysis and policy formation. As such the Mission is developing such training programs. Given, however, the 1990 time frame of the Jackson Plan targets and the unique opportunity afforded by upcoming Presidential and Congressional elections to institute an immediately productive policy dialogue with the new government on the key constraints to improved economic performance, the problem must also be addressed in the short run. Reflecting these considerations, the Mission believes that the most effective short-run strategy is to supplement, with foreign economic expertise, the available Honduran talent to develop a series of analytic studies that can provide a timely basis for policy discussions with the new government and its transition team on how best to achieve Jackson Plan targets.

In recognition of the problems and in anticipation of the opportunities afforded by the present situation, the GOH has requested that A.I.D. finance the participation of foreign economic experts in a series of studies, listed below, that are designed to enhance the bases for a timely policy formation and implementation.

3. Summary Scope of Work:

a. Structure and Level of Foreign Trade Taxes: Honduras' system of foreign trade taxes reflects a historical emphasis on import substitution policies in combination with administratively-simple ways to obtain government revenues. The GOH now recognizes that the resulting tax structure, inclusive of a host of special laws providing exemptions for many of these taxes, may have led to an allocation of resources that, through shifting resources to production for the domestic and regional market at the expense of production for international markets, has reduced real income significantly below potential. To evaluate this hypothesis, the GOH has requested technical assistance for a detailed study of the structure of foreign trade taxes. The study, inter alia, should calculate effective rates of protection, estimate the revenue losses that would result from a reduction in the overall level of protection, propose domestic substitutes for foreign trade taxes, and suggest the efficiency gains that would result from the introduction of a more efficient structure of foreign trade taxes.

b. The Overall Structure of Taxation: The overall structure of taxation in Honduras has been built up less on the basis of efficiency and equity considerations than on the base of immediate revenue considerations. As a

result, the tax structure may be a significant constraint to achieving potential gains in real income. The tax system encompasses a host of exemptions that, while designed to achieve certain purposes, may neither achieve these purposes nor achieve them as well as other instruments. The purpose of this study is to evaluate the efficiency, equity, and elasticity of the tax system and to suggest emphases on sources of taxation that promise to provide revenue at lowest costs in terms of equity, efficiency, and administrative simplicity considerations. The study should present estimates of the incidence of taxation.

c. Capital Market: Investment in Honduras is mainly self-financed and/or dependent upon debt rather than equity sources of finance. Given the risks of investing in the commodity and service producing sectors and the often high up-front costs involved, it may be the case that the absence of an equity capital market has resulted in investment levels that are significantly below potential levels. The purpose of this study is to develop the legal, institutional, and perhaps, social bases that have precluded the development of a market for the purchase of publicly owned firms might be facilitated through a capital market. The study should also address the usefulness of attempting to develop a capital market and lay out the requirements for institutionalizing such a market in Honduras.

d. Producer, Export, and Import Price Indices: Given the high dependence of the economy on foreign trade, both from the perspective of final demand for exports and from the perspective of intermediate import requirements, trends in export, import, and producer prices are essential inputs into policy formulation and analysis. Price indices of these types either do not exist or suffer from methodological deficiencies which call into question their accuracy in calling attention to real trends. The purpose of this study is to assist the GOH in developing such price indices at the aggregate level and for important subgroups of these aggregates. The study should also show how such indices can be used to evaluate comparisons of Honduras' production costs with those of countries that compete with Honduras in the domestic and international market. It should also show how such indices can be used to estimate the impact on production costs of changes in the exchange rate and other factors that might raise domestic production costs.

e. The Input-Output Structure of the Honduran Economy: There is little empirical knowledge of the input-output structure of the Honduran economy and how that input-output structure relates to either final demand aggregates or the distribution of factor income among households and other institutions. In consequence, much of policy making takes place without the kind of comprehensive frame of reference that is desirable and, in some cases, even essential for policy decisions. The development of such a frame of reference in Honduras is hindered by lack of in-depth Honduran expertise in developing an input-output structure and relating that structure to the rest of the economy. As such, the GOH has requested that the USAID finance the participation of foreign experts in a group of Honduran technicians that would develop this frame of reference.

f. Flow of Funds Accounts: Honduras does not have flow of funds accounts and thus does not have an analytical framework that can relate developments in the financing system to developments in real activity and to developments in

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domestic monetary policy and international financial flows. The purpose of this study is to assist the GOH (The Central Bank) in developing, maintaining, and utilizing these accounts as a tool of analysis and policy formation.

g. Pricing of Infrastructural Services: Many services in Honduras are provided by publicly owned firms. These include telecommunications, electricity, water/sewer and port services. As a result of public ownership, pricing policies to provide revenue sufficient to cover O+M costs and provide a reasonable basis for meeting investment requirements for service expansion are often deficient. The purpose of this study is to review current pricing policies from the twin vantage points of economic and financial viability and to recommend such improvements as may be required.

h. Other Studies, NES: In addition to the aforementioned studies, the GOH has expressed serious interest in, but has not made formal requests for, studies in other areas. These include (1) Administrative Barriers to Export Development, (2) Possibility of Introducing a Central American Monetary System as a Complement to the Central American Common Market - lessons from the European Monetary System, and (3) Suggestions for Improving the Quality, Reliability, and Methodology underlying the National Income and Product Accounts in Real and Financial Terms.

The CLO/E will act as resident advisor to USAID/Honduras/OEPA. He/she will clarify proposed scopes of work, ensure that the required skills and the proposed product are clear, coordinate the timely preparation of GOH counterparts, and, as time permits, will personally undertake or perform short-term studies with the assistance of counterparts from the GOH and/or OEPA staff.

4. Expected Benefits: The studies and, in particular, their incorporation within the decision-making structure are expected to improve significantly the prospects for intelligent policy decisions. In this connection, USAID/Honduras plans to use these studies as a basis for policy discussions with the Government that will take office in early 1986 and during the immediate post-November 1985 election period.

5. Inputs: The services of a chief liaison officer (CLO), a local economist, and administrative support staff will be required in order (1) to facilitate the timely preparation and quality of the envisaged studies, (2) ensure effective communication among USAID, the GOH, and foreign/local contractors; and (3) effectively incorporate the studies in the GOH analytic information base for policy formation. The costs of these services are separately distinguished from the costs of the studies themselves. It is anticipated that up to 50 person months of medium-term technical assistance and 24 person months of long-term technical assistance will be required. Estimated cost is approximately \$800,000.

PROPOSED BUDGET 1/

	<u>FOREIGN EXPERTS TIME</u>	<u>DOLLAR AMOUNT</u>	<u>LOCAL EXPERTS TIME</u>
<u>STUDY</u>			
Capital Markets and Divestiture	6 pm	\$60,000	36 pm
Input-Output Structure	12 pm	\$120,000	6 pm
Price Indices	3 pm	\$30,000	12 pm
Structure/Level of Foreign Trade Taxes	6 pm	\$60,000	12 pm
Overall Tax Structure	6 pm	\$60,000	12 pm
Flow of Funds Accounts	3 pm	\$30,000	6 pm
TOTAL		\$580,000	

1/ pm designates "person months."

F. HOG CHOLERA CONTROL:

1. Purpose: The purpose of this technical assistance component is to assist the MRN to design and implement an effective program to control Hog Cholera (HC) in Honduras through expanded vaccine coverage.

2. Background/Problem: Hog Cholera has been present in Honduras since 1953. Recent outbreaks have been of increasing seriousness, and the situation is worsening. The increasing frequency and extent of HC outbreaks indicates that a program expansion is required to deal with the problem. Present vaccine coverage in response to outbreaks by the GOH/MRN has been severely restricted due to the limited quantities of vaccine available and budgetary constraints.

Preliminary studies estimate that the 477,000 pigs owned by small-holders, 90% of the pigs in Honduras, are subject to an annual probability of infection ranging from 15-30%. The "case-fatality" rate is estimated to range from 40-70%. The result is the death of approximately 60,000 small-holder pigs annually.

The existence of HC in Honduras in an uncontrolled form presents a constraint to the development of the Honduran swine industry. The implications of spreading the disease through animal movement and the uncontrolled access of people to swine operations requires extraordinary care on the part of producers desiring to enter into a more intensive swine operation. The marketing of feeder pigs is also severely constrained due to the disease implications for producers and feeders. The uncontrolled existence of HC also increases the risk that the introduction to Honduras of African Swine Fever would go unnoticed until it reached a level which would require the destruction of the Honduran swine industry such as in Haiti and the Dominican Republic.

3. Summary Scope of Work: The services of two USDA technicians are required to assist the MRN in the design and initial implementation of a HC control program. The technicians would help to coordinate the initial actors in the effort and design a program for expanded vaccine coverage involving the use of MRN Animal Health professionals to do the initial vaccinations combined with an educational/promotional program to encourage farmers to continue vaccination. User fees be an integral part of the program.

4. Expected Benefits: The benefits of the program will consist of controlling a disease that is currently causing the death of pigs owned by smallholders. The program will involve educational aspects for the farmers in the areas of animal health and sanitation as well as provide a cost-effective means of expanding vaccine coverage with minimal governmental recurrent costs. Farmers will realize increased incomes and improved animal health practices. Direct benefits of the project would be an estimated increase in the swine available for consumption of 40,000 to 70,000 hogs per year with an estimated value of \$2 million per year. Secondary benefits would accrue to rural nutrition, and the improved conditions for expanding swine production throughout Honduras. Consumers will also benefit from increased supplies of pork at equivalent or lower prices.

5. Proposed Inputs:

TA:	28 person months of assistance Institutional Contract or PASA with USDA	\$ 250,000
Training:	4 pm of medium term TA	50,000
Commodities:	Laboratory and veterinary supplies	50,000

G. FUND RAISING/DEVELOPMENT ADVISOR/EAP

1. Purpose: The purpose of this technical assistance component is to provide the Panamerican Agriculture School (EAP) with the technical resources it needs to develop and begin implementing an active fund raising and development program.

2. Background/Problem: The Pan American Agricultural School (EAP), better known as Zamorano, is a private autonomous international organization established with the authorization and collaboration of the GOH. It was incorporated as a non-profit, charitable institution in the state of Delaware in 1941. Its purpose is to train Latin American youth in modern agricultural technology and improved farm management. Zamorano operates under the "Learning-by-Doing" method in an atmosphere of practical, real-life commercial farming which stresses discipline and hard work.

Since its founding the school has educated nearly 2,500 graduates representing 19 Latin American countries. The current enrollment is approximately 400 students, of which 10% are now women. EAP is recognized as one of the best agricultural educational institutions in the region due to its high standards of quality and its history of stability and continuity. The education program concentrates 5 years of studies of an average college into 33 months. The school has a strong tradition and is very proud of its excellent professional record and influence in modern agricultural methods.

Currently, the school is undergoing an evaluation and a planning process to define its future course over the next ten years. A significant finding of the evaluative/planning process to date is that the school lacks a viable development/fund raising program. There is no formalized fund raising activity, in spite of the fact that the EAP should be a very attractive institution to certain international foundations. Given current plans for expansion, concerns about inflation and devaluation, and the lack of growth in the School's endowment, fund raising has emerged as a major issue. The EAP has no budget flexibility at this time through which these badly needed resources could be obtained.

3. Summary of Scope of Work: An expert fund raising advisor is needed for a period of at least six months, beginning o/a October 1, 1985, to meet with EAP administrators, board members, current and former students, and other institutions, and to undertake the generation of a development plan. This individual must have ample experience in setting up such programs for private institutions or schools. The advisor will be expected to make initial contacts with potential donor institutions, and to assist the EAP board in implementing the development plan.

4. Benefits: This TA will leave a permanent benefit to EAP, to its current and future students, and to Honduras, by establishing for the first time a systematic method for assuring the school's growth potential. EAP is a private sector institution with an international clientele, and as such, it represents a unique opportunity for AID to assist a private Honduras-based entity with a proven regional impact. The purpose of this TA component is

consistent with Jackson Plan and Mission priorities in terms of supporting agriculture, education, and the private sector.

5. Proposed Inputs: The proposed inputs include six months of expert technical assistance in fund-raising at a cost of approximately \$60,000.

H. BASIC GRAIN PRICING AND MARKETING (KSU)

1. Purpose: To provide bridge financing for technical assistance from the Food and Feed Institute at KSU.

2. Background/Problem: Basic grain constitute the single most important component of diets for the vast majority of Honduras. The widespread availability of reasonably priced basic food stuffs accompanied by farm gate prices that stimulate basic grain production are the considerations that IHMA must balance and stabilize. More recently, as as part of an overall strategy reassessment agreed to by that institution and AID, IHMA is attempting to encourage the participation of the private sector in an effort to reduce public sector presence in the domestic market.

The TA Team from Kansas State University (KSU) has been providing technical assistance to the Instituto Hondureno de Mercadeo Agrícola (IHMA) through the Agricultural Sector II project. These services include technical assistance in the administration of marketing policies, the establishment of a computerized cost accounting system and in the operation of grain storage network. As the project comes to an end, however, there is a need to continue this technical assistance effort.

3. Summary Scope of Work: The team will provide technical assistance to IHMA in the areas of economic and policy analysis; assessment of alternative strategies; computer equipment, private and public sector training; field experience in grain handling, grading, drying, storage and distribution; and simple agro-processing of grains for flour, food concentrates, etc.

4. Expected Benefits: Benefits will result from the continuation of the fine work being done by KSU's current staff. USAID/H has already witnessed the substantive impacts in the areas of cost accounting and reduction, increased efficiency of financial and handling operations, as well as fundamental policy changes that will affect the lives of million of Hondurans.

5. Proposed Inputs: Approximately 18 person months of TA at a total cost of \$215,000.

I. AGRIBUSINESS

1. Purpose: To provide for long-term technical assistance on agri-business concerns.
2. Background/Problem: Due to its dynamic nature, agribusiness requires flexible technical and managerial support. Agribusiness covers a multitude of fields ranging from pre-production, inputs, production, post-harvest, transportation and marketing. Equally important is the economic environment (e.g., policies), and institutions (e.g., credit), undergirding its cost-effective sustainable growth.

Currently, the Mission continuously receives requests for technical assistance in food processing; packing and packaging; input formulation, mixing and distribution; meat fabrication; and several other areas. This complex need for technical assistance, and the importance to meet unexpected opportunities as they crop up can best be met through a broadly defined, flexible technical assistance program.
3. Summary Scope of Work: The funding will provide for a resident advisor on agribusiness concerns in food processing; packing and packaging; input formulation, mixing and distribution; meat fabrication; and several other areas as well as short term local and TDY assistance for these areas as needed.
4. Expected Benefits: This will increase the effectiveness of the Mission to answer the technical and managerial needs of local and US investors in agribusiness. A modest investment in technical assistance support will be leveraged to take advantage of existing and unexpected opportunities.
5. Proposed Inputs: This activity will require approximately 24 person months of TA at a cost of approximately \$220,000.

PRIMARY EDUCATION POLICY ALTERNATIVES

1. Purpose: To study primary education policy alternatives holding the most promise for reducing dropout rates and increasing levels of educational achievement.

2. Background/Problem: While the socioeconomic background of a student's family has been shown to be the most significant variable associated with educational achievement in both MDCs and LDCs, there are other factors which can also effect achievement and reduce desertion (dropout) rates. For example, the International Educational Achievement Study, which focussed on both MDCs and LDCs, showed that while the availability of increased numbers of textbooks has little effect on U.S. and European achievement, it was much more significant in LDCs. It is also evident that increased homework has a positive effect on achievement.

Other studies have shown that levels of educational achievement are positively related to the levels of education of the student's parents. This finding, however, has been of little use for educational planners because educational achievement levels of parents are closely related to the family's socioeconomic standing, and there is little that educators can do in changing the socioeconomic structure of a nation over the short term. More recent studies have shown that the impact of socioeconomic influences on educational achievement can be at least partially factored out by other characteristics of parents. Parents' interest in the school activities of children, for example, is not always associated with the socioeconomic level of the family, and increasing parental participation and interest in children's schooling and lessons can help reduce dropout rates. Similarly, students with highly motivated teachers also have higher achievement levels and lower desertion rates.

Variations in regard to the importance of these factors in different countries do exist. In The Determinants of School Achievement in Developing Countries: The Educational Production Function, which reviews (using regression analyses) nine production function studies in LDCs and ten studies in MDCs, few factors have a positive influence in all of the studies. Most often, their influence is positive in some studies but negative or nonexistent in others. These factors include boarding facilities, school size, double school sessions, the reduction of class size or the pupil:teacher ratio, and employment of teachers with more experience, qualifications, and tenure.

It is important to emphasize that policy alternatives which may be positively associated with educational achievement in the U.S. or Chile would not necessarily have a significant impact on educational achievement in Honduras because of different cultural backgrounds, levels of socioeconomic development, pedagogical traditions, and combinations of other factors which cause some specific inputs to have varying significance in different societies and environments. As a consequence, it is preferable to conduct local

regression studies rather than depend on the results of studies in other societies when searching for and evaluating the most promising and cost-effective policy alternatives that a nation may choose to implement for encouraging higher retention rates and educational achievement levels.

To date, these types of studies have been incomplete. None of the studies noted above have actually entered the classroom to see just what is going on between teachers and students, or to quantify teacher-student actions for including these factors in a regression analysis; there are, however, systems and instruments for measuring and quantifying student class participation, class environment, positive and negative reinforcements of students, degrees and types of discipline, etc. Through the quantification of these classroom variables, they can then be included in regression analyses, giving a much more complete picture of the schooling process and suggesting policy alternatives which promise to offer the highest impact, in the most cost-effective manner, for improving the efficiency and quality of education..

3. Summary Scope of Work: Approximately 20 rural and 20 urban representative schools be included in a study to identify variables and policy alternatives which could have a positive impact on reducing dropout rates and increasing educational achievement. The study will use multiple regression analyses for identifying the factors most highly associated with higher educational achievement levels and retention. The results of the study would be used for planning future activities with the Ministry of Education. Honduran educators will be trained for observing classes using instruments to classify and quantify teachers' pedagogical actions and instructional strategies. Additional information on teachers, students, families, and the schools will also be collected. Using multiple regression analyses, the most promising policy alternatives would be identified for assisting the Ministry of Education and USAID in planning future projects which will have a positive impact on educational achievement rates in Honduras.

4. Expected Benefits: Local regression studies would specifically identify the variables which have a positive impact on reducing dropout rates and increasing levels of educational achievement in Honduras. They could then be used by USAID and the Ministry of Education in evaluating the most promising and cost-effective policy alternatives while planning future projects to improve educational achievement rates nationwide.

5. Proposed Inputs:

TA:	18 person months of assistance	\$ 10,000
Local Contracting	96 person months	
Professionals	36 person months	L.4,000/month*
Escuela Superior/ Young teachers	60 person months	L 800/month*
Equipment:		\$ 50,000

* plus per diem and travel

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Social Analysis

Introduction

This social analysis centers on the question of the social soundness of the Project given: (1) the interest manifested by participating public sector institutions in planning, and (2) the anticipated use of medium- and long-term assistance.

1. Planning in the Public Sector

The need for a project supporting the diagnosis of developmental problems, the definition of policies and strategies, and the design of programs and project is not the result of a tendency on the part of public sector institutions to consider that these activities are unnecessary. It is rather a result of the reduced financial and technical resources available to these institutions to perform efficiently in each one of these areas, particularly in data bank creation, adequate analysis and interpretation of collected information, and planning per se.

The table below summarizes the written and oral appraisals made by different experts well-acquainted with Honduras with respect to the capacity of government institutions in each one of the development sectors to diagnose sector specific problems, define policies, and plan and implement adequate solutions. The table was prepared using the technique developed by Guttman to construct ordinal scales from qualitative data. In this table, the activities of the diagnosis-planning-implementation process appear on the horizontal axis, and the different sectors assessed appear on the vertical axis. To the list of sectors we have added a cross-sectoral category to make reference to those institutions that play a role in the analysis of macro-economic problems affecting the different sectors. The sectoral hierarchy presented has been constructed using the appraisals made by the experts about the different institutions. We have considered that the most developed sector is that where there is higher institutional competence to realize all the activities of the diagnosis-planning-implementing process, and that the less developed sectors are those where we find just the opposite. The different adjectives used by the experts to evaluate the level of development of the institutions within the different sectors were grouped into four categories. An ordinal value was assigned to each one of them. The categories and values in question are the following: (0) No Institutional Capacity, (1) Limited or Incipient Institutional Capacity, (2) Intermediate Institutional Capacity, (3) Substantial Institutional Capacity, and (4) Satisfactory Institutional Capacity. For the purpose of making the information presented in the table more understandable, we made use of both the categories as well as the values.

Table No. 1
Institutional Capacity to Define and Implement Policies
and Programs by Sectors

	Data Collection	Diagnosis	Definition of Policies	Definition of Strategies	Definition of Programs and Projects	Imple- mentation	Average Performance Rating
Health	Substantial (3)	Intermediate (2)	Substantial (3)	Substantial (3)	Substantial (3)	Intermediate (2)	2.7
Shelter	Intermediate (2)	Intermediate (2)	Intermediate (2)	Limited (1)	Intermediate (2)	Substantial (3)	2.0
Education	Substantial (3)	Limited (1)	Intermediate (2)	Intermediate (2)	Limited (1)	Limited (1)	1.7
Agriculture	Limited (1)	Intermediate (2)	Limited (1)	None (1)	Intermediate (2)	Limited (1)	1.3
Cross-Sectoral	Intermediate (2)	Limited (1)	Limited (1)	Limited (1)	Limited (1)	None (0)	1.0
Urban Developm't	Limited (1)	None (0)	Limited (1)	Limited (1)	None (0)	None (0)	0.5
Average Performance Rating	2.0	1.3	1.7	1.5	1.5	1.2	1.5

The information in this table permits us to arrive at three main conclusions.

- (1) Independent of whether the institutions considered perform a sectoral or a cross-sectoral function, in no case is there a satisfactory capacity to execute every single one of the activities included in the diagnosis-planning-implementation process. Nevertheless, these activities are carried out by the majority of the institutions evaluated.
- (2) When we take into account the efficiency with which the institutions in the different sectors considered carry out those activities, we can say that there are three different categories of institutions: (a) the more developed, (b) those showing an intermediate development, and (c) the least developed. The more developed institutions can be found in the Health and Shelter Sectors. It is in these two sectors where we find a prevalence of values "3" and "2". The institutions characterized by an intermediate degree of development can be found in the Education and Agricultural Sectors. It is in the case of these two sectors that prevail values "2" and "1". The least developed institutions are those that perform cross-sectoral functions and those in the Urban Development Sector. In the case of these institutions prevailing values are "1" and "0".
- (3) The different activities of the diagnosis-planning-implementation process are not mutually reinforced, even in the case of the most developed institutions. That is to say, the process as such has not been entirely institutionalized. The elements of the puzzle which are already in place are yet to constitute an integrated whole. This conclusion is based on the following observations.
 - (a) Despite the fact that in some sectors there is a relatively developed data collection system, there is no complementary capacity to interpret these data and to formulate adequate diagnoses. According to the data presented in this table, this situation is characteristic of institutions in the Health, Education and Urban Development Sectors, as well as of those performing cross-sectoral functions.
 - (b) The existing institutional capacity to define policies seems to be better than that to diagnose. For illustrative purposes, it is important to point out that the capacity to define policies within the Health and Education Sector is greater than that to diagnose. As a result of this disparity, we can assume that in these sectors not all policies conceived resulted from objective analyses.
 - (c) The capacity to define policies is either not paired or does not necessarily enhance the capacity to define strategies.

- (d) The possibility of defining strategies does not necessarily suppose the existence of the capacity to translate them into programs and projects. If the capacity to define strategies seems limited in the Education and Urban Development Sectors, as well as in the cross-sectoral institutions, the capacity in those same areas to define programs and projects is even lower. There are two sectors, nevertheless, where the capacity to design programs and projects is higher than that to define strategies. These are the Shelter and Agricultural Sectors. The presence of the inverse situation in these cases can be attributed to special circumstances. These are sectors where international donors, particularly A.I.D., have concentrated their development efforts. That is, an apparent higher efficiency in the activity "Definition of Programs and Projects" is a result of the presence of exogenous factors. It can even be argued that institutions in the latter sectors have looked for targets of opportunity. They have adopted, as their own, projects that international donors are interested in financing.
- (e) Finally, a clear definition of programs and projects is not always matched by an equivalent institutional capacity to implement them. This is the case of institutions in the Health, Agricultural, Urban Development sectors, as with those performing Cross-sectoral roles.

A more in-depth analysis has indicated that three main variables explain the differences observed in public sector institutions to adequately diagnose, plan and implement programs and projects. These variables are lack of adequate financial resources, lack of adequate inter-institutional coordination, and prevalence of political rather than technical criteria in the decision-making process. The lack of adequate financial resources, particularly during a period of fiscal constraints and austerity, prevents most GOH institutions from: (a) creating the necessary data base to produce sound sectoral assessments, and (b) hiring the needed high-caliber technicians to translate these assessments into policies, strategies, programs and projects. In institutions where financial limitations are less important, however, needed coherent policies and strategies may be poorly defined due to the absence of an efficient mechanism to coordinate inter-institutional efforts. In the agricultural sector, for example, there are a number of institutions which play specialized functions. They are responsible for adjudicating land, delivering land titles and providing credit, technical and marketing services. They generally identify development problems in their field of competence, and in most cases define policies and strategies to solve them. Nevertheless, most of the planning carried out is short-term and sub-sector specific. In addition, it is not part of a coherent and integrated national rural or agricultural development strategy. Finally, in areas where financial and inter-institutional coordination do not represent obstacles to efficient institutional performance, the implementation of relatively well-defined policies, strategies or programs may be hampered by

political decisions. As a result of vested interests, presidential and/or cabinet decisions have in certain cases overruled technical decisions made by individual ministries based on existing sectoral policies.

From this discussion it can be deduced that the diagnosis-planning-implementation process is not alien to public sector institutions in Honduras. As a matter of fact, in some sectors it has been common practice to collect data, identify development problems and provide solutions for them. The Project will not be introducing practices incompatible with traditional bureaucratic behavior in the country.

2. The Importance of Medium and Long-Term Assistance

The Project strategy calls for the provision of medium - and long-term assistance in order to improve the deficiencies of the diagnosis-planning-implementation process discussed above. This strategy is sound for two reasons. First, it allows foreign consultants to develop indispensable rapport with counterparts and to become culturally sensitive to the Honduran milieu. Thus, solutions to development problems offered are not only technically sound, but also socially and politically viable. Second, medium and long-term technical assistance contracts may provide needed continuity in policy formulation, program definition and project implementation, an important aspect of institutional performance particularly during a period of transition when a new government will be elected.

The USAID Mission in Honduras has recently accumulated experience in the use of medium- and long-term consultants to implement projects among which the more important are: the Grain Marketing Component of the Agricultural Sector II Program, Natural Resources Management, and Development Administration. This experience has shown that medium- and long-term technical assistance may be instrumental in suggesting innovative and tailor-made solutions to developmental problems and institutional deficiencies given the decision-making practices characteristic of public sector institutions, the prevalence of political concerns during an election year, and the socio-economic constraints that may be faced by the projects' target groups. In addition, the presence of medium- and long-term assistance teams has increased the involvement of local counterparts in problem analysis and solution identification, thus making the experience more pedagogical. It has also allowed consultants to participate in the implementation of recommendations made, thereby giving them the opportunity to make the necessary adjustments to solutions proposed once theory is applied. Finally, as adequate rapport and professional respect has developed between consultants and counterparts, the Mission has been able to be more successful in policy dialogue and in making public sector institutions pay attention to constraints and problems previously ignored. That is, medium- and long-term consultants

have played an important catalyst role between AID and the GOH. It is expected that the advantages and impact of medium- and long-term TA observed in previous interventions will also take place in the present project.

Recent experience has also indicated that external consultants may also have an impact on institutional continuity. The presence of medium- and long-term consultants in certain public sector agencies has been important to instruct a chronically unstable management about both developmental problems in the institutions' area of competence and the rationale behind policies and strategies adopted to solve them. Continuous enforcement of these policies and strategies would have not been possible had the consultants not been present. A new administration will be sworn in office in January 1986, during Project Implementation. It is customary in Honduras that when a new government assumes office, a substantial number of top echelon officials and many technicians in public sector institutions are replaced. It is expected that the foreign consultants hired under this project will be able to play a similar role as that described above. Once again, they will be instrumental in providing needed information for the decision-making process and in justifying sound policies and strategies.

External consultants hired under this project to implement project activities will need to play a pedagogical role. Given the personnel turnover that can be anticipated throughout the public sector after elections take place, training activities be emphasized in the post-electoral rather than in the pre-electoral phase of the project's life. Pre-electoral training will only be undertaken in those areas where it is strictly necessary and in those institutions known to be more stable and where personnel have a less probability of being removed. This is particularly true of institutions playing cross-sectoral roles such as the Honduran Central Bank and the Ministry of Finance.

3. The Outset of Institutionalization

In a previous section we have discussed what are the most important variables that hinder the existence of an efficient institutional system capable of making the diagnosis-planning-implementation process operational. We indicated that these variables are lack of adequate financial resources, lack of adequate inter-institutional coordination, and prevalence of political rather than technical criteria in the decision-making process. An international donor such as AID can play an important role in reducing the negative impact of the first two variables, and can only have a limited impact on the third.

The present Project should be considered as an initial intervention in those areas where activities supported by foreign donors are possible. Through the project, funds will be made available to increase the data base in those sectors where information needed to make sound decisions is lacking. Funds will be also utilized to provide basic "hands-on" training so that local technicians improve their capacity to identify development problems and conceive and plan adequate solutions. It is expected that through these two activities, technicians will enhance their ability to explain and defend the rationale for programs and projects that may be implemented.

This Project will serve to set the stage for an up-coming project which will provide substantial human resource up-grading in diagnosis and planning, and through which the issue of poor inter-institutional coordination for effective policy making mentioned earlier will be addressed. The impact that the present Project may have will be reinforced through and sustained through the policy making institutionalization project planned for the near future.

Project activities will allow the Mission to have a more in-depth understanding of the technical limitations of personnel associated with policy making, and to know what kinds of taylored-made training programs are needed to upgrade this capacity. This Project will also allow the Mission to have the needed insight to understand the problems that hinder inter-institutional coordination in the more complex sectors of society. This insight is needed to provide adequate solutions.

CERTIFICATION PURSUANT TO SECTION 611 (e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Carl H. Leonard, the principal officer of the Agency for International Development in Honduras, having taken into account among other factors the maintenance and utilization of projects in Honduras previously financed or assisted by the United States, do hereby certify that in my judgement Honduras has both the financial capability and the human resources capability to effectively maintain and utilize the project: STRATEGIC PLANNING AND TECHNICAL SUPPORT.

This judgement is based upon the implementation record of the previous projects implemented in Honduras, and the quality of the planning which has gone into this new project.



Carl H. Leonard
Acting Mission Director
USAID/Honduras

Date: 8/1/85



SECRETARIA DE HACIENDA Y CREDITO PUBLICO

REPUBLICA DE HONDURAS

Tegucigalpa, D. C..

=2= Nº.

- i) La Asistencia Técnica jugará un papel clave en la unión de brechas entre la identificación de necesidades específicas de Asesoría Externa especializada y el proceso formal de diseño de Programas/Proyecto y puede también ser dirigida a apoyar a nuestro Gobierno en el logro de objetivos específicos
- ii) La Asistencia Técnica bajo el proyecto, permitirá a nuestro Gobierno, a la A.I.D. y a otros donantes, acelerar el diseño y ejecución de futuros esfuerzos de desarrollo

B) Financiamiento del Proyecto.- Los fondos necesarios para financiar el Proyecto serían de US\$ 5.500,000. los que se desglosan así :

1) Costos en moneda extranjera	US\$ 4.000,000.00
2) Una contribución del Gobierno de Honduras para cubrir costos locales del Proyecto	US\$ 1.500,000.00
TOTAL COSTO DEL PROYECTO	US\$ 5.500,000.00

La contribución de nuestro Gobierno, se cubriría con fondos del apoyo técnico, establecido en la categoría del sector privado de la Cuenta Especial del Programa de Recuperación Económica (AID-522-0230) y Servicios para la Estabilización Económica (AID-522-0283).

Por todo lo antes expuesto, en nombre y representación del Gobierno de la República de Honduras, solicitamos la colaboración de la A.I.D. en el sentido de que para cubrir los costos en moneda extranjera del proyecto, se nos conceda en carácter de donación la suma de US\$ 4.000.000, con dicha Donación nuestro Gobierno estaría en la disposición de llevar a cabo el Proyecto aquí propuesto.

Una vez más reiteramos nuestro agradecimiento a la A.I.D. por la valiosa colaboración que nos están prestando en beneficio del desarrollo de nuestro país. Creemos que el Proyecto "Planificación Estratégica y Apoyo Técnico" es un buen complemento a esos esfuerzos.

Atentamente,


 RODOLFO MATAMOROS
 Subsecretario de Crédito Público
 y Administración

CC/JHC/niv

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5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1984 Continuing Resolution. Has it been determined or certified to the Congress by the President that the government has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country, to United States government personnel or their dependents or from entering the United States unlawfully?
2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

5C(1) - COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA SEC. 481; FY 1984 Continuing Resolution.
NO
2. FAA Sec. 620 (c).
NO

- | | |
|--|--|
| <p>3. <u>FAA Sec. 620(e)(1)</u>. If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?</p> | <p>3. <u>FAA Sec. 620(e)(1)</u>.
NO</p> |
| <p>4. <u>FAA Sec. 532(c), 520(a) 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513</u>. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provide to Afghanistan or Mozambique without a waiver?</p> | <p>4. <u>FAA Sec. 532(c), 520(a) 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513</u>.
NO</p> |
| <p>5. <u>ISDCA of 1981 Secs. 724, 727 and 730</u>. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981.</p> | <p>5. <u>ISDCA of 1981 Secs. 724, 727 and 730</u>.
N/A</p> |
| <p>6. <u>FAA Sec. 620 (j)</u>. Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property?</p> | <p>6. <u>FAA Sec. 620 (j)</u>.
NO</p> |

7. FAA Sec. 620(1). Has the country failed to enter into an agreement with OPIC?

8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters?

(b) If so, has any deduction required by the Fishermen's Protective Act been made?

9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any A.I.D. loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds?

10. FAA Sec 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

7. FAA Sec. 620(1).
NO

8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5.
NO

(b)
NO

9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517.
NO

10. FAA Sec 620(s).
YES

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)
13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?
14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?
11. FAA Sec. 620(t).
NO
12. FAA Sec. 620(u).
Honduras is not in arrears to the extent described in Article 19 of the U.N. Charter.
13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520.
NO
14. FAA Sec. 666.
NO

15. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing, equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)
15. FAA Sec. 669, 670.
NO
16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)
16. ISDCA of 1981 Sec. 720.
This has been taken into consideration by the Administrator at the time of approval of the Agency OYB.
17. ISDCA of 1981 Sec. 721. See special requirements for assistance to Haiti.
17. ISDCA of 1981 Sec. 721.
N/A
18. FY 1984 Continuing Resolution. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?
18. FY 1984 Continuing Resolution.
NO

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvement in its human rights record that furnishing such assistance is in the national interest?

b. ISDCA of 1981, Ec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made

3. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116.
The Department of State has not determined that Honduras violates human rights.

2. Economic Support Fund Country Criteria

a. FAA Sec 502B.
N/A

b. ISDCA of 1981, EC. 725(b).
N/A

c. ISDCA of 1981, Sec. 726(b).
N/A

significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes Criteria applicable to all projects. Part B applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

CR Sec. 133. Notwithstanding any other provision of this joint resolution, none of the funds appropriate under section 101 (b) of this joint resolution may be available for any country during any 3-month period beginning on or after October 1, 1982, immediately following the certification of the President to the Congress that such country is not taking adequate steps to cooperate with the United States to prevent narcotic drugs and other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971 (21 U.S.C. 812)) which are produced, processed, or transported in such country from entering the United States unlawfully."

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriate Act Sec. 523;
FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

2. FAA Sec. 611 (a) (1). Prior to obligation in excess of \$100,00, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimated of the cost to the U.S. of the assistance?

3. FAA Sec. 611 (a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

4. FAA Sec. 611 (b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See A.I.D. Handbook 3 for new guidelines.)

1. FY 1982 Appropriate Act Sec. 523;
FAA Sec. 634A; Sec. 653(b).

(a) Congress has been informed of A.I.D.'s intention to obligate funds in a Congressional Notification submitted in July 1985.

2. FAA Sec. 611 (a) (1).
YES

3. FAA Sec. 611 (a) (2).
No further legislative action required.

4. FAA Sec. 611 (b); FY 1982 Appropriation Act Sec. 501.
N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance

5. FAA Sec. 611(e).
YES. A 611 (e) certification is attached.

6. FAA Sec. 209.
Project activities not appropriate for a regional or multilateral Project.

9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507.
Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
12. FY 1982 Appropriation Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?
13. Faa 118(c) and (d). Does the project comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?
9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507.
Honduras has agreed to provide counterpart financing of local costs.
10. FAA Sec. 612(d).
The U.S. does not own excess Honduran currency.
11. FAA Sec. 601(e).
YES
12. FY 1982 Appropriation Act Sec. 521.
N/A
13. FAA 118(c) and (d).
YES
A.I.D. environmental regulations have been followed. Given the nature of the project, an Initial Environmental Examination is not required as indicated in the attached statement.

9b

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditures of project funds (dollars or local currency generated therefrom)?

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria.

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

14. FAA 121(d).
N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria.

a. FAA Sec. 102(b), 111, 113, 281(a). Potential economic impact and its benefits to the poor will be a principal criteria for proposal selection.

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by A.I.D. dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."

b. FAA Sec. 103, 103A, 104, 105, 106.
YES

c. FAA Sec. 107.
N/A

d. FAA Sec. 110(a).
YES
Honduras will contribute at least 25%

e. FAA Sec. 110(b).
NO

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

2. Development Assistance Project
Criteria (Loans Only)

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?
- c. ISDCA of 1981, Sec. 724(c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum

f. FAA Sec. 122(b).

YES

The Project will contribute to increased economic efficiency and identify development constraints and opportunities for the rural poor.

g. FAA Sec. 281(b).

The Project is in concert with Honduras' development plan.

2. Development Assistance Project
Criteria (Loans Only)

- a. FAA Sec. 122(b).
N/A
- b. FAA Sec. 620(d).
N/A
- c. ISDCA of 1981, Sec. 724(c) and (d).
N/A

extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)?

3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?
- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?
- c. FAA Sec. 534. Will ESF funds be used to finance the construction

3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a).
N/A
- b. FAA Sec. 531(c).
N/A
- c. FAA Sec. 534.
N/A

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception

A. PROCUREMENT

1. FAA Sec. 602.
Normal A.I.D. procedures will be followed.
2. FAA Sec. 604(a).
YES
3. FAA Sec. 604(d).
Honduras does not practice such discrimination.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a).
N/A

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one or more of these areas?

6. FAA Sec. 603. Is the shipping excluded from compliance with requirements in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo

5. FAA Sec. 604(g).

6. FAA Sec. 603. Shipping is not excluded from the requirements.

9. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)?

C. Other Restrictions

1. FAA Sec. 122(h). If development

9. FY 1982 Appropriation Act Sec. 504.
YES

B. Construction

1. FAA Sec. 601(d).
N/A
2. FAA Sec. 611(c).
N/A
3. FAA Sec. 620(k).
N/A

C. Other Restrictions

1. FAA Sec. 122(h)

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary

3. FAA Sec. 620(h).
YES

4.

a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: Arrangements preclude the use of funds for this purpose.

e. FAA Sec. 636(1). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside the U.S., unless a waiver is obtained?

f. FY 1982 Appropriation Act. Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?

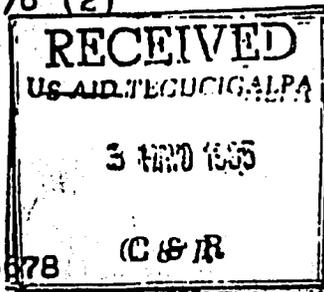
g. FY 1982 Appropriation Act.

e. FAA Sec. 636(1). Motor vehicles purchased, if any will be of U.S. source and origin.

f. FY 1982 Appropriation Act. Sec. 503. Arrangements preclude the use of funds for this purpose.

g. FY 1982 Appropriation Act.

ACTION: AID-2 INFO: AMB DCM ECON SA/6 (2)



VZCZCTG0267
PP RUEHTG
DE RUEHC #3282 1221437
ZNR UUUUU ZH
P 021435Z MAY 85
FM SECSTATE WASHDC
TO AMEMBASSY TEGUCIGALPA PRIORITY 6878
BT
UNCLAS STATE 133282

LOC: 194 833
02 MAY 85 1739
CN: 32413
CHRG: AID
DIST: AID

AIDAC

ANNEX II
EXHIBIT D

E.O. 12356: N/A

TAGS:

SUBJECT: REPROGRAMMING OF FY 85 PROJECTS

REF.: TEGUCIGALPA 3314 /

PER REFTTEL AID/W CONCURS WITH PROPOSED REPROGRAMMING.

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Honduras

Project Title: Strategic Planning and
Technical Support, 522-0269

Funding: \$4,000,000 Grant Life of Project

Life of Project: Three (3) Years

Handwritten signature

ANEXO DE DISPOSICIONES GENERALES DE LA
DONACION PARA EL PROYECTO

Definiciones: En la forma utilizada en este Anexo, el "Convenio" se refiere al Convenio de Donación para el Proyecto al cual acompaña, y del cual forma parte este Anexo. Los términos usados en este Anexo tienen el mismo significado o referencia que los del Convenio.

ARTICULO A

PROJECT GRANT STANDARD PROVISIONS ANNEX

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

ARTICLE A

o proveedores que participan en el Proyecto, y otros asuntos relacionados con el Proyecto.

SECCION B.2. Ejecución del Proyecto. El Donatario deberá:

(a) llevar a cabo o hacer que se lleve a cabo el Proyecto con la debida diligencia y eficacia, de conformidad con prácticas técnicas, financieras y administrativas aceptables, y de conformidad con los documentos, planos, especificaciones, contratos, cronogramas u otros documentos y sus modificaciones, si los hubieren, aprobados por la A.I.D. de acuerdo a este Convenio; y

(b) contar con una administración calificada y experimentada tanto para adiestrar al personal que se considere necesario, como para el mantenimiento y operación del Proyecto, y cuando sea aplicable

and other matters relating to the Project.

SECTION B.2. Execution of Project. The Grantee will:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

(b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities

SECCION B.4. Cargas Impositivas.

(a) Este Convenio y la Donación estarán exentos de cualquier impuesto o gravamen establecido por las leyes en vigencia en el territorio del Donatario.

(b) Con excepción del Impuesto Sobre la Renta de ciudadanos hondureños y de residentes permanentes en Honduras, cuando (1) cualquier contratista, incluyendo cualquier firma consultora, cualquier miembro del personal de tal contratista financiado bajo la Donación, y cualquier propiedad o transacciones relacionadas con tales contratos y (2) cualquier transacción sobre adquisiciones de bienes financiados bajo la Donación no estén exentos de impuestos identificables, tarifas, derechos aduaneros y otros recargos impuestos bajo las leyes vigentes en el país del Donatario, el Donatario debe-

SECTION B.4. Taxation.

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(b) With the exception of income taxation of citizens of Honduras and permanent residents of Honduras, to the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, Grantee will, as and to the extent provided in and pursuant to Project Implementation

aceptables, y serán mantenidos por tres años después de la fecha del último desembolso de la A.I.D.; tales libros y registros deberán ser también adecuados para mostrar la naturaleza y el alcance de las solicitudes de posibles proveedores de bienes y servicios adquiridos, la base de adjudicación de contratos y órdenes, y el progreso del proyecto, en general, hacia la terminación; y

(c) permitir a los representantes autorizados de una de las Partes la oportunidad, en todo momento que sea razonable, de inspeccionar el Proyecto, la utilización de los bienes y servicios financiados por dicha Parte, y los libros y registros y otros documentos relacionados con el

tained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

(c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Grant.

establecidos en el país del Donatario.

SECCION B.8. Información y Marcas. El Donatario dará publicidad adecuada a la Donación y al Proyecto como un programa al cual los Estados Unidos ha contribuido, identificará el lugar del Proyecto, y marcará los bienes financiados por la A.I.D., de acuerdo a lo descrito en las Cartas de Ejecución del Proyecto.

ARTICULO C

Disposiciones para Adquisiciones

country of the Grantee.

SECTION B.8. Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

ARTICLE C

Procurement Provisions

ridad a la fecha de este Convenio, no podrán financiarse con la Donación.

SECCION C.3. Planos, Especificaciones y Contratos. A los efectos de que haya mutuo acuerdo sobre los siguientes puntos y salvo que las Partes manifiesten lo contrario por escrito:

(a) El Donatario proveerá a la A.I.D., tan pronto como estén preparados:

(1) todos los planos, especificaciones, planes de adquisición y construcción, contratos, u otros documentos relacionados con bienes o servicios a ser financiados por la Donación, incluyendo documentos relacionados con la precalificación y selección de contratistas y con las solici-

Agreement, except as the Parties may otherwise agree in writing.

SECTION C.3. Plans, Specifications, and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation:

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of

para cualquier otro servicio, equipo, o materiales que se especifiquen en las Cartas de Ejecución del Proyecto, serán aprobados por la A.I.D. por escrito antes de la ejecución del contrato. Las modificaciones sustanciales en tales contratos también serán aprobadas por escrito por la

equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution: and

o (2) en buque que la A.I.D., por notificación escrita al Donatario, ha designado como no elegible; o (3) en una aeronave o buque fletado que no haya recibido la aprobación por anticipado de la A.I.D.

A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

SECCION C.7. Seguro.

(a) Seguro marítimo de bienes financia-

SECTION C.7. Insurance.

(a) Marine insurance on goods financed

935 del Libro de Código Geográfico de la A.I.D. en vigencia en el momento de la sustitución, y, salvo que las Partes acuerden lo contrario por escrito, estarán sujetas a las disposiciones de este Convenio.

SECTION C.8. Bienes Excedentes de Propie-

time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-Owned

efectuado o utilizado de acuerdo a este
Convenio, o que se efectuó para bienes o
servicios no utilizados de acuerdo con

is not made or used in accordance with
this Agreement, or which was for goods
or services not used in accordance with

de la Donación.

Grant.

(e) Cualquier interés u otras utilidades

(e) Any interest or other earnings on