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UNCLASSIFIED

HONDURAS SEMI-ANNUAL PROJECT STATUS REPORT

APRIL 1, 1992 - SEPTEMBER 30, 1992

UNCLASSIFIED

SEMI-ANNUAL REPORT
APRIL 1, 1992 - SEPTEMBER 30, 1992

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III. CENTRALLY FUNDED PROJECTS ACTIVE IN HONDURAS

MEMORANDUM

TO: Peter Bloom, LAC/DR 
FROM: Marshall D. Brown, Mission Director

SUBJECT: Semi-Annual Report for the Period April 1, 1992 – September 30, 1992

Summary of USAID's Internal Portfolio Review:

As stated in USAID/Honduras' FY93-94 Action Plan, the Mission is continuing to increase our emphasis on implementation. With the approval of the Mission's Program Performance Assessment System (PPAS) we are also concentrating on those actions needed to achieve our Strategic Objectives. Implementation of the Mission's portfolio continues to improve. Of our 29 active projects, only two projects experienced serious difficulties. Actions planned for the first semester of FY 1993 should put these projects back on track. The Mission's ending pipeline was slightly higher than in FY 1991. This can be attributed in large part to lower than projected expenditures involving four projects.

During the final semester of FY 1992, the GOH achieved several critical policy objectives supported by the Mission's program: the passage of the Investment Law and approval of its implementing regulations; marked acceleration of the GOH privatizations; and, GOH unification of the exchange rate and approval of currency trading by foreign exchange houses.

This was the first reporting period in which Project Status Reports specifically address projects' contribution to achieving the Mission's Strategic Objectives. The Financial Summary was also reorganized by Strategic Objective. The following table shows the relationship of the portfolio's authorized LOP funding levels to each Strategic Objective. Of note is the importance the Mission places on the agricultural sector and the balance with those Strategic Objectives related to equitable growth and democracy.

ACTIVE PROJECT PORTFOLIO BY STRATEGIC OBJECTIVE	PERCENTAGE
#1: Increased Agricultural Production and Exports	25.8
#2: Increased Private Investment, Production and Trade	14.0
#3: Improved Management of Selected Natural Resources	14.3
#4: Healthier, Better Educated Hondurans	26.0
#5: More Responsive Selected Democratic Institutions	17.5
#6: Other	2.3

Two important Mission projects were amended during the period. The **Strengthening Democratic Institutions** project (522-0296) was amended to focus on the critical and relatively more successful Administration of Justice component, and to expand activities in fostering democratic leadership. The **Policy Analysis and Implementation (PAIP)** (522-0325) project was amended to reorient the focus of the agricultural component from the passage of the landmark Agricultural Modernization Law, to its implementation. The amendment also supports natural resource and environmental policy reforms. The Mission also added a component to the PAIP which supports GOH efforts to reform and modernize the financial sector. Working with the Central Bank of Honduras and the national banker's association, this component will improve the regulation/supervision of the financial system, promote private sector involvement in the financial sector reform process, strengthen commercial bank skills, and support the development of new medium- and long-term financial instruments.

Project Classification:

Highlight of Successes: At the end of the last fiscal year our portfolio consisted of some 33 active projects. This year we ended four projects, bringing our active portfolio to 29 projects, 10 of them "A" projects, 17 "B" projects, and 2 "C" projects. The Mission's "A" portfolio includes projects involving each of our Strategic Objectives. Under the ESF-financed **Structural Adjustment Program** (522-0365) the GOH took reform measures necessary for the first disbursement, in particular, passage and development of implementing regulations for the Investment Law, continued privatizations, and progress in implementing financial sector reforms. The initial disbursement was made in December 1992. With significant support from the agricultural component of the PAIP, the GOH also began to implement the recently passed Agricultural Modernization Law.

The **Small Business II** project (522-0241) enjoyed smooth implementation this semester and continued its positive impact upon small business development and the creation of over 18,700 jobs since 1988. The Mission's **Health Sector II** project (522-0216) also continued its success. One notable accomplishment has been the dramatic improvement in rural water and sanitation services. The community water boards which are responsible for operation and maintenance of water supply systems have prospered, resulting in improved water quality and supply, which will in turn translate into reduced waterborne disease.

Implementation of the **Land Use and Productivity Enhancement (LUPE)** project (522-0292) has improved markedly in response to GOH actions to correct serious managerial deficiencies. Both expenditures and the accomplishment of major outputs

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increased by the end of the year. The private **Agricultural Research Foundation (FHIA)** project (522-0249), continues to be a success story in terms of developing new technologies for both traditional and export crops. However, the future of FHIA is uncertain given the GOH's indecision concerning the creation of a 100 million Lempira endowment to support the institution after the 9/30/94 PACD. Unless the GOH makes a decision shortly, FHIA will be forced to close down.

Projects Experiencing Difficulties: As noted above, the Mission has experienced significant difficulty in implementing the **Strengthening Democratic Institutions (SDI)** (522-0296), and **Forestry Development** (522-0296) projects. Although both have remained "C" projects for the past year, recent actions under the projects should result in significant improvement during FY 1993. SDI was one of the first democracy initiatives approved in the region. As a result it has been plagued by an over-ambitious original design. The sensitive nature of some of its activities, such as those involving the National Elections Tribunal and the Congress, and implementation delays involving procurement and GOH indecision have compounded the problem. The \$5.3 million project amendment is based on lessons learned by the Mission and the GOH in implementation to date. This amendment addresses these problems by simplifying and sharply focusing the project, and setting more realistic and achievable objectives. The amendment places greater emphasis on improving the administration of justice, in which considerable success has been achieved. Several new activities under this component focus on anti-corruption. The second major thrust will be on democratic leadership, under which training of labor leaders, basic civic education, and support to private groups to monitor government conduct and advocate for the public interest will be assisted.

In spite of significant achievements, the **Forestry Development** project continues to be classified as a "C" project because a no-cost PACD extension of two years was recommended in the midterm evaluation finalized during the period. A decision will be made by Mission management on this extension during the first semester of FY 1993. If approved, the PROAG will also be amended to concentrate remaining support on areas of highest priority, including forest management and support of the newly created Department of Protected Areas and Wildlife.

Expenditures: Efforts to improve our expenditure projections have been successful. The accrued expenditures for the entire Mission portfolio over the period totaled \$21,500,000, which was 100 per cent of the planned level (see Attachment A). The total figure compares with a total of \$14,067,000 at the end of the first semester, and \$25,938,000 at the end of FY 1991. The **Health Sector II** project had the highest expenditures, \$6,200,000, reflecting its successful implementation. This large figure was the result of the construction of a number of rural health centers and water systems. As these activities will continue over the next year, we expect to see a similar expenditure pattern in FY93. Another five projects expended over \$1,000,000 each.

Projects which expended significantly less than planned include **Rural Roads Maintenance (522-0334)**, and **Privatization of State Enterprises (522-0289)**. Rural Roads only expended 20 per cent of the planned amount, \$254,000 versus \$1,260,000. This discrepancy was in large part the result of contracting delays caused by an undercapacity on the part of Honduran private sector road contractors. The Mission has been working with the GOH to overcome the delays, such as by combining discrete projects into more attractive bidding packages. The GOH plans to continue making significant investments in infrastructure in support of its economic program. With Honduran construction firms reaching their full capacity, we will explore with the GOH opening bidding for rural road maintenance to firms in other Central American countries. The Privatization project expended only 34 per cent of the planned level due to the cancellation of planned technical assistance. However, the project continues to be very effective in helping the GOH accelerate the privatization process, resulting in five additional privatizations over the reporting period and bringing the total to twenty-eight.

Finally, the Mission is beginning to note the effects of the November 1993 national elections in terms of delayed GOH decisionmaking and project implementation due to staff turnover and general uncertainty over the policies and priorities of the next administration. The Mission expects to experience a continuing negative impact on the implementation of at least some projects throughout the coming election year.

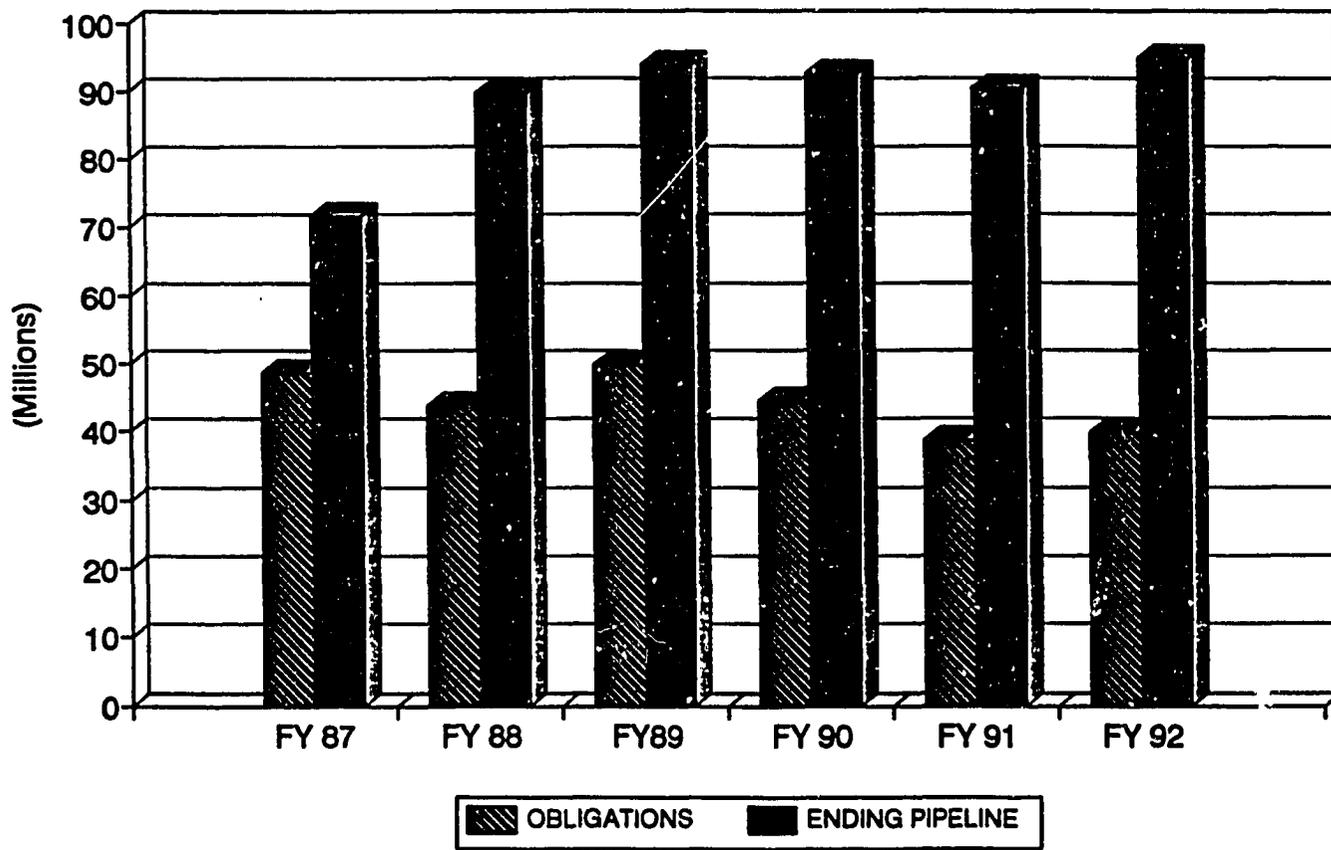
Pipeline Analysis: The Mission's pipeline increased over the same period last year by \$4,209,000, largely due to poor expenditure performance of four large projects: **SDI, Irrigation Development (522-0268)**, **HOPS I (522-0329)**, and **Rural Roads Maintenance** (see Attachment B and accompanying graph). However, expenditures under SDI and HOPS I increased in the last half of the fiscal year as a result of improved implementation, a trend which we expect to continue. Expenditures under the Irrigation project remained low due to the early termination of the project's credit line. As mentioned in the Action Plan, the Mission is phasing out this nearly completed project. In the case of the **Rural Roads Maintenance** project, the \$2,000,000 that was obligated in the first semester of FY 1992 was not expended at the rate expected for the reasons noted in the last section.

The age of the pipeline remains young, with 88.6 per cent of the pipeline obligated in either FY 1990, FY 1991, or FY 1992. Only one project, **Strategic Planning and Technical Support (522-0269)**, was obligated prior to FY 1986, and it only contains a \$547,000 pipeline. The pipeline from FY 1987 only contains \$728,000. I am pleased that projects with past pipeline problems, such as **LUPE** and **Forestry Development**, show large reductions this fiscal year of \$1,946,000 and \$1,845,000, respectively.

In conclusion, during the final half of FY92 project implementation has improved, and the Mission's portfolio has continued to support significant GOH policy achievements. The number of projects experiencing significant problems declined, and project implementation as a whole was further focused on actions required to achieve the Mission's Strategic Objectives. During FY 1993 the Mission will further emphasize project implementation in order to address the expected delays and other setbacks associated with election years.

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TOTAL OBLIGATIONS AND ENDING PIPELINES
FY 87 - FY 92
USAID/HONDURAS



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FINANCIAL SUMMARY OF USAID/HONDURAS PORTFOLIO
(APRIL 1, 1992 THROUGH SEPTEMBER 30, 1992)

ATTACHMENT A
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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
PROJECT NO.	PROGRAM/PROJECT TITLE	CATE-GORY	DATE OF INIT. OBLIG.	LAST REVISED PACD	% OF LOP ELAPSED	% OBLIG. EXPEND.	AUTH. LOP AMOUNT	CURRENT FY OBLIG. TO DATE	CUMUL. AMOUNT OBLIG.	MORTGAGE	BEGINNING FY PIPELINE	PLANNED SEMESTER EXPEND.	ACCRUED SEMESTER EXPEND.	ACCRUED AS % OF PLANNED	CUMULATIVE ACCRUED EXPEND.	ENDING PIPELINE	PLANNED EXPEND. (NEXT SEM.)	
ACTIVE PROJECTS																		
SO #1: INCREASED AGRICULTURAL PRODUCTION AND EXPORTS																		
522-0207	Export Dev. & Services/Agriculture	B	06/31/84	08/29/94	81	79	12,071	1,500	11,171	900	1,916	337	376	112	8,800	2,371	890	
522-0249	Agricultural Research Foundation	B	08/31/84	09/30/94	80	92	20,000	0	20,000	6	2,063	624	405	78	18,450	1,542	550	
522-0252	Sm Farm Organization Strengthening	A	09/26/85	09/30/93	88	88	17,625	500	17,625	0	3,400	943	702	74	15,576	2,049	750	
522-0268	Irrigation Development	A	09/29/86	09/30/93	86	80	22,500	0	19,090	3,410	4,947	537	620	115	15,229	3,861	250	
522-0325.02	Policy Analysis & Imp./Agriculture	A	03/09/90	08/27/97	41	38	7,350	3,000	7,350	0	2,878	638	768	120	2,820	4,530	750	
522-0334	Rural Roads Maintenance	B	06/20/90	06/30/97	32	45	15,000	2,000	8,681	6,319	3,888	1,260	254	20	3,925	4,758	1,272	
522-0383	Small Farmer Agribusiness Dev.	B	04/10/92	11/30/97	0	0	6,500	3,300	3,300	3,200	0	0	0	0	0	3,300	500	
SUBTOTAL SO #1							74	101,046	10,300	87,217	13,829	19,890	4,339	3,203	74	64,808	22,409	4,962
SO #2: INCREASED PRIVATE INVESTMENT, PRODUCTION AND TRADE																		
522-0207	Export Dev. & Serv./Private Sector	B	08/31/84	08/29/94	81	81	18,181	2,000	18,181	0	1,861	715	590	83	13,863	3,898	625	
522-0241	Small Business Development II	A	08/31/88	09/30/95	58	66	15,000	3,210	15,000	0	3,720	1,229	1,380	112	9,963	5,837	900	
522-0289	Privatization of State Enterprises	B	08/29/86	12/30/92	96	87	4,000	0	3,819	101	609	245	78	32	3,328	491	100	
522-0325	Policy Analy. & Imp./Public Sector	B	08/28/87	08/27/97	51	68	7,000	0	7,000	0	3,144	590	789	134	4,791	2,209	850	
522-0325.01	Policy Analysis & Imp./CORREP	B	09/10/87	09/30/95	63	71	5,000	0	5,000	0	2,168	340	346	102	3,526	1,474	300	
522-0325.03	Policy Analysis & Imp. AHIRA/CBH	B	09/29/92	08/27/97	0	0	6,000	2,400	2,400	3,600	0	0	0	0	0	2,400	300	
522-0361	Int'l Executive Service Corp.	B	03/08/89	12/31/92	93	97	950	0	950	0	464	255	397	156	921	29	29	
522-0363	Cortes Chamber of Commerce	B	03/08/89	10/07/92	99	59	675	0	675	0	342	34	21	62	399	276	264	
SUBTOTAL SO #2							71	54,768	7,610	51,085	3,781	12,368	3,408	3,601	106	35,991	15,014	3,368
SO #3: IMPROVED MANAGEMENT -TOWARD LONG-TERM SUSTAINABILITY- OF SELECTED NATURAL RESOURCES																		
522-0246	Forestry Development	C	12/29/87	12/31/94	68	54	20,000	0	13,172	6,828	7,999	1,060	935	88	7,119	6,053	1,120	
522-0292	Land Use & Prod. Enhancement	B	02/09/89	02/08/97	45	56	36,000	0	11,690	24,310	6,932	1,082	1,039	95	6,603	5,087	1,214	
SUBTOTAL SO #3							55	56,000	0	24,862	31,138	14,931	2,142	1,974	92	13,722	11,140	2,334
SO #4: HEALTHIER, BETTER-EDUCATED HONDURANS																		
522-0216	Health Sector II	A	06/30/88	10/01/95	59	75	57,300	8,415	38,242	19,058	9,759	5,992	6,261	104	28,818	9,424	3,000	
522-0257	Council Human Res Dev (CADRH)	B	07/26/84	12/31/93	87	78	6,325	0	6,325	0	1,875	226	310	137	4,963	1,362	264	
522-0273	Primary Education Efficiency	B	08/29/86	07/30/94	77	61	22,100	1,600	21,060	1,032	8,350	985	1,069	109	12,703	8,285	1,500	
522-0389	Private Sector Population Prgs II	B	07/19/89	06/30/94	65	57	16,000	2,073	10,904	5,096	4,760	1,219	896	74	6,242	4,662	1,100	
SUBTOTAL SO #4							69	101,725	12,088	76,539	25,166	24,744	8,422	8,536	101	52,806	23,733	5,864

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
PROJECT NO.	PROGRAM/PROJECT TITLE	CATE-GORY	DATE OF INIT. OBLIG.	LAST REVISED PACD	% OF LOP ELAPSED	\$ OBLIG. EXPEND.	AUTH. LOP AMOUNT	CURRENT FY OBLIG. TO DATE	CUMUL. AMOUNT OBLIG.	MORTGAGE	BEGINNING FY PIPELINE	PLANNED SEMESTER EXPEND.	ACCRUED SEMESTER EXPEND.	ACCRUED AS % OF PLANNED	CUMULATIVE ACCRUED EXPEND.	ENDING PIPELINE	PLANNED EXPEND. (NEXT SEM.)
SO #5: MORE RESPONSIVE SELECTED DEMOCRATIC INSTITUTIONS AND PROCESSES WITH GREATER CITIZEN PARTICIPATION																	
522-0298	Strengthening Democratic Inst.	C	08/12/87	08/31/95	62	68	21,800	3,300	19,800	2,000	4,897	685	1,360	225	13,529	6,271	2,000
522-0340	Municipal Development	B	06/29/90	06/28/97	32	25	10,000	4,200	9,344	656	4,322	756	975	129	2,372	6,972	1,015
522-0329	Honduras Peace Scholarships	A	03/25/85	11/30/93	87	86	21,830	0	21,830	0	4,221	1,012	1,042	103	18,828	3,002	687
522-0364	Honduras Peace Scholarships II	B	06/21/90	06/30/98	28	15	15,000	2,000	6,117	8,883	4,669	528	592	112	923	5,194	787
SUBTOTAL SO #5						62	68,630	9,500	57,091	11,539	17,509	2,901	3,969	137	35,652	21,439	4,408
SO #6: OTHER																	
522-0269	Strategic Planning & Tech Support	A	08/23/85	09/30/93	85	86	4,000	0	4,000	0	787	142	91	64	3,453	547	114
522-0324	Shelter Sector Program	A	09/09/87	06/30/93	87	85	1,600	0	1,600	0	423	150	50	33	1,383	237	66
522-0380	CA Survivors's Assistance WRF	A	05/01/90	05/31/93	78	87	1,536	256	1,536	0	0	0	54	0	1,334	202	150
SUBTOTAL SO #6						86	7,136	256	7,136	0	1,130	292	195	67	6,150	986	324
SUBTOTAL ACTIVE PROJECTS						69	389,323	39,754	383,850	85,473	99,512	21,504	21,478	100	289,129	94,721	21,259
TERMINATED PROJECTS																	
RURAL DEVELOPMENT																	
522-0176	Small Far Coffee Improvement		06/05/81	05/26/91	100	95	20,750	0	20,750	0	958	0	(42)	0	19,722	1,028	0
HUMAN RESOURCES DEVELOPMENT																	
522-0273.01	Assoc. Socio-Econ Prom/Dev		03/07/87	12/31/90	100	92	5,400	0	3,152	2,248	258	0	(32)	0	2,887	265	0
522-0379	Children's Survival Assistance (PADP)		04/30/90	02/28/91	100	86	2,370	0	520	1,850	0	0	(74)	0	446	74	0
DEVELOPMENT ENGINEERING																	
522-0214	Rural Roads II		07/30/85	06/30/91	100	98	20,000	0	20,000	0	381	0	0	0	19,602	392	0
522-0998	CA Energy Self Sufficiency		N/A	06/30/91	100	79	1,000	0	1,000	0	184	0	(50)	0	790	210	0
SUBTOTAL TERMINATED PROJECTS						96	49,520	0	45,422	4,898	1,701	0	(198)	0	43,453	1,969	0
ACTIVE PROGRAM																	
522-0375	Economic Stabilization & Recov IV	A	06/05/91	12/31/92	85	100	58,000	0	58,000	0	17,000	17,000	17,000	100	58,000	0	0
522-0385	Structural Adjustment Program	A	09/10/92	09/10/93	5	0	25,000	25,000	25,000	0	0	0	0	0	0	25,000	12,500
SUBTOTAL ACTIVE PROGRAM						70	83,000	25,000	83,000	0	17,000	17,000	17,000	100	58,000	25,000	12,500

PIPELINE ANALYSIS
USAID/ROMDSTRAS
September 30, 1992

PROJECT No.	PROJECT TITLE	FY OBLIGATIONS							CUMULATIVE OBLIGATION	ENDING PIPELINE BY FY							PIPELINE AGE BY FY						
		FY 86 & Prior Yrs	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92		FY 86 & Prior Yrs	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92	FY 86 & Prior Yrs	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
207	REPORT DEV AND SERVICES	17,600	4,250	0	1,650	0	332	3,500	27,332	15,407	16,711	11,329	7,161	4,104	3,777	5,469	0.0%	0.0%	0.0%	30.6%	0.0%	0.0%	64.0%
216	HEALTH SECTOR II	0	0	9,076	7,790	8,318	6,643	8,415	38,242	0	0	9,076	12,083	9,700	9,759	9,424	0.0%	0.0%	0.0%	0.0%	0.0%	19.7%	89.3%
241	SMALL BUSINESS II	0	0	7,475	859	1,957	1,499	3,210	15,000	0	0	7,475	4,903	4,184	3,720	5,037	0.0%	0.0%	0.0%	0.0%	6.5%	29.8%	63.7%
246	FORESTRY DEV	0	0	6,172	2,090	2,000	3,000	0	13,172	0	0	6,152	7,042	7,516	7,939	6,953	9.0%	0.0%	0.0%	17.4%	33.0%	49.6%	0.0%
249	AG RESEARCH FOUNDATION	5,400	5,309	4,475	2,200	1,000	1,616	0	20,000	1,925	3,720	3,995	4,009	2,405	2,883	1,542	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
252	SPOS	2,650	6,050	1,000	5,500	0	1,125	500	17,625	2,624	6,799	6,326	5,398	5,267	3,400	2,049	0.0%	0.0%	0.0%	20.7%	0.0%	54.9%	20.4%
257	CADRE	1,000	1,000	1,123	1,500	1,622	0	0	6,325	381	1,025	1,152	1,882	2,688	1,075	1,362	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
268	IRRIGATION	9,500	8,500	0	2,000	2,500	2,500	0	19,000	3,500	11,694	10,636	7,771	4,540	4,947	3,861	0.0%	0.0%	0.0%	0.0%	35.3%	64.7%	0.0%
269	SPATS	4,000	0	0	0	0	0	0	4,000	3,881	3,188	2,356	1,969	1,089	707	547	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
273	PRIMARY EDUC RFP	3,600	5,922	2,573	3,300	2,520	1,549	1,600	21,068	3,600	9,108	8,372	7,229	7,803	8,350	8,205	0.0%	0	0.0%	31.5%	38.5%	18.7%	19.3%
289	PRIVATIZATION	1,000	3,000	0	0	0	(181)	0	3,819	1,000	3,620	2,338	629	218	689	491	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
292	LHP	0	0	0	4,000	3,800	4,600	0	11,600	0	0	0	3,800	5,084	6,932	5,087	0.0%	0.0%	0.0%	0.0%	9.6%	90.4%	0.0%
296	STRENGTH. DEMO. INST.	0	4,030	1,600	5,370	5,000	500	3,300	19,800	0	4,030	3,334	5,085	6,078	4,897	6,271	0.0%	0.0%	0.0%	0.0%	39.4%	0.0%	52.6%
324	SHELTER SECTOR PROG	0	1,600	0	0	0	0	0	1,600	0	1,600	1,469	1,027	689	423	237	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
325	POLICY PLANNING	0	3,300	2,700	1,000	0	0	0	7,000	0	3,300	5,950	6,005	5,229	3,144	2,209	0.0%	0.0%	51.7%	45.3%	0.0%	0.0%	0.0%
325.1	CONSP	0	200	1,000	3,000	0	0	0	5,000	0	200	1,608	3,659	2,725	2,168	1,474	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
325.2	POLICY ANALYSIS & IMPLEM	0	0	0	0	3,000	1,350	3,600	7,350	0	0	0	0	2,611	2,876	4,530	0.0%	0.0%	0.0%	0.0%	4.0%	29.8%	66.2%
325.3	POLICY ANALYSIS & IMPLEM	0	0	0	0	0	0	2,400	2,400	0	0	0	0	0	2,400	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
329	WORD PRACE SCHOLARSHIPS	0	4,700	5,700	7,630	3,800	0	0	21,830	0	4,545	8,029	9,896	9,029	4,221	3,092	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
334	RURAL ROADS III	0	0	0	0	2,500	4,181	2,600	9,621	0	0	0	0	2,500	3,688	4,756	0.0%	0.0%	0.0%	0.0%	0.0%	58.8%	42.0%
340	MUNICIPAL DEVELOPMENT	0	0	0	0	1,000	4,144	4,200	9,344	0	0	0	0	1,000	4,322	6,972	0.0%	0.0%	0.0%	0.0%	0.0%	39.8%	60.2%
361	INT'S TECH SERVICE CORPS	0	0	0	450	500	0	0	950	0	0	0	325	500	464	29	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
363	CORTIS CHAMBER COMMERCE	0	0	0	300	375	0	0	675	0	0	0	193	442	342	376	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
364	BOYS II	0	0	0	0	1,217	2,900	2,000	6,117	0	0	0	0	1,217	4,009	5,194	0.0%	0.0%	0.0%	0.0%	5.7%	55.8%	38.5%
369	PRIVATE SECTOR POPULATION	0	0	0	1,131	4,751	2,949	2,073	10,904	0	0	0	685	3,898	4,700	4,662	0.0%	0.0%	0.0%	0.0%	0.0%	55.5%	44.5%
380	CA SURVIVORS ASSIS (WRP)	0	0	0	0	1,200	0	256	1,536	0	0	0	0	1,152	0	202	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
383	SMALL FARMER AGRI-BUSINESS	0	0	0	0	0	0	3,300	3,300	0	0	0	0	0	3,300	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
TOTAL		38,830	48,861	43,694	49,770	44,434	38,707	39,754	303,850	32,278	71,740	89,875	93,879	82,450	30,512	94,721	0.0%	0.0%	1.3%	8.7%	15.1%	31.7%	41.8%

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

Project Title: Export and Development Services
 Project Number: 522-0207
 Date of Authorization: original 08/30/84 Amendment 09/27/91
 Date of Obligation: original 08/31/84 Amendment 09/27/91
 PACD: original 06/30/91 Amended to 08/29/94

Implementing Agencies: Ministry of Economy and Commerce (MOE), Foundation for Investment and Development of Exports (FIDE), Federation of Honduran Agricultural Producers and Export (FPX), the Central Bank of Honduras (BCH)

Major Contractors: N/A
 Project Managers: Scott Taylor/Delbert McCluskey
 Status of CPs/Covenants: Met

Date of Last Evaluation: 03/30/88 Next Evaluation: 09/30/93
 Planned No. of NFAs: Two NFA contracted/completed: 0
 Date of Last Audit: 00/00/00 Next Audit: 11/30/92

A. FINANCIAL DATA

Amount Authorized: DA Loan: original \$16,000,000 amended to \$12,951,166
 DA/ESF Grant: original \$ 7,500,000 amended to \$15,280,997

Amount Obligated: DA Loan: original \$16,000,000 amended to \$12,951,165
 DA/ESF Grant: original \$ 7,500,000 amended to \$14,380,997

Amount Committed: Period: \$ 418,214
 Cumulative: \$22,614,874

Accrued Expenditures: Period - Projected: \$ 1,052,000
 Period - Actual: \$ 965,120
 Cumulative: \$21,862,565
 Period - Next: \$ 1,514,500

Counterpart Contribution: Planned: \$40,618,000
 Actual: \$61,808,023

% LOP Elapsed: 81%
 % of Total Auth. Oblig.: 96%
 % of Total Oblig. Exp.: 80%
 % of Total Auth. Exp.: 77%

II. PROJECT PURPOSE

To increase nontraditional exports.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. Specific Linkage to SOs: The project addresses the Mission's Strategic Objectives Nos. 1 and 2: Increased Private Investment and Trade and Increased Agricultural Production and Exports respectively. The EDS project helps achieve these objectives by addressing specific issues related to improving the investment climate, developing exports, and strengthening private sector institutions which service the export sectors.

B. Percent of LOP funds relating to SOs: 100%

III. PROJECT DESCRIPTION

The main components of the project are: Export Policy and Promotion (Ministry of Economy and Commerce), Export Development (FIDE and FPX), and Financial Services (Central Bank).

IV. PROJECT STATUS

A. Planned EOPS

- Policy environment which favors exports.
- Export institutional capability established.
- Adequate financial services available.
- \$53MM in value added from project-aided exports by 1990.

Progress to Date

- The new Investment Law was passed by the Congress on May 29, 1992. The MOE in conjunction with COHEP, worked on the implementing regulations for this new law. These regulations were approved on September 19, 1992.
- FIDE and FPX are established as export promotion organizations.
- Over \$220 million to date in exports have been generated by US\$7.8MM and L158.0MM in financing provided by the project credit lines.
- \$160 million in foreign exchange will be generated by December 31, 1992.

B. Major Outputs

	Planned				Accomplished		
	LOP	Period	Cum.	Next Period	Period	Cum.	% of LOP
FIDE:							
1. New Investments	10	7	60	0	3	73	73%
Value (\$M) ^{1/}	N/A	N/A	N/A	N/A	2.7	130	N/A
2. Employment							
Total	N/A	500	11008	850	2270	24130	N/A
Male	N/A	100	6404	128	341	3620	N/A
Female	N/A	400	4604	722	1929	20510	N/A
FPX:							
1. Agricultural Exports (millions)	\$16	\$6.2	\$31.4	2	\$4.5	\$34.0	22%
2. Employment							
Total	N/A	1566	9850	N/A	2323	10537	N/A
Male	N/A	790	6445	N/A	824	6918	N/A
Female	N/A	776	3405	N/A	1499	3619	N/A

Other:

- Credit (millions) ^{2/}

Dollar Fund (\$)	8	0	8	0	0	8	100%
Lempira Fund (Lps)	42	0	158	10	36	158	37%
- Training

Long term	M/F						
Short term	00/00	00/00	00/00	00/00	00/00	00/00	00/00

^{1/} New project output as per Project Amendment No. 1 dated September 9, 1992.

^{2/} FPX collects employment information annually in June at the end of the export cycle. Updated employment figures will not be available for the next semester report.

^{3/} Credit has been tracked from the initial date of operations through this reporting period. Beginning October 1, 1992, the project will no longer track nor report on this output which is not included in the project as amended on September 9, 1992.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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C. Other Accomplishments and Overall Status

The Export Development and Services Project was designed to increase Honduran exports. During the first several years of the project the GOH had in place a policy regime which was biased against export growth. Two NGOs, FIDE and FFX, have implemented targeted export and investment activities which are yielding substantial results. These two NGOs also successfully promoted a more appropriate policy environment for export development. The project as a whole has achieved notable success in assisting Honduran entrepreneurs establish new export industries, enter new markets and increase volumes and improve quality. The project has attracted foreign investment to Honduras and has dramatically improved the export documentation process. Project financed inputs have increased Honduran exports by nearly \$267 million since the start of the project. Most of this growth has occurred in Export Processing Zones (EPZs), cultivated shrimp, and melons. Recently, the industrial export and promotion component has been called into question as having a negative impact on US jobs and for promoting "low paying" jobs in Honduras (see Section D., Problems and Delays, below).

Industrial Export and Promotion

This component aims to increase private investment, expand and diversify manufactured exports and maximize productive employment in the sectors with greatest potential. The project will target specific export and foreign exchange earning sectors for development based on the potential for growth, the cost and benefit to the economy, including employment, and the ability to have a measurable impact on investment, production and exports.

During the first few years of FIDE's existence, its primary operational objective was to increase the flow of Honduran exports. However, when this proved costly, in 1988 FIDE changed its strategy and re-organized its programs. Recognizing that in the near term export growth within Honduras would be led primarily by foreign investment, FIDE began a systematic effort to attract this investment.

In the four years since the establishment of its investment promotion program, FIDE has built a credible and respected promotional organization. Its foreign investment promotion program is based on promoting Honduras' advantages (political and social stability, abundant labor force, close proximity to the US), rather than providing financial incentives to firms. This program has generated cost effective returns in terms of foreign investment, job creation, foreign exchange earnings and two-way trade.

During this reporting period, ten new companies have established operations in Honduras. According to FIDE, firms report that their move to Honduras represents an expansion of their current operations. Included in the reasons for establishing operations in Honduras is the need to remain competitive in the face of increasing global competition. These new investments have generated approximately 2,270 new, direct jobs. According to a recently completed study by Price Waterhouse, 85% are held by women. During the period, Honduran entrepreneurs started two new EPZs, bringing the total number to seven. There are also three industrial parks operating within free trade zones and extensions under the free trade zone law. Park owners have invested approximately \$60 million equivalent to date in plant and equipment, of which the project credit lines have financed about \$9.6 million, or roughly 16%. In terms of two-way trade, park owners have estimated that approximately 60% of their investment in plant has gone for US capital goods inputs.

FIDE's program also focuses on helping to create a business environment which will attract international producers and motivate Honduran companies to export. In this regard, it took the lead in drafting and promoting the passage of the legislation to create EPZs. It also has maintained day-to-day contacts with policy-makers and government officials to resolve policy and legislative bottlenecks. FIDE's day-to-day involvement with the international and domestic business communities give it a solid, practical foundation for recommending change. FIDE is building its institutional capacity to help identify and resolve obstacles facing foreign investors and Honduran companies. FIDE is supporting efforts such as: simplifying import-export procedures; eliminating unnecessary steps in establishing a new business; and identifying other obstacles to doing business in Honduras. FIDE plans to establish a textile monitoring system which will contain statistics regarding the amount of clothing exported from Honduras by firm and the categories of clothing exported by firm. Such an information system will be crucial to the GOH and the private sector at such time as quotas on textile imports to the US are negotiated and established.

FIDE actively participated with COHEP in presenting the implementing regulations for the new Investment Law to Congress. These regulations were approved on September 10, 1992, by the Congress.

The Mission contracted Price Waterhouse in November 1991, to conduct an in-depth baseline study which measures the socio-economic impact of EPZ growth on the communities surrounding the EPZs. The study was expanded to include an examination of the impact of the large influx of people in and around the industrial corridor of San Pedro Sula on social services. Price Waterhouse presented the final report on October 20, 1992. The study findings and recommendations will be implemented through the Cortes Chamber of Commerce (CCIC) Project No. 522-0363 and has the support of the San Pedro Sula municipality.

The credit lines established under the project will begin to be phased out in January 1993 in accordance with GOH financial sector reforms.

All audit recommendations have been closed from a pre-audit award survey of FIDE conducted in August 1991, by the firm Arthur Anderson.

Agricultural Export Promotion

FFX continues to provide technical assistance to producers of non-traditional agricultural exports and has helped develop essential support industries. This past year, FFX directly assisted 124 export projects which generated \$16.06 million in foreign exchange earnings for Honduras, 97% of planned levels. FFX sponsored 20 seminars, attended by 720 persons (12% women) to promote agro-industrial development, the production of new export products and to improve the production of existing export products. FFX-assisted agribusinesses generated 10,537 full-time equivalent jobs, of which 34% are held by women, mostly in packing, processing and greenhouse operations.

FFX continues to improve its income generating capacity, but its coverage of operating expenses declined in the past year. In the operating year that ended June 30th, FFX earned L 904,750 from services. This represents a 27% increase over last year's service income, and equalled 23% of FFX's total operating costs. This compares to 29% coverage from service income last year. In addition to service income, FFX earned L 372,566 from investments in financial instruments and another L 789,270 from its businesses. FFX's total income reached L 2.07 million, or 52% of its total operating costs. This compares to last year's L 2.15 million total income earned that equalled 89% of operating costs. In addition to its own income, FFX received L 4.71 million in donations from the Honduran Central Bank, GOH project counterpart and other international donors. Based on this year's financial performance, FFX is undergoing an organizational restructuring and reorientation in an effort to control costs and increase income generations. FFX's new General Manager is preparing a three-year plan for achieving complete financial self-sufficiency for the Board of Director's review. Under this restructuring, FFX will place greater emphasis on new business development specifically directed at resolving export infrastructure problems. This purpose of this change will be to increase FFX's income from businesses and provide needed infrastructure to stimulate expanded exports of non-traditional agricultural products.

The FFX capital fund increased to L 7.9 million this past year. FFX has invested these funds in its office building, financial instruments and businesses such as a shrimp packing and ice plant, a fertilizer pellet plant, a cashew processing marketing company, and a tilapia farm. FFX is currently evaluating investments in a cold storage facility in Puerto Cortes, a packing plant in Comayagua, a shrimp larvae laboratory and a tilapia processing plant.

FFX postponed the planned evaluation of its Miami office this year. As part of its internal restructuring, FFX management also is analyzing ways to reduce the Miami office costs and increase its income generations.

This review also will analyze the possibility of transforming the Miami Office into a brokerage office to represent small-scale Honduran producers who want to export their products.

In terms of exports, Honduras exported 2,900 containers of melons this past production year which earned \$11.6 million in foreign exchange. This is 7% more than last year. Cultivated shrimp producers exported 4,306 MT in 1991 which earned more than \$31 million in foreign exchange. This was 32% more than 1990. FFX expects Honduran producers to export more than 5,000 MT of cultivated shrimp this year.

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April 1, 1992 - September 30, 1992

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Cacao exports continue to expand slowly in spite of soft world markets. Honduras exported 3,700 MT earning an estimated \$3.7 million. In addition, two new Honduran products, mangos and tilapia, began to show promise in the export markets. Mango exports expanded 44% to 23,000 boxes earning more than \$100,000 in foreign exchange. Honduras exported tilapia for the first time this year from one farm that has 13 ha in production. By the end of next year, FFX expects Honduras to have over 30 ha in production and earnings of more than \$1.0 million from tilapia exports. During the period, FFX also entered into three joint venture research agreements with FHIA to analyze the feasibility of growing asparagus, raspberries and blackberries for winter markets in the U.S.

During the period, FFX closed all outstanding recommendations from the non-federal audit/review. In response to this review, FFX completely updated and revalued its fixed assets inventory, improved many of its internal operating procedures and reduced accounts receivable over 150%. In August, FFX hired a new General Manager who has begun to reorganize the organization and set clear objectives for the next year.

FFX signed an agreement with the Honduran Pesticide Distributors Association (ADIVEPAH) to co-finance a training program for distributors and extensionists. This program was jointly designed by the International Association of Agricultural Chemical Manufacturers and the World Health Organization. The purpose of the program is to improve the management and disposal of pesticides by retail outlets, and improve the information provided by input supply stores to farmers. During the first three months of this program, ADIVEPAH conducted four seminars training 58 people (4 women) representing 33 different input supply companies.

Credit Operations

The Mission has reached agreement with the BCH to phase out directed credit lines beginning 1/1/93. The Mission will revise the regulations of the credit lines to end lending activities and specify how reflows are to be used. One alternative being requested by the Central Bank is to use part of the credit lines to fund an export credit insurance fund which was proposed in the PF but was not implemented earlier because the appropriate financial sector reforms had not been undertaken.

D. Problems and Delays

Recent press reports have alleged that AID, through FIDE, has promoted the systematic denial of fundamental workers' rights and the provision of financial inducements to US firms to shift operations abroad in order to reduce their US work force and escape basic labor standards applicable in the US. USAID/Honduras believes these allegations are incorrect. However, given the gravity of the allegations, the Mission requested in writing to FIDE and the Central Bank of Honduras that they immediately suspend all loans for EPE development. FIDE also was instructed not to engage in actions which would conflict with USG policy to support and respect internationally recognized workers' rights. FY 1993 foreign assistance legislation makes explicit USG policy that no business enterprise be given an incentive to relocate outside the US when there would be a negative impact on employment in the US. The Mission currently is working on an action plan to adjust FIDE's investment promotion program to ensure that its activities continue to be in full accordance with USG policy and the new legislation.

FFX has delayed submitting its annual operating plan to AID and the GOH for approval to enable the new General Manager time to review it as well as all of FFX's operations.

E. Major Activities or Corrective Actions During the Next Six Months

FIDE:

1. FIDE will meet with its division chiefs and USAID to evaluate its 1993 operating plan and budget. Discussions will include a reexamination of its activities to ensure their compliance with USG policy and new legislation which restricts USAID trade and investment activities.
2. Meet with appropriate Ministry of Labor, AIFLD and union officials to establish a dialog concerning labor conditions in the EPZs and the protection of workers' rights.
3. Participate in meetings chaired by the Ministry of Economy to discuss new, comprehensive intellectual property rights legislation.

4. FIDE will negotiate the implementation of a textile monitoring system with the Honduran Association of Maquiladores.
5. Revise personnel evaluation procedures, operations manuals and internal procedures.
6. FIDE will continue to implement activities aimed at ensuring its financial self-sufficiency.
7. Carry-out a non federal audit of FIDE's operations for the period from January 1, 1990, through December 31, 1991, and a recipient audit for the period from January 1 through December 31, 1992.

FFX:

1. FFX will undergo a Non Federal Audit for the period from July 1989 through December 31, 1991.
2. FFX will work with Stevedore Services of America to draft a feasibility study for a cold storage/bulk product handling facility in Puerto Cortes.
3. FFX will reorganize its operations and develop a three-year financial self sufficiency plan.
4. FFX will draft a feasibility study of constructing and operating a tilapia processing plant.
5. FFX will begin construction of a shrimp larvae laboratory.

Credit Operations:

1. Credit regulations will be revised to end new lending and phase out the credit lines.
2. Review the feasibility of an export credit insurance fund.

PROJECT STATUS REPORT

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I. BACKGROUND DATA

Project Title: Health Sector II
 Project Number: 522-0216
 Date of Authorization: original 05/25/88
 Date of Obligation: original 06/30/88 Amendment 07/24/92
 PACD: original 10/01/95
 Implementing Agencies: Ministry of Health (MOH), National Autonomous Water and Sewerage Authority (SANAA), and various PVOs.
 Major Contractors: Management Sciences for Health (MSH) and the Academy for Educational Development (AED).
 Project Manager: David Losk
 Status of CPs/Covenants: All CPs and Covenants have been met.

Date of Last Evaluation: 09/02/91 Next Evaluation: 09/01/95
 Planned No. of NFAs: 1 NFAs Contracted/Completed: 1
 Date of Last Audit: 04/01/91 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$57,300,000
 Amount Obligated: DA Grant: original \$ 7,110,000 amended to \$38,241,998
 Amount Committed: Period: \$ 3,763,405
 Cumulative: \$32,484,405
 Accrued Expenditures: Period - Projected: \$ 5,992,000
 Period - Actual: \$ 6,261,193
 Cumulative: \$28,818,232
 Period - Next: \$ 3,000,000
 Counterpart Contribution: Planned: \$26,016,500
 Actual: \$21,780,314
 % LOP Elapsed: 59%
 % of Total Auth. Oblig.: 67%
 % of Total Oblig. Exp.: 75%
 % of Total Auth. Exp.: 50%

II. PROJECT PURPOSE

To support, strengthen and continue the process of extension of coverage of efficient, sustainable, and effective primary health care and rural water and sanitation (RW&S) services, with an emphasis on child survival (CS) interventions.

RELATIONSHIP TO MISSION'S STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O. The efficient, sustainable, and effective delivery of basic health and RW&S services to the Honduran population is a necessary condition for achieving the S.O., "Healthier, Better Educated Hondurans."

B. PERCENT OF LOP FUNDS RELATING TO S.O. 100%

III. PROJECT DESCRIPTION

The project places a heavy emphasis on the decentralization of the planning, management, and financing of health services. Major project components are Sustainable Support Systems, Health Technologies, Rural Water and Sanitation, and Private Sector Programs (CS and RW&S projects managed by PVOs in rural areas).

IV. PROJECT STATUS

A. Planned EOPs

- Local programming model executed.
- Expanded access to and use of safe water systems in rural Honduras.
- A total of 13 PVOs participating in CS (9) and RW&S (3) project activities.
- Activities expanded for: Home and and clinical management of diarrheal disease and acute respiratory infections, and increased immunization coverage.
- Activities expanded for maternal child health, birthspacing and breastfeeding.

Progress to Date

- Implementing in all regions.
- Approx. 132,788 people have been served.
- Participation: CS: 8 (89%); RW&S: 6 (200%).
- Community distribution of Oral Rehydration Salts implemented. Revised clinical norms for diarrheal disease and Acute Respiratory Infection (ARI) are being implemented. Communications strategy being implemented.
- Contraceptive supplies to health centers improved; national breastfeeding promotion strategy being implemented; progestin-only contraceptive for lactating mothers distributed and in use.

B. Major Outputs

	Planned		Next		Accomplished		% of LOP	
	LOP	Period	Cum.	Period	Period	Cum.		
1. Rural Health Posts:								
-Renovated/Repaired	426	50	281	50	188	419	98%	
-Supply System (No.)	693	25	615	25	35	625	90%	
-Contraceptives (%)	90	90	N/A	90	90	N/A	100%	
-ORS (%)	90	90	N/A	90	96	N/A	107%	
-Cold Chain (%)	80	80	N/A	80	85	N/A	119%	
2. % Children <1 Year								
-Measles Vaccinated	70	80	N/A	80	84	N/A	120%	
3. Vaporizers in:								
-Cesamos (No.)	103	50	97	0	50	97	95%	
-Cesares (No.)	267	40	58	0	40	58	22%	
4. Water Systems (No.)								
-Aqueducts	530	60	246	45	85	271	51%	
-Wells	1600	90	508	115	102	520	33%	
-Latrines (000)	77.0	7.16	35.38	5.65	12.61	40.83	53%	
-Septic Tanks	73	7	34	7	8	35	48%	
-Women Ages 10-44 with domestic access to safe water (000)	84	10.7	37.3	6	10.7	37.3	44%	
5. PVOs Participating								
-CS (No.)	9	1	7	1	2	8	89%	
-RW&S (No.)	3	1	6	0	1	6	200%	
6. Area Warehouses	30	3	14	0	3	14	47%	
7. Regional Health Centers	3	0	1	0	0	1	33%	
8. Training (Persons)								
-Long-term	24	26	4	3	9	11	0 0	
-Short-term (x10)	320	745	20	40	183	441	0 0	
					129	767	292 1168	91% 157%

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C. Other Accomplishments and Overall Status

This institution building project is the mainstay of the Mission's strategy to improve the health of the Honduran population, particularly children under the age of five years and fertile age women. The project seeks to increase decentralization and the capacity of the regions and subregions of the MOH to program, execute, supervise and evaluate the delivery of primary health care and rural water and sanitation services. During the past semester the project continued to progress in implementing child survival, rural water and sanitation and private sector activities directed at reducing infant mortality. Important gains were made both in terms of inputs provided as well as in outputs yielded.

1. Sustainable Support Systems

This component focuses on enhancing the effectiveness of health service support systems at the operational level of the MOH. The purpose of these support systems is to provide MOH staff, particularly at the health center level, with the physical, financial, promotional and technical resources needed for institutionalizing sustainable health care in rural areas.

Continued progress was made in implementing decentralization and new management systems at the health center level under the Local Programming Project Element. During the period, the new logistical and supply system was implemented in an additional 35 health centers for a cumulative total of 625 centers; and the system for organization of forms and educational materials in 126, for a cumulative total of 458 centers.

The Logistics/Administration Project Element focuses on the construction of 30 area level warehouses to improve the MOH's supply and distribution of medicines and medical equipment, and of three regional administrative/training centers (two of which will also have laboratory facilities) in order to improve the working conditions and facilitate continuing education of regional personnel. During the past six months the contracting process was completed and awards were made for the second and third Regional Centers. In addition, three area level warehouses were completed.

The major thrust of the Maintenance Systems Project Element is to repair health centers in order to improve hygiene and the MOH's public image. An additional 188 health centers were renovated or repaired during the past six months with project assistance.

The project seeks to assist the MOH in its efforts to improve the efficiency and effectiveness of management decisions under the Management Information Systems Project Element. Five microcomputers were installed at the regional level during the last six months. In addition, the Epidemiology and Family Health Survey (EFHS) has progressed on schedule, the field data collection and data entry stages were completed for all of the eight health regions. Preliminary reports for all eight health regions, a national infant mortality report, and analytical graphs based on anthropometric and nutritional data were produced and distributed. Under this project element, it is also worth noting that several regions initiated pilot efforts in the timely collection and analysis of infant mortality data utilizing computers procured with project funds. Local and timely collection and analysis of infant mortality data should lead to improved local management decisions for resource allocation in combating infant mortalities.

The major objectives in the Human Resources Development Project Element are the development and utilization of self-instructional modules for the continuing education of MOH employees and long-term training abroad (Masters Degree level education in Public Health and Administration). Seven more MOH professionals began a Master's Degree Program in Public Health in Mexico, and an additional 191 students began a one year in-country training course to become Auxiliary Nurses with the MOH.

The project supports the design and production of educational materials for social marketing under the Educational/Promotional Programs Project Element. During the past six months, over 150 health area personnel and 900 Auxiliary Nurses were trained in the Oral Rehydration Therapy, Acute Respiratory Infections (ARI) and Breastfeeding communication strategies, including educational and counseling skills for behavioral change. Also, a communication strategy for reproductive risk was designed, including pre-testing of a variety of educational materials for promoting family planning.

The project assists MOH efforts to improve its financial management and cost recovery programs under the Health Finances Project Element. Preliminary reports for the first nine months of 1992 indicate that the MOH will meet its target of a 20% increase in service revenues.

2. Health Technologies

This component supports child survival interventions and control programs for malaria, tuberculosis, and AIDS.

In the area of Control of Diarrheal Diseases (CDD), field reports indicate that diarrhea is declining in terms of incidence and severity, and that ORS availability and use are increasing. Although more than 300 cases of cholera have been reported, Honduras has managed to control the epidemic much more effectively than most other Latin American countries.

In the area of ARI, the MOH made the policy decision to implement a pilot study of community based distribution of antibiotics for pneumonias. The project is supporting this effort on several fronts (technical assistance, computer equipment and training, etc.). Because ARIs are now the leading cause of infant mortality and antibiotics are critical for their control, this is considered to be an extremely important decision.

In the area of growth monitoring, pilot projects for community based growth monitoring were initiated in three health areas. It is anticipated that community based growth monitoring will improve the nutritional status of children by enlisting community volunteers to assist the auxiliary nurses with their case loads and thereby provide closer attention to each child's weight gain and respond rapidly to counter abnormally low gains.

In the areas of birthspacing and breastfeeding, the most important advances were those already noted under educational and promotional programs. Another highlight was the efficiency with which the MOH logistics system replaced the health centers' supplies of oral contraceptives which had reached their expiration dates.

3. Rural Water and Sanitation

This component focuses on providing RW&S services to rural inhabitants located in Regions Nos. 3, 5, and 6 which have the highest concentration of population and highest rates of infant mortality due to water-borne diseases. Major accomplishments during the past six months include completion of a survey to determine village operational and maintenance capabilities, an evaluation of the water techs' (a mid level, sub professional employed by SANAA to serve as an engineering aide, a health educator, and a community promoter) first year of activities, and incorporation of the APRODIB FVO into the rural water supply and sanitation program. In addition, the water quality control laboratory in El Progreso became fully operational with SANAA personnel, and a number of training courses for engineers and water techs were held. Finally, nearly \$3 million of water system construction supplies were delivered to the SANAA and MOH warehouses in San Pedro Sula, El Progreso, Santa Rosa de Copan and La Ceiba.

4. Gender Considerations

The role of women as participants and/or beneficiaries in each of the three components described above is considerable. The health centers targeted for increased access to resources under the Sustainable Support Systems component are staffed by auxiliary nurses who form the backbone of the MOH's primary health care system. The success of this component depends upon the participation of the auxiliary nurses, over 90% of whom are women. These nurses benefit from in-service education and other short term training courses financed by the project.

Under the Health Technologies component, the goals of improving the health of women by reducing maternal mortality rates and extending the interval between births ensure that women are direct beneficiaries of the health services supported by this project.

Finally, under the RW&S component, the project has now provided domestic access to safe water to 37,300 rural women in the age group traditionally responsible for manually hauling water of dubious quality from distant sources to their homes, thereby making the performance of their domestic tasks easier.

PROJECT STATUS REPORT

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5. Special Covenants

The Special Covenant on the retention and spending of revenues at the local level is being implemented. Funds are collected and utilized by local health centers. There are still a number of small administrative constraints which restrict the full utilization of these funds at the local level. These are being addressed by the project. All other Special Covenants have been fully implemented.

6. RIG and FARS Audits and Analyses

The RIG Audit of the project contained three recommendations: a) monitor all project inputs using AID-approved software; b) issue a Mission Order formalizing procedures and responsibilities for the reporting of counterpart contributions; c) include an analysis of the MSH resident advisors' scopes of work in the mid-term evaluation and modify the MSH contract as appropriate. The first two were closed during the reporting period, and substantial progress was made on closing the third. The RIG accepted the Mission's proposal to use the annual work plans of the MSH resident advisors to manage the MSH contract (rather than amending the contracted scopes of work), and MSH submitted 3 of the 12 resident advisor annual work plans in accordance with the criteria established in the RIG recommendation. MSH has committed itself to submit the remaining 9 work plans by October 15, 1992, and at that time the Mission will request that RIG close the third recommendation.

During the past six months both SANAA and the MOH took actions to comply with the sixteen recommendations of the Mission's FARS Office vehicle controls analysis, and requested that virtually all of the recommendations be closed. Closure of the recommendations is pending site visits by FARS to verify compliance.

During the past reporting period the Mission's FARS Office completed an analysis of the Health Sector II Rotating Funds and issued a report containing four recommendations. The recommendations are to: increase the capitalization of the Central Funding Account (Recommendation No. 1); prepare monthly status reports for each rotating fund and balance them to their respective bank statements (Recommendation Nos. 2 and 3); and submit to AID any amounts in the SANAA rotating fund which exceed its authorized capitalization level (Recommendation No. 4). Recommendation No. 3 was closed during September 1992, and it is anticipated that the other recommendations will be closed by December 1992.

D. Problems and Delays

As reported in the last SAR, obligations of Health and Child Survival Account funds have not kept up with planned levels creating a back log of pending actions. While the specific FY 92 funding need for the institutional contractor, Management Sciences for Health, was resolved before a crisis occurred, it will be impossible for the project to meet its planned activity completion date (PACD), 10/1/95, if the project is not fully obligated by January of 1994. As such, it is imperative that Mission management make one of three decisions as soon as possible: 1) extend the PACD to comply with the actual obligation schedule; or 2) accelerate the actual obligation schedule to comply with the actual PACD; or 3) redesign the inputs and outputs of the project such that funding needs are reduced, and inform the GOH that the US Government will not be able to provide the total funding contemplated in the Project Agreement.

As reported in the last SAR, approximately \$40,000 worth of HS II funded equipment and materials were stolen from the MOH's Central Supply Warehouse, and the MOH took appropriate actions. During the reporting period, the MOH initiated a procurement of approximately \$25,000 worth of respiratory inhalers in order to replace those stolen from the warehouse. In addition, the MOH obtained price quotes to establish the replacement cost of the other missing supplies and will initiate the corresponding procurements in early 1993. Finally, the Project Coordination Unit initiated a cost-benefit analysis of constructing a small project warehouse with project funds within the MOH's Medical Supply Warehouse compound. Project management will assess this analysis and render its technical judgement in October 1992.

As reported in the last SAR, the annual number of reported malaria cases has increased by roughly 300% since the beginning of the project, and is expected to continue increasing with or without the provision of the remaining project inputs. Substantial reduction in malaria cases would require for more funds than this project can provide. It is anticipated that future project assistance for malaria control will be eliminated, but this is pending the reprogramming negotiations described

during this past reporting period in order to explore the possibility of CARE taking over responsibility for the operation and maintenance of the heavy equipment. This proposal would not require that title to the equipment be passed from the MOH to CARE, and the MOH would continue to be responsible for mosquito surveillance and prioritizing the use of the equipment.

The Mission and the MOH should have initiated and completed negotiations with respect to the recommendations of the external evaluation and the reprogramming of the 1993-1995 project budget during the reporting period. This did not occur. In conjunction with the external evaluation, the MOH has also been evaluating the results of an internal evaluation containing well over one hundred recommendations. While the majority of the recommendations of the internal evaluation have little to do with the project, their incorporation into the MOH analysis has delayed movement towards closure on the mid term evaluation and budget reprogramming process. It is anticipated that this process will be completed during November 1992.

The MOH's Region 3 administrative and training staff should have moved to the new regional building constructed for them in San Pedro Sula during the period. This did not occur because the window air conditioning units installed in the building are too noisy. A project implementation letter approving funding for the removal of the window air conditioning units and the installation of a central air conditioning unit is circulating for clearance. It is anticipated that the central unit will be installed and the regional staff transferred to the new building by the end of the next reporting period.

E. Major Activities or Corrective Actions During the Next Six Months

1. Close the remaining RIG recommendation.
2. Close the outstanding FARS recommendations.
3. Reach an agreement with the MOH on the reprogrammed project budget for 1993-1995, and execute the corresponding official documents .
4. Initiate construction of the two remaining regional centers.
5. Complete the contracting process for the seven remaining area warehouses.
6. Continue involvement of community women in activities in Tegucigalpa and other major urban centers.
7. Approve and fund one PVO grant in Child Survival.
8. Initiate activities with SANAA to improve the supervision of the existing rural water boards.
9. Complete the final report of the EHFS and conduct workshops to discuss the results in six health regions.
10. Make the desk top publishing system for the production of educational materials fully functional.
11. Produce a system design for integrating the MOH's administrative, personnel, and accounting system as prerequisite for the next computer equipment procurement.
12. Complete negotiations and execute an agreement to transfer the administration of the usage and maintenance of the heavy equipment for malaria control from the MOH to a PVO.
13. Produce a manual explaining the process of developing a communications campaign for behavioral changes improving the health of rural Hondurans.
14. Complete the analysis and prepare a report on the ARI baseline data.
15. Initiate the pilot study for the community based distribution of antibiotics for controlling pneumonias.

PROJECT STATUS REPORT

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I. BACKGROUND DATA

Project Title: Small Business II
 Project Number: 522-0241
 Date of Authorization: original 08/26/88
 Date of Obligation: original 08/31/88
 PACD: original 09/30/93
 Amendment 04/02/91
 Amended 09/30/95

Implementing Agencies: The National Association of Industrialists (ANDI)
 Honduran National Development Foundation (FUNADEH)
 Central Bank of Honduras (BCH)
 Twelve private financial institutions

Major Contractors: Nathan & Associates
 Project Managers: Bernal Velarde
 Status of CPs/Covenants: Met

Date of Last Evaluation: 09/11/91
 Planned No. of NFAs: One
 Date of Last Audit: 00/00/00

Next Evaluation: 03/01/95
 NFAs Contracted/Completed: 0
 Next Audit: 10/05/92

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$15,000,000
 Amount Obligated: DA Grant: original \$ 7,475,000 amended to \$15,000,100
 Amount Committed: Period: \$ 572,359
 Cumulative: \$10,896,956
 Accrued Expenditures: Period - Projected: \$ 1,229,000
 Period - Actual: \$ 1,380,535
 Cumulative: \$ 9,963,202
 Period - Next: \$ 900,000

Counterpart Contribution: Planned: \$25,000,000
 Actual: \$33,000,000

% LOP Elapsed: 57%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 66%
 % of Total Auth. Exp.: 66%

II. PROJECT PURPOSE

To strengthen and expand an institutional system that will increase and improve the supply of credit, training, technical assistance and services to Small Scale Enterprises (SSEs); and improve the policy and regulatory environment in which SSEs operate.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.

The Small Business II Project Amendment supports the strategic objective No. 2 of increased private investment, production and trade by advancing the program outputs of improved financial intermediation and strengthening selected private sector institutions.

B. PERCENT OF LOP FUNDS RELATIVE TO S.O.: 100%

III. PROJECT DESCRIPTION

The project is composed of two interrelated components: 1) an SSE Support System component to strengthen and expand the services of the institutional intermediaries and 2) a technical assistance and research unit. The first component is implemented through three Operational Program Grants (OPGs) and an ESF-generated local currency loan and guarantee fund. Under this component, ANDI provides institutional support to Honduran organizations that serve SSEs by offering them training and technical assistance. FUNADEH is expanding its institutional outreach and developing new programs to meet the future needs of micro and small enterprises. The Small and Medium Entrepreneurs Fund (FOPEME) provide financing for loans to SSEs through Honduran private financial institutions (PFIs). Under the second component, the project funds research activities, training, evaluations and long term technical assistance to the COH and the Honduran private sector institutions.

IV. PROJECT STATUS

A. Planned EOPs

Progress to Date

Self-sustaining financial mechanism in place, that in 1993 will be capable of:

The financial mechanisms of FOPEME and FUNADEH are self-sustaining.

1. 7,500 loans/year
2. 6,500 jobs per year
3. PVOs access to commercial credit
4. Self-sustaining

1. 4,600 loans per year
2. 5,500 jobs per year
3. FUNADEH has access to COH funds at commercial rate.
4. Self-sustaining credit/guarantee

B. Major Outputs 1/

	Planned				Accomplished		% of LOP
	LOP	Period	Cum.	Next Period	Period	Cum.	
1. FOPEME							
a. Number of Loans	1153	600	3826	500	498	3724	323%
Female	N/A	150	900	120	117	867	N/A
Male	N/A	450	2926	380	381	2857	N/A
b. Amount of Loans (Lps.-MM)	69.1	20.0	127.5	20.0	15.5	123	178%
Female	N/A	4.0	22.7	5.0	5.3	24	N/A
Male	N/A	16.0	103.8	15.0	11.2	99	N/A
c. Guarantees							
Number	1153	175	1137	50	26	988	87%
Amount (Millions)	30.4	4.0	27.2	2.0	0.1	23.3	77%
2. ANDI							
a. No. of Loans	8125	1200	7845	900	894	7539	93%
Female	3331	600	4797	450	332	4529	135%
Male	4794	600	3048	450	562	3010	63%
b. Participant Training							
No. of Courses	300	100	1195	190	191	1286	428%
No. of Particip.	3000	2000	20178	3675	3695	21873	729%
Female	1230	1000	11543	1000	2343	12696	1031%
Male	1770	1000	8635	1000	1735	9187	519%
3. ASEPADE 2/							
a. No. of Loans	25000	N/A	10578	N/A	615	10893	44%
Female	N/A	N/A	6932	N/A	N/A	7163	N/A
Male	N/A	N/A	3646	N/A	N/A	3730	N/A
b. Amount (Millions)	30	N/A	12.8	N/A	1.9	14.0	47%
Female	N/A	N/A	7.8	N/A	0.6	8.0	N/A
Male	N/A	N/A	5.0	N/A	1.3	6.0	N/A
4. FUNADEH							
a. No. of Loans	2500	250	1985	250	243	2266	91%
Female	625	103	730	100	N/A	862	138%
Male	1825	150	1255	150	N/A	1404	77%
5. Bank Training Seminar 3/	10	1	2	1	0	1	10%
6. Research/Studies	10	1	9	1	1	9	90%

1/ Statistics updated through June 30, 1992

2/ Grant was terminated during the reporting period

3/ Bank Training Seminar will no longer be reported since it will be subsumed under the Financial Restructuring Project (522-0325.03)

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C. Other Accomplishments and Overall Status

The Small Business II Project has made a significant impact in Honduras. During its four years of operation, the project has assisted a network of commercial banks and private voluntary organizations (PVOs) to disburse nearly 25,000 loans which have created over 18,700 new jobs. Approximately 55% of the loans have gone to women managed or owned enterprises. Over 58% of the loans are of a value of less than \$300.00. In addition, the PVO network has provided business training to over 30,000 participants.

The project is being restructure to achieve maximum impact. The ASEPADE Grant Agreement was terminated during this reporting period "for convenience" due to the high percentage of loans in arrears and lack of adequate management and institutional capabilities. The FUNADEH Grant Agreement was amended to provide additional funding to finance the expansion of its micro and small business program to the Honduran capital of Tegucigalpa. Further project modifications will be made during the next semester. The Project Assistance Completion Date (PACD) was extended from September 30, 1993 to September 30, 1995.

FOPEME:

FOPEME is composed of a network of twelve commercial banks and one private finance company. These institutions have made over 3,724 loans for an approximate value of L123.2 million (approximately \$21.6 million at the current exchange rate of \$1.00 = L5.70). Over 60% of the loans are a value of less than L30,000 or \$5,264. The loans disbursed by the private financial institutions have created over 8,116 new jobs for an average credit job ratio of \$2,659. This is almost half of the original Project Paper estimate, which stated that for every \$5,000 of credit disbursed one job would be created. Over 23% of the borrowers of this component are women.

The FOPEME Guarantee Fund was established with an initial capital of L2.0 million in January 1989. Through the end of the reporting period, the capital base of the Guarantee Fund has grown from L2.0 million to L4.7 million. Since the beginning of the Project FOPEME has guaranteed 988 loans for a total amount of L23.3 million. Eight financial institutions have claimed partial reimbursement for 23 loans which have defaulted. The Guarantee Fund has advanced a total of L589,423 for the loans that have defaulted. Of the total advance, almost L300,000 has been liquidated and the Guarantee Fund has recovered over L200,000. Since its creation the Guarantee Fund has collected over L1.6 million in premiums plus nearly L1.5 million in short term investment from the original L2.0 million project grant.

During this semester the Central Bank of Honduras signed new participation agreements with the private financial institutions. The new participation agreements permit other non-bank institutions such as Savings and Loan Associations and PVOs to access the Loan and Guarantee Funds. As a result of the changes, FUNADEH signed a Participation Agreement with the Central Bank of Honduras. This is the first time that a PVO will have access to funds managed by the Central Bank of Honduras.

ASEPADE:

At the recommendation of the Mission Project Committee, AID terminated the ASEPADE Grant Agreement for mutual convenience. The recommendation was made by the project committee when it became evident that despite the technical assistance given to ASEPADE, its management was not capable of reducing the 40% arrearage rate by implementing sound financial policies and control. The main problem with ASEPADE has been its resistance to contract experienced professional financial managers to run the organization. In addition, the Mission concluded that ASEPADE would not be able to achieve the project objectives of disbursing 25,000 loans and creating 3,500 new jobs. From September 1988 to June 1992 ASEPADE had only disbursed 10,893 loans and created about 1,655 new jobs.

The Mission gave ASEPADE 90 days to submit its reimbursement request. The Project Technical Unit will continue to provide limited technical assistance to ASEPADE until the end of November 1992 in the area of financial management and computer systems. No further project activity is contemplated beyond this external technical assistance. The balance of funds not obligated under the project will be reprogrammed within the Small Business II Project. Funds already obligated but not disbursed will be deobligated and if possible reobligated within the same project.

FUNADEH:

With the assistance of the Project Technical Unit, FUNADEH submitted a proposal to expand its successful micro and small business program to the Capital City of Tegucigalpa and its surroundings. As a result, an additional \$1.2 million will be reprogrammed within the SBII budget for FUNADEH. An additional \$1.0 was obligated during the semester. The funding will permit FUNADEH to finance approximately 1,300 loans and create about 2,600 new jobs in the Tegucigalpa area. It is expected that approximately 50% of the loans will go to women owned or managed enterprises. Under this grant amendment, FUNADEH will finance with counterpart funds about 115 training courses for over 2,300 participants. FUNADEH will charge for its training program and try to recover most of the cost associated with this activity.

FUNADEH financed a two day seminar with participation of small business organizations from six countries. This forum permitted a valuable way to share different and successful methodologies and approaches that lead to small and micro business development.

ANDI:

Following the midterm evaluation recommendations and with the assistance of the Project Technical Unit, ANDI submitted a proposal to AID to reprogram project funds in order to concentrate on those PVOs that have the greatest potential of becoming self-sustaining within the SBII two year PACD extension. ANDI expects to accomplish three major outputs as a result of the Grant Amendment: 1) PVOs self-sufficiency capacity will be strengthened and they will be in a better position to mobilize and allocate financial resources; 2) micro enterprises will have more access to market rates resources; and 3) the PVOs will receive critical technical assistance to improve their management and financial effectiveness, with better administrative controls, improved financial management and increased portfolio returns.

The Project Technical Unit did an analysis of the poverty lending programs in Honduras. The final report will be submitted to the Mission during the month of October, 1992. The report concludes that poverty lending may be a self-sustaining activity for the PVOs provided that certain cost and portfolio levels are reached. The Mission will assess this report together with ANDI's proposal to determine if it will access the Anti Poverty Lending Program (APPLE) funds managed by AID/W, PRE/SHIE.

ANDI contracted two Accounting firms to perform external audits to three PVOs that receive project funds from ANDI. During this semester \$611,734 were obligated to the ANDI Grant Agreement.

COMMERCIAL BANK TRAINING (AHIBA):

A Cooperative Agreement will not be signed with AHIBA as reported in the last Project Status Report. The Mission has designed a Financial Restructuring Project that will subsume all the bank training activities that was originally going to be financed by the Small Business II Project. The Small Business II Project will only provide technical assistance to AHIBA to setup a "Credit Reference System" in Honduras. In its first stage, this will encompass the commercial banks and PVOs that have small and micro business credit programs.

D. PROBLEMS AND DELAYS

FOPEME: None

ASEPADE: Not/Applicable (Grant was terminated).

FUNADEH: None

ANDI:

Some of the PVOs assisted by ANDI have had internal problems. For example; the Executive Director, Administrator and two Credit Promoter resigned from FUNDEMU because of differences with the President of the Board. This will have a negative short term impact since these are all key personnel in the organization. The Executive Director and Founder of ODEF died in a car accident. She had been instrumental in obtaining external resources from various sources of funds for ODEF. IDH has not contracted its Deputy Director to provide the proper follow-up to its

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The Non Federal Audit did not begin during this reporting period. Ernst & Young was selected to carry out the Non Federal Audit and the contract states that they will initiate activities on October 5, 1992.

E. MAJOR ACTIVITIES OR CORRECTIVE ACTIONS DURING THE NEXT SIX MONTHS

FOPEME:

FOPEME will market its program with various Savings & Loans Association. It is very likely that at least one of the Savings & Loan Association will sign the Participation Agreement and join the financial network that provides loans to small businesses.

ASEPADE:

Review any bill of collection that ASEPADE might claim and take the necessary steps to formally close this project component.

FUNADEH:

The organization will contract new personnel for its Tegucigalpa Office. The new personnel will be trained in San Pedro Sula before the new office initiates operations. The Tegucigalpa Office should open its doors to the public during the month of March 1993. The Project Technical Unit will assist FUNADEH in setting up and connecting a computer communication network between San Pedro Sula and Tegucigalpa.

The Mission, through its Controller Office, will conduct a financial review to assess FUNADEH's internal controls and procedures in handling grant funds

ANDI:

During the next semester, the Mission will assess the proposal submitted by ANDI to modify the Grant Agreement. If accepted, the Mission will sign a modified Grant Agreement with ANDI to incorporate the suggested changes that have been approved in principle by AID. In addition, the Mission will submit a proposal to AID/W to access \$500,000 from the Anti-Poverty Lending (APPLE) Program to partially finance a credit fund in ANDI. In addition, Ernst & Young will conduct a Non-Federal Audit of ANDI.

A final review of the midterm evaluation recommendations will be made to determine the status of each. All recommendations should be closed during the next reporting cycle.

The Project Technical Unit will provide technical assistance to the PVOs to reduce the percentage of loans in arrears. The technical assistance will concentrate in the areas of portfolio management and control, loan collection procedures, credit analysis and loan selection criteria.

AHIBA:

A short term consultant will be contracted by the Project Technical Unit to design the Credit Reference System that will be managed by AHIBA.

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I. BACKGROUND DATA

Project Title: Forestry Development Project
 Project Number: 522-0246
 Date of Authorization: original 12/18/87 Amendment 05/31/89
 Date of Obligation: original 12/29/87 Amendment 06/27/91
 PACD: original 12/31/94
 Implementing Agencies: Honduras Forestry Development Corporation (COHDEFOR)
 Major Contractors: USDA Forest Service - PASA
 Project Managers: John L. Jordan/Ramon Alvarez
 Status of CPs/Covenants: CPs: All met
 Covenants: All met

Date of Last Evaluation: 12/30/91 Next Evaluation: 00/00/00
 Planned No. of NFAs: 2 NFAs contracted/completed: 1
 Date of Last Audit: 09/30/92 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: DA Loan: original \$12,000,000 amended to \$4,041,000
 DA Grant: original \$8,000,000 amended to \$15,959,000
 Amount Obligated: DA Loan: original \$1,000,000 amended to \$4,041,000
 DA Grant: original \$1,500,000 amended to \$9,131,000
 Amount Committed: Period: \$109,122
 Cumulative: \$8,522,731
 Accrued Expenditures: Period - Projected: \$1,060,000
 Period - Actual: \$934,606
 Cumulative: \$7,118,561
 Period - Next: \$1,120,000
 Counterpart Contribution: Planned: \$11,687,700
 Actual: \$6,575,390
 % LOP Elapsed: 68%
 % of Total Auth. Oblig.: 66%
 % of Total Oblig. Exp.: 54%
 % of Total Auth. Exp.: 36%

II. PROJECT PURPOSE

The project's purpose is to improve the management and sustainable productivity of commercial pine forests and the efficiency of industrial conversion and marketing of wood products.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

- A. SPECIFIC LINKAGE TO S.O.: The project contributes to the Mission's S.O. of more efficient management and sustainable use of selected natural resources.
 B. PERCENT OF LOP FUNDS RELATING TO S.O.: 100%

III. PROJECT DESCRIPTION

The project consists of: forest management in selected areas, strengthening the private sector forest industry through technical assistance and training, and supporting the institutional reorientation of COHDEFOR through the development of a new timber sales system and improved managerial efficiency.

IV. PROJECT STATUS

A. Planned EOPs

- COHDEFOR has relinquished all industrial operations.
- COHDEFOR's financial situation stabilized, income covers cost.
- All timber transactions carried out based on rational forest management.
- Forest utilization carried out in accordance to allowable cut.
- Acceptable level of regeneration environmentally sound logging and forest management.
- Industry utilizing profitably a wider range of timber resources.

Progress to Date

- Only one operation, CORFINO, still COH owned but presently closed down.
- Recent legislative reforms have permanently reduced COHDEFOR's income generating structure by more than 50% and new funding alternatives are being considered.
- Timber sales system being accomplished in 100% of the timber transactions.
- Area I and II, La Union and Salama, being managed accordingly.
- Area I and II, La Union and Salama, being managed accordingly.
- In progress. Industry expanding into new markets.

B. Major Outputs

	Planned		Next		Accomplished	
	LOP	Period Cum.	Period	Period Cum.	Period	% of LOP
Timber Sales						
1. Standing timber sales system (%)	100	0	100	0	00	100 100%
2. Sound timber valuation (%)	100	0	0	0	0	0 0%

Forest Mgmt - La Union

1. Vol. harvest (M3)	350	30	237	30	39	246	70%
2. Seed trees marked (Ha)	5,500	500	3,491	500	229	3,220	59%
3. Nursery plants	85,000	5,000	88,700	10,000	2,700	86,400	102%
4. Intensive fire protection (Ha)	18,000	16,000	16,000	16,500	16,000	16,000	89%
5. Control burns (Ha)	12,000	0	780	500	0	780	6%
6. Maintenance of forest roads (Kms)	500	0	206	50	0	206	41%
7. Extension in agric. rural dev. (persons)	1,200	100	1,082	100	1,161	2,143	181% M
8. Income from forest activ. (persons)	600	50	500	50	555	1,005	168% M
9. Soil conservation activities (Ha)	900	30	267	30	0	237	26% M
10. Grants Rural Dev.	100	10	31	10	0	21	21% F

Training (Per/Months)

1. Long-term	1,200	120	495	270	216	591	49% M
	245	30	174	60	72	216	88% F
2. Short-term	962	70	765	100	71	766	80% M
	150	20	192	20	28	200	133% F

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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C. Other Accomplishments and Overall Status

The Forestry Development project addresses one of the most critical problems facing the Honduran agricultural sector, the rapid depletion of the forest resources. It focuses on managing pine forest resources in a rational manner in order to reduce the country's environmental degradation and generate a more productive future forest.

As a result of substantial policy dialogue, training and technical assistance, a new timber sales system, based on rational forest management, has been implemented by COHDEFOR in pine forests nationwide. In contrast with the previous system which basically consisted of measuring the logs extracted with little supervision of the logging activities, the new method requires preparation and administration of the timber sale. This new system sets the bases for sustainable forest management, mitigates the environmental impacts of road building and logging, and reduces wastage in harvesting. The project's technical assistance in this area is now concentrating in improving the field work, specially in the area of road design and regulations, in developing a quality control system, and in preparing local volume tables.

Timber continues being sold nationwide by the government at a flat rate regardless of its location, quality, accessibility and other factors which affect its true economic value. The government used to price all timber sales, but now, due to the new Agriculture Modernization Law, private forest owners can sell their timber directly, without being subject to a particular pricing system. The existence of competitive private sector prices will probably permit the implementation of a related system in national lands such as the transaction evidence/market indexing system suggested by the PASA TA or a bidding system such as the one being proposed by the International Development Bank (IDB). The project paper considers the implementation of a residual value system of timber appraisal, an analytical method of value determination that uses product values and production costs to determine the standing timber value. However, the project must now analyze the conditions resulting from the new law and the GOH policy decisions in order to select an appropriate pricing mechanism.

The project is implementing multiple use forest management plans in two model units with a total area of 200,000 hectares. These plans emphasize natural regeneration, forest protection, silvicultural treatments, environmental mitigation practices and rational utilization techniques.

During the past fire season, project personnel fought 149 fires and kept the total area burned by these fires down to 723 hectares. Fire detection was carried out through roving patrols and 3 fire towers. In addition, protection of 10,000 hectares was carried out by the local population financed by an incentive program that consists of forest protection agreements to provide prevention and protection services in exchange for funding of community development projects. Under this program, 1,100 persons have been benefited with a total investment of only \$17,000. Other incentive activities are providing small individual benefits to many of the area's inhabitants.

TA and direct on-the-job training on fire management was provided to COHDEFOR by the Department of the Interior's Bureau of Land Management. The Bureau has presented to the Mission a proposal for future assistance to COHDEFOR on nationwide fire management through a project-financed PASA.

Measures to protect La Muralla, a 6,000 hectare cloud forest reserve, from encroachment continue being implemented. TA has been contracted through a buy-in with ROCAP to develop a flora and fauna inventory and a management plan for this area. Additionally, through another buy-in with ROCAP, TA is being provided to develop COHDEFOR's new Wildlife and Protected Areas Department.

COHDEFOR's outdated computer system is being replaced with a Limited Area Network system in order to improve COHDEFOR's administrative capacity. To implement this new system, this semester the project provided TA and trained 31 persons.

Short-term TA and training courses continue being provided to the forest industry. Local consultants provided assistance in sawfiling, lumber grading and business management. The project provides funding for TA and publications to the Honduras Sawmiller's Association (AMADHO). With this funding, AMADHO has prepared a catalog of wood products and directory of wood producers, to be published next semester. The Association's technical expert has been highly involved in the implementation of the new Agriculture Law, the revision of corresponding manuals and the negotiations with the government regarding the new status quo of the forestry sector.

The Mission's Evaluation Summary of the Project's Midterm Evaluation has been finalized. It approves a two-year no-cost PACD extension, additional long-term TA, and the amendment of the Project Agreement to reflect new implementation arrangements. The project's first Non-Federal Audit is being finalized.

In training, a total of 387 person months were provided to 1,012 participants during this period. Eleven participants are now receiving long-term training in forestry at U.S. universities and another 36 are enrolled in a 3-year program at the Honduras National Forestry Science School (ESNACIFOR). In-country short-term training was provided to 181 COHDEFOR employees, 118 forest industry operators and 550 rural community members.

The participation of women has increased in training, employment and rural development activities. This semester the project hired a woman as head of the agroforestry activities and another as head of the accounting section which is now mainly staffed by women. The involvement of women in project activities is being promoted by the forest promoters. Also, the main forest industry in the project area has increased its employment of female workers.

D. Problems and Delays

The project is classified as a "C" project due to its low expenditure level and the request of a PACD extension of two years. However, the main reasons for the low expenditure level are the overly optimistic projections for the project's initial year and the decision to improve the project's performance by eliminating the \$4.9 million industrial credit component. To a lesser extent, the termination, for convenience, of the TA contract with Tropical Research and Development and the continued delays in the processing of implementation orders have also slowed down project activities. During the past six months, expenditures did not meet projections due to delays in the procurement of aerial photography, the implementation of road maintenance contracts and the initiation of two buy-ins with RENARM.

Due to the large number of foresters working with the private sector and in long-term training programs, COHDEFOR continues to lack sufficient technicians for efficient implementation of its forest management responsibilities. This deficiency is affecting the quality of the timber sales program. To address this situation, the project has increased the number of scholarships oriented towards producing more forest technicians. This shortage will continue to exist for at least one more year, but on the other hand, the increased presence of technicians in the private sector is very beneficial to the country's forestry development.

Prior to the Agriculture Modernization Law, the government of Honduras managed all of the country's forest areas. With the new law, it will now only manage the national forests. Municipalities and private forest owners will manage and utilize their own forest. To operate under this new legislation, government-approved forest management plans will be required for all areas to be harvested. This new law requires profound policy and organizational changes in the government's forestry sector. COHDEFOR has been very slow in defining and implementing the necessary adjustments and the process is behind schedule.

In the project management units, new forest management plans that only include the national forest areas must be formulated and implemented. The initial step to adjust to the new law is the delimitation of public and private property, an activity that has already been started in both of the project's model units.

E. Major Activities or Corrective Actions During the Next Six Months

1. Issue a PIL approving a no-cost PACD extension to December 31, 1996.
2. Amend the Project Agreement as necessary, including new implementation arrangements and budget.
3. Prepare a PIO/T for technical assistance for the remainder of the project.
4. Establish an "Environmental Unit" within COHDEFOR to contribute to forest management, timber sales and extension activities.
5. Prepare new forest management plans for the model units.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

Project Title: Honduran Agricultural Research Foundation (FHIA)
 Project Number: 522-0249
 Date of Authorization: original 08/29/84
 Date of Obligation: original 08/29/84 Amendment 03/19/91
 PACD: original 09/30/94
 Implementing Agencies: Honduran Agricultural Research Foundation
 Major Contractors: N/A
 Project Manager: Del McCluskey
 Status of Cps/Covenants: Met

Date of Last Evaluation: 07/01/89 Next Evaluation: 06/01/94
 Planned Number of NFA's: 1 NFAs Contracted/Completed: 0
 Date of Last Audit: 12/01/91 Next Audit: 10/01/92

A. FINANCIAL DATA

Amount Authorized: DA/ESF Grant: original \$20,000,000
 Amount Obligated: DA/ESF Grant: original \$ 230,000 amended to \$20,000,000
 Amount Committed: Period: \$ 132,987
 Cumulative: \$18,942,987
 Accrued Expenditures: Period - Projected: \$ 705,000
 Period - Actual: \$ 485,329
 Cumulative: \$18,458,522
 Period - Next: \$ 550,000
 Counterpart Contribution: Planned: \$ 6,500,000
 Actual: \$ 8,631,325
 % LOP Elapsed: 81%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 92%
 % of Total Auth. Exp.: 92%

II. PROJECT PURPOSE

To establish a private, non-profit and financially viable agricultural research organization to expand and improve the agricultural research system in Honduras and enable it to be responsive to Honduran needs.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. Specific Linkage to SOs: Project supports the Mission's Strategic Objective No. 1 - Increased Agricultural Production and Exports. The project directly addresses Program Output 1.2: Increased Access to Markets and Factors of Production.

B. Percent of LOP funds relating to SOs: 100%

III. PROJECT DESCRIPTION

FHIA operates four principal crop-oriented research programs: plantain and bananas, cacao, vegetables, and diversified fruit products. FHIA's research is oriented toward adapting technologies and crops. FHIA's technicians interact with small and medium-scale farmers and other agricultural professionals, realizing an important outreach activity. FHIA also provides a variety of production-related services to individuals and businesses under contract.

V. PROJECT STATUS

A. Planned EOPS

1. Internationally recognized research foundation.
2. Ongoing research program consistent with the needs of Honduran producers.
3. Communications network ensuring two-way flow of information.
4. Efficient analytical and laboratory capability.

Progress to Date

1. Recognized as center of excellence in region.
2. 3 major programs researching 9 important crops and other commodity research.
3. All communications and training goals surpassed.
4. Functional soils, pesticide residue, and plant pathology laboratories.

B. Major Outputs

	<u>Planned</u>				<u>Accomplished</u>		
	<u>LOP</u>	<u>Period</u>	<u>Cum.</u>	<u>Next Period</u>	<u>Period</u>	<u>Cum.</u>	<u>% of LOP</u>
1. Research:							
a. Program/Projects	18	2	24	0	0	20	111%
b. Technologies Adapt.	20	3	29	1	3	29	145%
c. Cultivars Adapt.	40	4	85	1	4	84	182%
d. Special Studies	160	3	234	4	3	229	143%
2. Services:							
a. Lab Analyses (OCO)	150	6	99	5	5	98	65%
b. Consultations	95	10	114	12	14	112	118%
3. Communications:							
a. Courses/Seminars	100	19	139	7	28	154	154%
b. Field Days	70	7	95	4	2	90	129%
c. Publications	250	18	288	5	7	284	114%
4. Training	M/F	M/F	M/F	M/F	M/F	M/F	M/F
- Producers	950/50	300/10	2165/149	125/15	129/9	2052/119	216/238
- Professionals	240/60	280/25	1045/202	250/20	250/27	1176/202	490/337
- Students	320/80	60/10	410/95	50/10	61/14	426/114	133/143

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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C. Other Accomplishments and Overall Status

FHIA is a non-profit private sector organization which was created to insulate agricultural research from the political and budgetary fluctuations faced by public sector organizations. During its first eight years of operation, FHIA has achieved significant progress, having now surpassed all of its LOP goals and objectives with the exception of one related to services. This goal also will be met by the end of the project. The institution has successfully established well-balanced and respected research and service operations which respond to the needs of Honduran farmers. Its staff is composed of highly qualified professionals, and FHIA is recognized as a center of excellence in research in the region and the world. The project highlights the significance of the institution building capability of Agency activities.

FHIA's pesticide residue laboratory was evaluated by a team from the Environmental Protection Agency and the Food and Drug Administration. This evaluation provided guidelines for the increased efficiency and utilization of equipment, and identified needs for new equipment, training and additional staff. A Dutch pesticide specialist spent 45 days working with the laboratory staff on methodology and helping FHIA reorganize the lab's physical layout according to the EPA/FDA recommendations. FHIA has postponed purchasing the equipment recommended by the EPA/FDA team pending an in-depth analysis of demand for residue testing and a final decision by the GOH on the endowment fund proposal.

A Belgium scientist is providing short-term training to FHIA's biotechnology (tissue culture) laboratory staff. This scientist will be followed by another in 1993, funded by the German government for two-years, to expand the research and service capabilities of the laboratory. In the past six months, FHIA sold twenty thousand tissue cultured banana plants to private companies in six different countries. At this time, the laboratory can produce 40,000-50,000 plants/yr. Given the rising demand for tissue cultured plant materials, FHIA plans to expand the laboratory's capacity in the near future.

The cacao program has received more interest in the last six months with its publishing of research results on inter-cropping and relay cropping cacao with tropical fruits, tropical woods and black pepper. These systems provide income to farmers throughout the year. Cacao also provides good erosion control on hillsides. The German and Dutch governments are interested in funding projects with FHIA to promote the transfer of cacao cultivation information to smallholders in erosion prone areas.

The vegetable and diversification programs have signed contracts to provide technical assistance to exporters in several crops: blackberries, raspberries, onions and asparagus. These contracts are directly related to FHIA's research activities. For example, in 1990 the vegetable group carried out export trials with a private company. Based on those trials and research over the last three years, seven growers contracted FHIA to provide technical assistance during this export season. The vegetable group is also collaborating on a regional basis with onion research.

FHIA's banana and plantain program has expanded its international coverage through the International Network for the Improvement of Bananas and Plantain (INIBAP) and directly with several individual countries. During the period, FHIA provided a Sigatoka resistant cooking banana variety to researchers in Uganda. This banana grows well on poor soils and could substitute for the native banana that now is being destroyed by the outbreak of Black Sigatoka in East Africa.

FHIA's Administrative Council selected the Internal Auditor who started work in July. The first draft of FHIA's revised internal regulations and policies guide is under review. A final version will be presented to the Administrative Council for its approval at the next meeting in November. During the period FHIA closed all outstanding FARS recommendations.

The Administrative Council decided not to renew the Director General's contract which expired September 15th. The Council named the Deputy Director to serve as Acting Director until a new person can be selected for the position. The process to select a new Director General will commence only after the GOH has approved the local currency endowment fund for FHIA.

D. Problems and Delays

The GOH continued to delay a final decision on creating a local currency endowment fund for FHIA. During the period, FHIA staff and members of its Administrative Council made several presentations to key GOH leaders and members of the President's Economic Cabinet with the purpose of promoting a positive final decision. Given the delays, and the near-term end of AID support for FHIA, the Mission sent a letter to the Minister of Finance and the President of the Central Bank stating the need for a final decision to enable FHIA and USAID to make plans for the remaining funds in the project. In response to this letter, the GOH has promised a final decision on the endowment funds before the end of October.

E. Major Activities or Corrective Actions During the Next Six Months

1. Based on a positive decision by the GOH, FHIA will finalize and present to USAID its proposal for the endowment fund.
2. The Administrative Council will review and approve FHIA's internal regulations and policies.
3. Based on a positive decision by the GOH on the endowment fund, the Administrative Council will select a new Director General for FHIA.
4. FHIA will contract for and receive an audit under the recipient audit program.

PROJECT STATUS REPORT

October 1, 1991 - March 31, 1992

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I. BACKGROUND DATA

Project Title: Small Farmer Organisation Strengthening
 Project Number: 522-0252
 Date of Authorization: original 09/26/85 Amendment 07/13/92
 Date of Obligation: original 09/26/85 Amendment 07/13/92
 PACD: original 09/30/87 Amended to 09/26/95
 Implementing Agencies: Financial Development Fund (FDF)
 Major Contractors: World Council of Credit Unions (WOCCU), National Cooperative Business Association (NBCA), Agricultural Cooperative Development International (ACDI), and Latin American Confederation of Credit Unions (COLAC)
 Project Managers: Lee Arbuckle/José Antonio Carranza
 Status of CPs/Covenants: CPs met. The FDF legal charter was authorized by OOH and was submitted to Honduran Cooperatives Confederation.
 Date of Last Evaluation: 05/31/92 Next Evaluation: N/A
 Planned Number of NFA's: 3 NFAs Contracted/Completed: 1
 Date of Last Audit: 00/00/00 Next Audit: 12/31/92

A. FINANCIAL DATA

Amount Authorized: DA Loan: original \$ 3,000,000 amended to \$ 3,000,000
 DA/ESP Grant: original \$ 1,462,500 amended to \$ 14,625,000
 Amount Obligated: DA Loan: original \$ 3,000,000 amended to \$ 3,000,000
 DA/ESP Grant: original \$ 1,462,500 amended to \$ 14,625,000
 Amount Committed: Period: \$ 461,216
 Cumulative: \$ 16,203,855
 Accrued Expenditures: Period - Projected: \$ 943,800
 Period - Actual: \$ 701,460
 Cumulative: \$ 15,575,557
 Period - Next: \$ 750,000
 Counterpart Contribution: Planned: \$ 22,465,530
 Actual: \$ 18,179,643
 % LOP Elapsed: 70%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 87%
 % of Total Auth. Exp.: 87%

II. PROJECT PURPOSE

To establish a viable system for delivering productive inputs (credit, technology, market services, and management skills) to growers in order to increase agricultural productivity and diversify the production base.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. Specific Linkage to SOs: Project supports the Mission's Strategic Objective No. 1 - Increased Agricultural Production and Exports. The project will directly impact Program Output 1.1: Improving Profitability and Climate for Agricultural Investment and Increasing Access to Markets and Factors of Production.

B. Percent of LOP funds relating to SOs: 100%

III. PROJECT DESCRIPTION

The project will strengthen and upgrade the administrative, management, planning and capital formation capabilities of the participant organizations. This will expand their service delivery capabilities and improve access to factors of production which have inhibited agricultural growth and productivity. The three components used to effect this change are: institutional support, financial stabilization, and credit.

IV. PROJECT STATUS

A. Planned EOPS

1. 1 FDF Created
2. 4 Federations Strengthened
3. 55 Cooperatives Strengthened

Progress to Date

1. Created, but not yet legally chartered.
2. Strengthening process is underway with five federations.
3. Strengthening process is underway or completed for 51 cooperatives.

B. Major Outputs

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
1. <u>Institutional Support</u>							
Second level Organization Cooperative	4	0	5	0	0	5	100%
	55	10	57	8	4	51	93%
2. Orgs. W/Computer technology	2	8	44	3	3	39	1950%
3. Credits							
Disbursed to farmers	2000	215	1020	215	198	805	40%
Disbursed to Coops/ Operators	40	10	42	10	12	43	78%
4. Affiliates Beneficiaries. (Thousands)	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>
	15 5	2 1	13 6	2.5 1	30 9	41 14	173% 280%
5. Training	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>	<u>M.F.</u>
Long Term	0 0	0 0	0 0	0 0	0 0	0 0	0 0
Short Term	15 15	30 10	231 94	130 120	156 104	367 188	2446% 1253%

October 1, 1991 - March 31, 1992

A X B ___ C ___C. Other Accomplishments and Overall Status

This project is an important element in the Mission's strategy to improve agricultural production. Project interventions in the rural financial sector are complementary to other AID supported efforts in improved technology, export marketing and natural resource management. The project focuses its efforts on five second level organizations or federations which have individual cooperatives or credit unions as their affiliates. These second level organizations then extend the participation to their affiliated cooperatives. These organizations include: FACACH, the credit union federation; UNIOCOOP, the umbrella organization for model cooperatives; AHPROCAFE, the association of Honduran coffee growers; FECORAH, an agrarian reform cooperative association; and ANACH, another organization which affiliates agrarian reform cooperatives and the most recent project participant. The project is implemented by the Financial Development Fund (FDF), a development finance institution created by the project.

The project strategy calls for strengthening the second level organizations and their affiliates through a phased program. The preliminary stage is institutional support which provides grant resources to finance managerial and administrative reforms at the federation and cooperative level. Once an institutional support program has been initiated and the cooperative has agreed to a rigorous reform program, financial stabilization resources may be used to restructure the financial position of the organization. Credit resources may follow, with the specific intention of financing productive inputs such as fertilizer and equipment. The credit activity is only available to agricultural service cooperative businesses.

At the outset of the SFOS project, the absorptive capability of the rural credit unions was greater than of the agricultural service cooperatives. This led to greater than expected results with that sector and less than expected results with the ag service cooperatives. This continues to be the case. However, at this point the work of the FDF with the credit union system is at the beginning of the end. The work with the ag service cooperatives is now accelerating as absorptive capability increases. This is reflected in the Mission's decision to design a follow-on project, the Small Farmer Agribusiness Development (SFAD) project, which will work exclusively with agricultural service cooperatives. The SFAD project will continue the management and financial restructuring activities begun under the SFOS project and also aid in the identification and development of new investment opportunities for the restructured farmer-owned businesses.

During the reporting period, the Mission authorized the SFAD project and extended the SFOS project to 9/30/95. The SFOS extension will enable completing the work with the credit union sector, accomplishing the legal chartering of the FDF, and establishing a self-sufficient, fee-supported regulatory activity in the Honduran Institute of Cooperatives (IHDECOOP). In the future, SFOS project SARs report only on the credit union activity, the institutional development of the FDF and the regulatory activities of IHDECOOP. Activities with the agricultural service cooperatives will be reported in the future SFAD SARs.

Project Management

In preparation for the SFAD project, the Mission funded an analysis of the capability of the FDF to administer AID funds. The analysis was carried out by a local accounting/consulting firm. Although the contractor has yet to submit its final report, the FDF has begun to implement the recommendations agreed upon in the draft report. All the recommendations will be responded to by Dec. 31, 1992, prior to the mobilization of the SFAD project.

The FDF

For many of the same reasons that the Mission chose to separate assistance efforts to credit unions and agricultural cooperatives into two projects, SFAD and SFOS, the Board of Directors of the FDF separated the organization's operations into two units, the Financial Services Unit (FSU) for credit unions and the Agribusiness Unit for agricultural service cooperatives. Both are now fully staffed and operational and report separately to the FDF's Board of Directors.

The creation of the Financial Services Unit accelerated implementation of the project's administrative and financial restructuring of credit unions. In contrast, implementation of the Agricultural Unit's strengthening and restructuring programs continued at a slow pace. The FDF's Board of Directors focused on this problem and determined that it stemmed from the Unit's General Manager. Based on this, the Board removed the Unit's General Manager in mid September, and began the process of

selecting a new manager. In the interim, the Agricultural Unit's level of performance has improved, confirming the Mission's belief that most of the FDF's staff are professionally competent, responsible and committed, but lacked good leadership. The Unit's new manager will be hired by the end of October.

Regarding the legal chartering of the FDF, the project completed an analysis of the feasibility of establishing the FDF as a permanent institution. The GOH has given its approval pending endorsement by the Honduran Confederation of Cooperatives (CHC). A committee of the CHC Board of Director's has approved the concept. We expect a final decision by the CHC's General Assembly by December 31 of this year.

The technical assistance contract with the World Council of Credit Unions (WCCU) was extended to February 28, 1992 to allow for an orderly transition of activities with the agricultural service cooperatives to the new SFAD project. The Mission has hired the technical assistance team's credit union advisor under a separate two year contract to continue providing advice to the credit union system. The Mission plans to contract for additional short-term technical assistance for the credit union sector. This contract will be competitively selected and is expected to be signed by June 1, 1993.

IHDECOOP

A task force under the direction of the Honduran Cooperative Institute (IHDECOOP) Director and Board President completed an organizational analysis of IHDECOOP and proposed restructuring its operations to focus on audits and inspections of credit unions. Under the proposal, IHDECOOP will charge for these inspections to achieve financial self sufficiency.

Agricultural Cooperatives

The Audit and Inspection team in the FDF developed and began a program to audit and diagnose the accounting and internal control practices and policies of each cooperative affiliated to the UNIOCOOP system. These studies will be followed by the installation of a standard accounting system package and changes in the cooperative organization and procedures. The team will complete its analysis of the two UNIOCOOP affiliates in the coming semester and then begin a similar analysis of the Coffee Producer Association (AHPROCAFE) affiliated cooperatives.

The Agricultural Unit's account managers and an external consultant developed case studies documenting the FDF's financial stabilization of eight agricultural cooperatives. Each case study describes the procedures and steps of the financial stabilization process. This effort has produced a clearer understanding of the financial stabilization process among the FDF's technical staff. It also will serve to train new employees and provides baseline data for measuring the impact of financial stabilization over time in these cooperatives.

The project helped UNIOCOOP develop a management information system consisting of nine separate reports to monitor its fertilizer marketing activity. This system has helped UNIOCOOP managers increase sales, product turnover, and profits. A computer based inventory management module is being pilot tested in COHORSIL, the coop with the greatest amount of input sales. This module is aiding COHORSIL track and account for more than 300 separate items, and monitor margins and inventory turnovers. When fully tested, the module will be installed in the other cooperatives with computerized accounting systems. Careful inventory monitoring by COHORSIL has already taken them to more than eight turns per year on inventory.

The International Fertilizer Development Center (IFDC) completed giving the second half of the course for the handling and marketing of fertilizer to UNIOCOOP personnel. The IFDC completed developing the training materials using the competency based instruction methodology. The correct use of fertilizer has both economic and ecological benefits. UNIOCOOP will work with its affiliated cooperatives to carry out the training program with farmers in coming years.

The project began the third year of training in on-farm coffee wet milling practices. The FDF plans to reach 5,000 farmers with this training program. Proper and timely wet milling is the greatest problem affecting coffee quality in Honduras. The next greatest problem is proper coffee drying. The project has developed training materials in coffee wet milling and drying which it plans to use for the first time this year. The training will be critical to help producers compete in world coffee markets where prices have fallen more than 40% in the past year favoring buyers over producers.

The project developed training materials and presented a course to representatives from the UNIOCOOP and AHPROCAFE systems on the analysis of agribusiness projects.

This course was in response to the growing interest among strengthened cooperatives to analyze new investment ventures. The training's purpose is to help cooperatives respond prudently to new investment opportunities once they have completed the managerial strengthening and financial restructuring processes.

The project has completely disbursed all credit funds. Working with the staff of the FDF, an external consultant developed a revised accounting manual for the FDF for its credit operations with cooperatives. A credit manual for use by those cooperatives which give credit to members also is under development. The credit reflows continue to provide important financing to small and medium farmers.

Credit Union System

The financial stabilization agreement continues to be monitored on a quarterly basis using CAMEL derived indicators. FACACH is well on its way to another profitable year. FACACH's improved image is demonstrated by the increasing deposits of member credit unions.

The FDF created the Financial Services Unit in July. It now is staffed and nearing completion of its annual work plan. The unit is focussing efforts on the rapid multiplication of the project's impact on credit unions in three areas:

- continuing the administrative restructuring of credit unions.
- getting financial stabilization agreements in place with 21 of the targeted 37 credit unions, and
- development and use of over 40 training modules.

At the close of the reporting period, the FDF's Board of Directors had constituted a steering committee to govern the USP. The committee is composed of members drawn from those credit unions that already have entered into financial stabilization agreements with the FDF.

The pilot test of the selected credit union software package is now running live in the first credit union and will be running live in a second credit union by October 15. The FDF Board, management, staff and managers of participating credit unions view this software very favorably. This process has highlighted the importance of review and preparation of administrative practices and procedures prior to the conversion to automated systems. The pilot test will be completed, fully documented and agreements entered into with the software provider by the end of the year.

Participation of Women in the Project

Credit unions continue to provide an avenue for the advancement of capable women. Management of credit unions seems to pass from one gender to the other rather easily and in both directions. The design of the follow-on project with agricultural cooperatives focuses on understanding the effects of ag cooperative investments and operations on gender considerations.

D. Problems and Delays:

The poor performance of the Manager of the Agricultural Unit, his dismissal, and the selection process for naming the new manager of the Agricultural Unit has delayed the project's activities with the agricultural service cooperatives.

The completion of the non-federal audit was delayed due to other higher priorities taking precedence.

The separation of the FDF from FACACH was delayed by the deliberations of the Honduran Confederation of Cooperatives (CHC) on the chartering of the FDF. The project still awaits the formal decision by the CHC.

The pilot project for computing in credit unions has advanced, but has not yet concluded. Full implementation of the conversion to computing will take place in the upcoming semester.

E. Major Activities or Corrective Actions During the Next Six Months:

1. Early in the upcoming period the new Manager of the FDF will be named and in place.
2. Oversee the detailed design of procedures, staffing, and structure for IHDECOOP as it carries out its restructuring program as a fee-supported regulator of cooperatives and credit unions similar to U.S. and Canadian models.
3. Complete the non-federal audit of the SFOS project.
4. Organizationally remove the FDF from FACACH.

5. Begin the full-scale implementation of installing the computer software in the targeted credit unions.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

Project Title: Advisory Council For Human Resources Development (CADERH)
 Project Number: 522-0257
 Date of Authorization: original 07/26/84 Amendment 07/16/87
 Date of Obligation: original 07/26/84 Amendment 01/30/90
 PACD: original 07/25/87 Amended to 12/31/93
 Implementing Agencies: Centro Asesor Para el Desarrollo de los Recursos Humanos de Honduras (CADERH)
 Major Contractors: N/A
 Project Manager: Ned van Steenwyk
 Status of CPs/Covenants: N/A

Date of Last Evaluation: 08/15/89 Next Evaluation: 08/30/93
 No. of Non Federal Audits Planned: 1 Non Federal Audits Contracted/Completed: 0
 Date of Last Audit: 00/00/00 Next Non Federal Audit: 03/15/93

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$ 975,000 amended to \$ 6,325,000
 Amount Obligated: DA Grant: original \$ 225,000 amended to \$ 6,325,000
 Amount Committed: Period: 0
 Cumulative: \$ 6,325,000
 Accrued Expenditures: Period - Projected: \$ 226,000
 Period - Actual: \$ 310,317
 Cumulative: \$ 4,962,835
 Period - Next: \$ 263,700
 Counterpart Contribution: Planned: \$ 352,200
 Actual: \$ 998,900
 % LOP Elapsed: 87%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 77%
 % of Total Auth. Exp.: 77%

II. PROJECT PURPOSE

To create a technically and financially viable institution which will provide mechanisms for responding to private sector training needs and priorities.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

- A. SPECIFIC LINKAGE TO S.O.: The project relates directly to Strategic Objective No. 2: Increase private investment, production and trade.
 B. PERCENT OF FUNDS RELATING TO S.O.: 100%

III. PROJECT DESCRIPTION

The project has two basic components: curriculum development, trade certification and support to vocational centers; and in-plant training for export industries.

IV. PROJECT STATUS

A. Planned FOPs

- Develop certification standards, trade certification exams and competency based instruction (CBI) materials for a total of 14 trades.
- Instructional strengthening of 15 vocational training centers.
- Provide industry specific training with local and international training resources.
- Establish vocational technical instructional materials bank, producing 55,000 CBI training modules and 2,000 audio-visual training units.
- CADERH will be technically and financially self-sustainable.

Progress to Date

- Certification standards, exams, and CBI materials were developed for 31 trades.
- 16 centers have received assistance.
- 13 training programs have been executed training 5,161 people.
- Instructional materials bank is established. Over 200,000 CBI training modules and audio-visual training units were produced and distributed.
- CADERH is technically self-sufficient and achieving financial self-sustainability with income generating activities.

B. Major Outputs

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
1. CBI Units produced	57,000	0	203,961	4,800	6,800	210,703	370%
2. Centers Using CBI	25	0	24	2	0	22	88%
3. Centers Constructed and equipped	15	0	16	0	0	16	107%
4. Instructors Certified	100	15	137	15	0	117	117%
	85	10	87	11	0	71	84% M
	15	5	50	4	0	46	307% F
5. Persons Trained with skills Upgrading	7,200	700	6,995	80	350	6,915	96%
	5,930	600	6,705	64	280	6,641	112% M
	1,270	100	344	16	70	274	22% F
6. Persons Trained and Employed with Entry Level Skills	7,000	800	8,281	400	1,718	9,309	133%
	5,600	200	3,798	320	541	3,787	68% M
	1,400	400	4,483	80	1,177	5,522	394% F

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C. Other Accomplishments and Overall Status

The CADERH project provides assistance for two types of vocational training programs. (1) CADERH's job entry level and skill upgrading training programs which are executed by PVOs and municipal training centers reach some of the least privileged sectors of society. (2) Industry specific training which is normally executed on an in-plant basis to overcome critical constraints associated with a lack of a well trained labor force for enhancing the competitiveness of Honduras in the region. Both types of training are contributing to significantly higher levels of employment and productivity for less privileged sectors of society.

CADERH's assistance to vocational training centers continues to meet or surpass its major projected outputs and consideration is being given to providing assistance to two additional centers which would increase the total number of training centers assisted to 18; thereby surpassing the output goal by 33%.

Two new in-plant training programs were initiated during this reporting period as planned, training 450 people: 410 machine operators; 20 plant supervisors and 20 instructors. An additional 914 people were trained by CADERH's previously established in-plant training programs. In-plant training programs have trained over 4,000 women (80% of in-plant trainees). Trainees are often single mothers and virtually all trainees are from poor backgrounds who would have difficulties obtaining gainful employment from other sources.

CADERH has implemented all of the recommendations from last year's Internal Evaluation, including the revision of 40 trade and sub-trade certification exams. While exams will continue to be revised as employers define new training priorities, this final recommendation from last years Internal Evaluation is now closed. The project is implementing the recommendations from the FARS Financial Report which was issued during the previous reporting period.

The PACD was extended through December 31, 1993 as planned. The no-cost extension will allow the project to introduce "Junior Achievement" programs in the training centers assisted by CADERH, strengthen the production capabilities of training centers for financing the recurrent costs of vocational training, train an additional 3,000 people, strengthen the institution's in-house capabilities for providing in-plant training programs, and reduce the nation's dependency on expatriate training.

During this reporting period the Interamerican Development Bank (IDB) and the GOH issued preliminary approval for a CADERH proposal which would provide up to \$30,000,000 in IDB financing to strengthen and expand vocational-technical and post-secondary training programs in Honduras. The project will provide loans to training and educational institutions, loans to students to finance their training, and small business development loans for the graduates of these programs. If final approval is obtained from the IDB and GOH, USAID's initial investments in CADERH will leverage increased investments in vocational and technical training by the IDB, GOH and Honduran private sector.

D. Problems and Delays

CADERH and similar training institutions in the region, which have received financing from USAID, were called into question during this reporting period by the U.S. press with allegations that training was resulting in a loss of jobs in the U.S. and that some companies benefiting from training were not respecting international labor rights. USAID/Honduras believes both allegations are incorrect.

It has not been the policy of USAID/Honduras or CADERH to encourage U.S. companies to reduce their operations in the U.S. and relocate in Honduras. The relocation of some types of industries is not a recent phenomenon but has been proceeding over the past several decades as apparel and other industries have been restructured to remain competitive in the international market. USAID/Honduras does not believe that companies which reduced their operations in the U.S. and came to Honduras, chose to leave the U.S. because of CADERH's in-plant training programs. Companies over the past decades have made conscious decisions that they would have to relocate to remain competitive, then considered different alternatives to relocate in various regions of the world, and CADERH only provides training after the company is established in Honduras.

It is also important to understand the historical realities of Central America during the 1980's which guided the design of the CADERH project. Central America was in turmoil, very few people were considering investing in the region and least of all

in the region and could not respond to in-plant training needs, and the overall human resource base of the nation was poorly prepared to enter into regional and international competition. Honduras could not compete in the region and the CADERH project was designed to overcome these critical human resource development constraints.

The allegations that CADERH has been involved in the violation of international workers' rights or contributed to any actions of this nature is also inaccurate. CADERH is a unique institution in that the labor, private and public sectors worked together to further the human resource development of the nation during one of Honduras' most turbulent periods. CADERH's founding members and current Board of Directors include a former Minister of Labor (Liberal Party) and a labor leader who is recognized as one of the nation's most powerful labor activist over the past 30 years. Any activities which would have been in violation of workers' rights or anti-union in nature would have endangered the very basis of CADERH's existence and would not have been allowed to continue by CADERH's Board of Directors or USAID.

However, given the gravity of the allegations, USAID requested that CADERH suspend all negotiations for new training programs. In addition, USAID has asked CADERH to review all ongoing and planned in-plant training credit and promotion activities to ensure that CADERH does not engage in any practice which could give the appearance of contradicting USAID's commitment to internationally recognized workers' rights or USAID's commitment to ensure that job creation in Honduras is not at the expense of employment in the United States. CADERH's in-plant training programs and activities are currently being reviewed to assure that all activities and policies are in accordance with USAID labor and trade investment policies.

While the implementation of all of the recommendations from the FARS Financial Review was not completed during this reporting period, FARS and the Project Office have reviewed CADERH actions in this area and acceptable progress is being made in responding to each recommendation. The most significant delay has been in developing a new accounting system with the assistance of a local accounting firm, a system which is more complicated than anticipated because of CADERH's range of income generating and development activities. Income generating goals for this calendar year were also revised downward based on current performance, which is lower than anticipated because of the reorganization of the institution and overly optimistic projections.

The overall prospects for the financial self-sustainability of CADERH, however, were not affected by the lower-than-expected performance on their income generating goals. We continue to project that the institution will achieve financial self-sustainability by the December 31, 1993 PACD.

E. Major Activities or Corrective Actions During the Next Six Months

1. Review CADERH's in-plant training policies to assure that all policies are in accordance with USAID international labor and trade investment policies.
2. Contract a final, external evaluation of the project to be carried out in August 1993.
3. Complete the implementation of recommendations from the FARS Financial Review.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

Project Title: Irrigation Development Project
 Project Number: 522-0268
 Date of Authorization: original 09/19/86 Amendment 04/13/89
 Date of Obligation: original 09/29/86 Amendment 03/15/91
 PACD: original 09/30/93
 Implementing Agencies: Directorate of Water Resources (DRH)
 Ministry of Natural Resources (MNR)
 Major Contractors: Winrock International
 Project Managers: Rafael Rosario/Armando Busmail
 Status of CPs/Covenants: CPs met

Date of Last Evaluation: 05/30/89 Next Evaluation: 03/01/93
 Date of Last Audit: 00/00/00 Next Audit: 11/15/92
 Planned No. of NFAs: 1 NFAs Contracted/Completed: 0

A. FINANCIAL DATA

Amount Authorized: DA Loan: original \$18,500,000 amended to \$4,000,000
 DA/ESP Grant: original \$4,000,000 amended to \$18,500,000
 Amount Obligated: DA Loan: original \$2,500,000 amended to \$4,000,000
 DA/ESP Grant: original \$1,000,000 amended to \$15,090,000
 Amount Committed: Period: (1,248,531)
 Cumulative: \$16,427,521
 Accrued Expenditures: Period - Projected: \$537,000
 Period - Actual: \$620,000
 Cumulative: \$15,228,548
 Period - Next: \$250,000
 Counterpart Contribution: Planned: \$10,460,000
 Actual: \$9,412,101
 % LOP Elapsed: 86%
 % of Total Auth. Oblig.: 85%
 % of Total Oblig. Exp.: 80%
 % of Total Auth. Exp.: 68%

II. PROJECT PURPOSE

To improve farmer productivity and production by providing irrigation technology and on-farm technical assistance related to improved agricultural practices.

A. Specific Linkage to S.O. No. 1: Increase Agricultural Production and Exports. The project has contributed toward this strategic objective by incorporating 4,518.9 hectares to irrigated agricultural production mainly for the export market. The project contribution is measured in terms of increased access to markets and factors of production.

B. Percent of LOP Funds relating to S.O. 100%

III. PROJECT DESCRIPTION

The project is composed of four components: irrigation system design and construction; on-farm extension related to water management and improved agricultural practices; credit for production and irrigation system construction; and institutional development directed at strengthening the capacity of Honduran private and public sector institutions to plan and implement irrigation activities.

IV. PROJECT STATUS

A. Planned EOPs

Progress to Date

- | | |
|---|--|
| 1. Doubling on-farm productivity. | 1. 63% increase in on-farm productivity. |
| 2. Minimum 15% increase in farm income. | 2. 722% increase in farm income. |
| 3. 5,000-6,000 has. under irrigation. | 3. 4,518.9 hectares constructed. |

B. MAJOR OUTPUTS

	Planned				Accomplished		
	LOP	Period	Cum.	Next Period	Period	Cum.	% of LOP
1. Designs							
No. of projects	270	25	234	49	29	239	88%
Hectares	6450	940	6465.2	999.9	850	63652	99%
2. Construction							
No. of projects	150	24	119	47	31	126	86%
Hectares	5075	1090	4736	977.2	872.88	4518.9	89%
3. Credit							
No. of loans	271	33	158	10	4	129	48%
Amnts. approved (\$)	15.0M	5.7M	23.2M	0.75M	2.2M	19.7M	131%
Rediscounts (\$)	15.0M	3.2M	20M	0.56M	1.8M	18.6M	124%
4. On-Farm Water Mgmt.							
Site Visit & Demons.	2000	125	992	324	32	899	45%
Demonstrations Guides	28	0	28	0	0	28	100%
5. In-Country Training							
Technicians	350	40	607	21	75	642	183%
Farmers	328	60	455	27	47	442	135%
6. Institutional Strength.							
Water Law to Congress	1	1	1	1	0	0	0%
National Irrigation Plan	1	0	1	0	0	1	100%
Norms & Standards (Design)	1	0	1	0	0	1	100%
(Construction)	1	0	1	0	0	1	100%
7. Participant Training	M.F.	M.F.	M.F.	M.F.	M.F.	M.F.	M.F.
Long-term	8 2	0 0	7 2	0 0	0 0	7 2	86% 100%
Short-term	60 6	7 4	46 12	4 0	12 3	51 11	85% 183%

PROJECT STATUS REPORT

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C. Other Accomplishments and Overall Status

During this reporting period, achievements toward meeting projected outputs include the design of 29 irrigation systems for a total of 850 hectares and the construction of 31 irrigation systems for 873 hectares. The strategy for privatizing the project's irrigation design and construction component is successfully being implemented. As planned, all irrigation design and construction activities are actually being implemented by three private sector firms and individual contractors. The private sector is positively responding to the increased demand for irrigation design and construction services.

To date, 238 irrigation systems have been designed for 6,365 hectares and 126 irrigation projects constructed for a total of 4,518.88 hectares. Forty seven additional irrigation projects totalling 977.2 hectares are scheduled for construction during the next semester.

Implementation of financial policy reforms in Honduras have resulted in increased savings mobilization and liquidity in the private banking sector. The fact that only 4 projects of the 31 constructed during the period used project credit confirms that private banks are financing irrigation projects with their own funds rather than Central Bank rediscounts. Given this scenario, the project has been successful in demonstrating to the private banks the safety and profitability of medium to long term lending for on-farm irrigation investments.

Presently, loan approvals total \$19.7 million dollars of which \$18.6 million dollars have been rediscounted by participating banks. This amount includes approximately \$6.5 million of reflow funds.

Implementation of a training program for private sector irrigation design/construction firms and individual contractors began this semester. This effort consists of a series of in-country training events designed to upgrade the capability of nascent private firms and individual contractors. The program will end in June, 1993 with irrigation specialized training in the United States. Project beneficiaries, including the water user groups in the Comayagua irrigation districts, continue to participate in a series of demonstrations relating to sound on-farm water management practices.

As anticipated in the last SAR, transfer of management of the Selguapa Irrigation District (Comayagua) to the Water Users Association (WUA) was finally effected in early April. Assistance in the areas of management and irrigation technology will continue to be provided to the WUA to support this private initiative. Rehabilitation of irrigation canals in the districts is being financed with PL-480 local currency generated funds.

The technical assistance contract with Winrock International ended on June 30. A major accomplishment of the Winrock TA team was the design and implementation of the privatization strategy for the project's design and construction components. Receipt of a final report is pending.

The Project Director visited Chile during the first week of August to learn about the legal and institutional framework for water resources management. This experience provided final input for refining the draft Water Law, which shall be presented to Congress during the next semester. The presentation of a draft Water Law to Congress is a GOH covenant under the project. A summary of its salient features will be included in the next SAR.

D. Problems and Delays

The Financial Data Section shows a negative amount under dollars commitments for the present period resulting from the de-commitment of approximately \$1.3 million dollars for project credit. This action is consistent with Mission decision to phase out directed lines of credit by the end of CY92. No major problems and delays occurred during the period.

E. Major Activities or Corrective Actions During the Next Six Months

1. Complete construction of irrigation systems for approximately 800 hectares.
2. Continue implementation of training program for private firms and individual contractors in various topics of irrigation design and construction.
3. Initiation and completion of a Non-Federal Audit.
4. Final version of Water Law presented to Congress.
5. Contract technical assistance to execute the project's final evaluation.

PROJECT STATUS REPORT

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C. Other Accomplishments and Overall Status

U.S. strategy toward Central America in the mid-1980s called for acceleration of financial stabilization, economic transformation, spreading the benefits of economic growth, and strengthening democratic institutions. To respond to this accelerated program, the GOH and AID needed a vehicle to provide timely, reliable information derived through sound analysis and personnel to manage expanded U.S. assistance. The Strategic Planning and Technical Support (SPATS) project responds to these needs.

Under this project ten analytical studies were conducted in a wide variety of areas including auditing, budgeting, municipal reform, efficient rice production, and an environmental profile. These studies provided an analytical base for the GOH and private sector to formulate policy in key sectors or to improve its analytical base for decision making. Technical assistance was given in areas ranging from analysis of the 1988 census to agrarian reform.

With the initiation of the Policy Analysis and Implementation Project (522-0325) in 1987, agreement was reached with the GOH that project would fund most strategic studies. In 1991, major adjustments were made to shift uncommitted funds from the studies component (which is no longer active) to the technical support component, and agreement was reached with the GOH on this adjustment. This year short-term technical assistance is being contracted with the Bureau of Census to assist with the Honduran Agricultural Census and to strengthen GOH capabilities in analysis of statistical data. As project activities wind down and are closed out, it is expected the project will support just two technical specialists: one project design specialist and one private sector project specialist.

Although this project was not designed to collect gender disaggregated data, women benefit from the project. For example, the Bureau of Census is assisting the government in desegregating gender information (as well as age groups, occupation, geographic area, etc.) which will help the government better formulate policies and implement activities with women's concerns taken into account.

D. Problems and Delays

Mission continues to pursue documentation from FM to close-out a major work order for a Washington-based contract. We did succeed, however, in closing out PASA activity with the Bureau of Census.

E. Major Activities or Corrective Actions During the Next Six Months

Project officer will continue to close down and decommit completed activities.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

Project Title: Primary Education Efficiency
 Project Number: 522-0273
 Date of Authorization: original 08/07/86 Amendment 05/31/89
 Date of Obligation: original 08/29/86 Amendment 07/00/92
 PACD: original 07/30/94
 Implementing Agencies: Ministry of Education (MOE)
 Major Contractors: Institute for International Research (IIR)
 Project Managers: Ned Van Steenwyk
 Status of CPs/Covenants: Met

Date of Last Evaluation: 10/31/91 Next Evaluation: 06/30/94
 No. of NFAs Planned: 1 No. of NFAs Contracted/Completed: 0
 Date of Last Audit: 00/00/00 Next Audit: 02/01/93

A. FINANCIAL DATA

Amount Authorized: DA Loan: original \$ 5,500,000 amended to \$ 3,534,000
 DA/ESF Grant: original \$ 22,000,000 amended to \$23,966,000
 Amount Obligated: DA Loan: original \$ 600,000 amended to \$ 3,534,000
 DA/ESF Grant: original \$ 3,000,000 amended to \$20,685,943
 Amount Committed: Period: \$ 55,450
 Cumulative: \$ 17,494,329
 Accrued Expenditures: Period - Projected: \$ 985,000
 Period - Actual: \$ 1,037,291
 Cumulative: \$ 15,669,949
 Period - Next: \$ 1,500,000
 Counterpart Contribution: Planned: \$ 8,651,000
 Actual: \$ 5,367,115
 % LOP Elapsed: 77%
 % of Total Auth. Oblig.: 88%
 % of Total Oblig. Exp.: 65%
 % of Total Auth. Exp.: 57%

II. PROJECT PURPOSE

To improve the efficiency, quality and cost effectiveness of primary education in Honduras.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The project relates directly to Strategic Objective No. 4 Healthier, Better Educated Hondurans through increased efficiency, quality and coverage of the primary education system.

B. PERCENT OF LOP FUNDS RELATING TO S.O.: 100%

III. PROJECT DESCRIPTION

The project has 7 components: textbook writing, printing and distribution; in service teacher training; education research; computerized management information system (MIS); testing and evaluation; school construction (GOH financed); and educational media.

IV. PROJECT STATUS

A. Planned EOPs

Progress to Date

- | | |
|---|---|
| 1. 60% improvement in student achievement. | 1. Total aggregate improvement of 127% (1991) |
| 2. 30% reduction in grade repetition rates. | 2. 13.7% reduction (1986-90). |
| 3. 10% reduction in dropout rates. | 3. 15% reduction (1985-86 to 1990-91). |
| 4. 13% reduction in schoolyears to produce 6th grade graduates. | 4. 7.3% reduction in school years to produce 6th grade graduates (1986-1991). |
| 5. 28% reduction in cost per student in grades 1-6. | 5. 18% reduction in costs per student promoted (1991). |

B. Major Outputs

	Planned				Accomplished		
	LOP	Period	Cum.	Next Period	Period	Cum.	% of LOP
1. Books written	24	2	18	0	2	18	75%
2. Teacher Guides written	24	0	10	0	0	10	42%
3. Supervisors trained	181	254	1,841	200	220	1,807	998%
M	145	211	1,483	160	176	1,448	999%
E	36	43	358	40	44	359	997%
4. Teachers trained	29,202	6,300	107,704	16,000	23,000	124,404	426%
M	7,300	1,575	28,926	4,000	6,000	33,351	457%
E	21,902	4,725	78,778	12,000	17,000	91,053	416%
5. Classrooms built	450	40	536	40	21	517	115%

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C. Other Accomplishments and Overall Status

The number of school years required to produce a sixth grade graduate continues to improve with a 7.3% reduction for 1986-91 as compared to a 6.5% reduction for 1986-90. Even more significant is the 11% reduction in the number of years to produce a fourth grade graduate which is the level of schooling associated with achieving literacy and numeracy. The 15% reduction in dropout rates has surpassed the original End of Project Status (EOPS) by 50% and the project is proposing a new EOPS for a 20% reduction in dropout rates over the life of the project. All EOPS have been reviewed and adjusted in the light of current project accomplishments and recommendations from the midterm evaluation, and are awaiting the final approval of the Mission and MOE.

The 1993 project budget and Action Plan are being negotiated with the MOE. The Harvard Institute completed the final report on the repetition and dropout study, and the Mission has distributed the report to GCM officials and educators. FARS recommendations have been implemented and closed. The RFP for the new technical assistance institutional contract was distributed and the Mission expects to have a new contractor on board by early January 1993. More specific information on the progress of each project component is provided below.

Textbooks: Textbooks and teacher guides for grades 1-3 were completed during previous reporting periods. The 4th grade Math and Spanish books were printed and distributed this period. The 4th grade Natural Science and Social Studies textbooks are currently being printed. Supplementary materials for first grade Spanish which include flip charts, flash cards and workbooks were also printed and distributed this period. The first sets of self instructional modules for the fifth and sixth grades were completed. Contracting for printing the modules will begin early next period.

Teacher Training: Three teacher training modules were developed and will be printed and distributed next period. Basic learning competencies for grades 1-3 were distributed to 23,200 teachers. The first stages of training in the use of the learning competencies commenced. Nine thousand teachers were trained in the use of first grade supplementary materials. A training module on participatory school government was completed. The component is on track for this period.

Research: The Project contracted a local university to conduct a study on student failure rates in the Honduran primary education system. The component is currently preparing three RFPs for contracting additional studies.

Information: Technical assistance was provided in response to recommendations from the midterm evaluation. An implementation plan was developed and approved by both the MOE and USAID. The contracting of local and expatriate technical assistance to implement the plan is underway.

Learning Objectives and Evaluation: The component completed the revision of basic learning objectives for grades 1-6 to include specific evaluation criteria for each objective and provide "Minimum Learning Competencies" for each grade. The evaluation criteria will also serve as the basis for developing criterion referenced tests. Criterion referenced tests for the first grade were completed during this reporting period. Standardized norm referenced tests will be applied prior to the end of this school year in grades 1-6 throughout Honduras. Further technical assistance is being contracted to assist the Ministry in completing criterion referenced testing instruments for grades 2-6.

Construction: A Project Implementation Letter providing ESF funding for this component was approved and issued. A regional school construction office in Southern Honduras was established to execute construction activities in the region. Twenty-one additional classrooms were constructed and 10 classrooms were repaired. Two hundred-thirty women have been trained and are successfully constructing schools. The new adobe classrooms being built by the project have been well received; the design promotes increased community involvement in construction, utilizes local materials, and has reduced construction costs by approximately 65% as compared to cement block classrooms. At the request of the Ministry, a contractor has been chosen to design and build a prototype adobe press machine which can be locally produced for disseminating the project's school construction technology to other entities involved in school construction activities.

Gender Considerations: Testing results continue to show nearly perfect gender balances with no significant differences between genders in academic achievement in primary schools. As mentioned above, the school construction component has trained 230 women in the field of school construction. Follow-up will be given to determine the subsequent effects on this.

D. Problems and Delays: The most significant problems during this reporting period were associated with contracting delays. It was anticipated that a new institutional contractor would have been contracted during this reporting period but it appears that the earliest possible starting date for the contractor will be January 1993. Technical assistance was also to be contracted during this reporting period to assist in completing criterion references tests and develop a computerized test bank, test generator, grading and reporting system. However, the firm chosen to perform this work will have to be audited by the federal government prior to contracting.

E. Major Activities or Corrective Actions During the Next Six Months

General:

1. Obtain formal approval of the Mission's Evaluation Summary Report on the Project's Midterm Evaluation.
2. Negotiate a project agreement amendment based on project accomplishments, priorities and recommendations from the midterm evaluation.
3. Contract an institutional contractor for the research component and local technical assistance.
4. Resume radio transmission for interactive radio learning in mathematics for grades 1-3.

Textbooks:

1. Complete the printing and distribution of the fourth grade social studies and natural science books.
2. Print and distribute the first sets of self-instructional modules for grades 5-6.
3. Print and distribute basic learning competencies and evaluation criteria for grades 1-6.

Teacher Training:

1. Continue to work in the organization of additional Teacher Learning Centers.
2. Provide training for the pilot schools in the use of the basic competencies for grades 1 - 6.
3. Train teachers and supervisors in the use of new textbooks, modules and supplementary materials.

Research:

1. Contract three studies to be executed by local entities.
2. Contract the new institutional contractor for conducting up to 5 additional educational studies.

Management Information:

1. Obtain IRM approval to commence with the implementation of the MIS plan.
2. Contract local and expatriate technical assistance to execute the implementation plan.
3. Procure hardware and software.

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4. Commence training of MIS staff at the Ministry of Education.

Evaluation:

1. Contract technical assistance for completing criterion referenced testing instruments.
2. Contract technical assistance to develop the computerized test item bank, test generator, grading and reporting system.
3. Apply norm referenced tests for tracking improvements in academic achievement in grades 1-6, grade tests, and distribute a report on testing results.

Construction:

1. Issue 1993 Project Implementation Letter for ESP funding.
2. Continue working with women in constructing adobe schools.
3. Develop a plan for disseminating the project's construction strategies and technologies for reducing school construction costs for other donors and entities.

PROJECT STATUS REPORT

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C. Other Accomplishments and Overall Status

The changes in the composition of the CONADI Liquidation Board and the Valuation Commission that took place early this year as reported in the previous Semi-Annual Report, gave momentum to the process in the first semester and have continued to produce results. In the second semester of FY92, an additional five enterprises were privatized.

Two enterprises of the National Investment Corporation (CONADI) were privatized: Industria Nacional del Acero, a metal foundry was transferred to private hands for Lempiras 12.0 million (\$2.2), and Hotel Brisas del Lago, a small hotel on Lake Yojoa was sold to a local investor for Lempiras 3.0 million (\$555,000).

The Ministry of Natural Resources (MNR) privatized the Seed Industry. The MNR leased with an option to purchase the entire operation to its employees and some local seed growers, and has helped them establish their own company. The MNR is receiving L174,000 (\$31,636) a year under the terms of the lease. The option to purchase the seed operation, which is estimated to be worth Lempiras 800,000 (\$145,000), is expected to be exercised within one year.

Through technical assistance provided by the USAID financed Technical Working Group (TWG), the Minister of Health privatized the Ministry's printing shop and sold the equipment to its workers, who used the severance pay for the down payment of the equipment. Although in monetary terms this is a modest transaction, (around \$31,000) it is significant because it is the second transaction in the last two years in which the workers purchase the operation, and has created a wide interest among the workers of other small GOH entities to follow suit.

The Minister of Finance has successfully completed the privatization of Cementos de Honduras (CEHSA), the largest cement plant in the country, and the most important privatization to have been carried out since the process started in 1986. The fixed assets of CEHSA were sold for the Lempira equivalent of \$70.9 million. The new owners are a group of local investors headed by the BANCATLAN group from Tegucigalpa and the Rosenthal/Banco Continental group from San Pedro Sula. They paid the equivalent of \$14.5 million in cash, the balance to be paid over a 15 year period with interest at the annual rate of 7%. The divestiture of CEHSA was fraught with technical and legal problems since the beginning and only the GOH's strong commitment to privatize this entity made it possible. Regrettably, an early attempt to privatize CEHSA through direct negotiations with AMPAC, an American/Venezuelan group, was bogged down in legal problems that precluded the sale to AMPAC and resulted in \$1.5 million lawsuit against the GOH.

The sale of CEHSA was conducted by a negotiating team consisting of representatives from the GOH, the private sector and labor. To ensure labor's support for this transaction and future privatizations, the GOH negotiated with the buyers that the 400 workers be retained and that their labor contracts be honored. In addition, the workers union received the equivalent of one million dollars worth of cement to construct housing for the workers.

The proposed amendment to the Privatization Law submitted to Congress by the Minister of Finance did not prosper and it is doubtful that it would be approved in a political year. Although the amendment would have resolved many of the administrative and bureaucratic problems that have slowed down the privatization process, the changes in the CONADI Liquidation Board and the Valuation Commission have proven effective in facilitating the process, as proven by the privatization of ten enterprises this calendar year.

The privatization project has provided new employment opportunities to women. As reported in the previous Semi-Annual Report, a survey taken early this year of 16 of the companies privatized indicates that 45 percent of the 2,011 direct jobs created have been filled by women.

The economic and financial impact of the project has been positive, having contributed to a GOH portfolio reduction of an estimated \$110.0 million; external debt reduction of \$29.3 million; new investment of \$16.0 million; new exports of \$14 million a year, and the generation of 2,058 new direct jobs.

D. Problems and Delays

There are no serious implementation problems or delays at this time. Actual expenditures of the dollar component were only 24 percent of amount projected due to cancellation of planned international TA for the TWG. Actual expenditures in counterpart funds to date have been \$4.1 million, or 30 percent of planned expenditures. Reduced counterpart expenditures is attributed to: (1) close control of TWG expenditures, and (2) the \$6.0 severance expense projected for the work force of Cementos de Honduras was not incurred because severance due was negotiated in the sales price of the enterprise. Counterpart expenditures will increase by approximately \$2.6 million next semester to fund the TWG and pay severance of two other privatized enterprises.

E. Major Activities or Corrective Actions During the Next Six Months

1. Negotiate a 2.9 million Project Amendment to extend the scope of the project and LOP for 3 more years.
2. Complete a minimum of five additional privatizations before the end of the next reporting period.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

A B C

I. BACKGROUND DATA

Project Title: Land Use and Productivity Enhancement
 Project Number: 522-0292
 Date of Authorization: original 02/08/89
 Date of Obligation: original 02/09/89 Amendment 03/19/91
 PACD: original 02/08/97
 Implementing Agencies: Ministry of Natural Resources (MNR)
 Major Contractors: Associates in Rural Development (ARD)
 Project Managers: John Jordan/Peter Hearne
 Status of CPs/Covenants: Met

Date of Last Evaluation: 00/00/00 Next Evaluation: 01/15/93
 Planned No. of Non Federal Audits: 3 MFAs completed: 1
 Date of Last Audit: 03/15/92 Next Audit: 01/15/95

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$36,000,000
 Amount Obligated: DA Grant: original \$ 4,000,000 amended to \$11,690,400
 Amount Committed: Period: \$ 975,565
 Cumulative: \$ 7,867,054
 Accrued Expenditures: Period - Projected: \$ 1,082,000
 Period - Actual: \$ 1,038,995
 Cumulative: \$ 6,603,124
 Period - Next: \$ 1,214,000
 Counterpart Contribution: Planned: L28,000,000 (\$14,000,000)
 Actual: L 5,849,956 (\$ 2,924,978)
 % LOP Elapsed: 46%
 % of Total Auth. Oblig.: 32%
 % of Total Oblig. Exp.: 56%
 % of Total Auth. Exp.: 18%

II. PROJECT PURPOSE

The Project's purpose is to improve hillside agricultural production and productivity on a sustainable basis, including the management and effective protection of Honduran natural resources on which production depends.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The Project contributes directly to the achievement of Mission S.O. 3: Improved management--toward long-term sustainability--of selected natural resources.

B. Percent of LOP funds related to S.O.: 100%

III. PROJECT DESCRIPTION

50,000 hillside farm families will receive direct benefits through activities in sustained production enhancement, including improved cropping systems (improved cultivation technologies, soil conservation, and agroforestry) and improved animal systems (forage production, animal containment, range management, and silvopastoral systems); and the project will finance post-harvest interventions, including basic grain storage, fruit and vegetable processing, and marketing of products.

IV. PROJECT STATUS

A. Planned LOPs

Progress to Date

1. Five major watersheds better protected. Project working in all five of the watersheds.
 2. 50,000 hillside farm families with increased productivity and sustainable cultivation practices. 8,876 hillside farm families have adopted sustainable cultivation practices.
 3. 15,000 non-beneficiary farm families adopting one or more LUPE promulgated activities. Approximately 2,000 non-beneficiaries adopting no-burning technologies.
 4. Beneficiary farmers enjoying 30% average increase in basic grain yields. Farmer demonstration plots reporting 100-400% maize yield increases. Data not yet available for the remaining majority of beneficiary farmers.

Planned LOPs

Progress to Date

5. Beneficiary families will enjoy improved diets and experience declines in malnutrition levels, per Min. Health anthropometric measurements for children under five years. Monitoring of anthropometric measurements among beneficiary families is being coordinated with the Ministry of Health.

B. Major Outputs

	Planned				Accomplished		
	LOP	Period	Cum.	Next Period	Period	Cum.	% of LOP
1. Fam. with 30% incr. in grain production	37,500	2,217	8,494	89	1,845	8,122	22% M
2. Hillside land w/impr. management (ha.)	12,500	71	661	8	164	754	6% F
3. Multi-use trees planted (X 1000)	37,500	1,774	8,036	416	1,600	7,862	21% M
4. Home and school gardens established	12,500	54	376	12	27	349	3% F
5. Fam. with crop diversification	4,500	480	1,153	36	192	865	19% M
6. Fam. with improved sm. animal hush.	1,500	44	69	1	6	31	2% F
7. Land under silvo-pastoral tech. (ha.)	5,000	1,265	2,797	30	1,210	2,742	55% F
8. Fam. processing fruits/vegetables	3,750	281	752	35	274	745	2% M
9. Storage capacity for grains (mt)	1,250	36	111	0	60	135	11% F
10. Training (persons)	-	-	-	-	-	-	- M
Long-term (US/Honduras)	5,000	950	2,753	481	1,172	2,975	60% F
Short-term (US/Regional)	1,000	266	523	59	173	430	43% M
Long-term (US/Honduras)	3,000	129	231	8	17	119	4% F
Short-term (US/Regional)	1,875	150	1,029	502	72	951	51% M
Long-term (US/Honduras)	625	0	0	0	0	0	0% F
Short-term (US/Regional)	20	0	11	0	0	11	55% M
Long-term (US/Honduras)	4	0	2	0	0	2	50% F
Short-term (US/Regional)	280	16	172	10	23	179	64% M
Long-term (US/Honduras)	96	8	51	4	12	55	57% F

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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C. Other Accomplishments and Overall Status

LUPE is basically an extension project with dual objectives of increasing productivity and sustainable environmental/natural resources management. The project's technology transfer approach is designed to reach 50,000 hillside farm families with improved environmentally sound and sustainable land use techniques.

Many of the project field activities as measured by the major outputs are proceeding on schedule, with seven categories having reached or surpassed 50% of LOP targets. Female outputs for non-WID specific activities (outputs # 1, 2, 3, 5, and 9) are considerably low, due mainly to the inaccurate PP projection of 25% women-headed households among LUPE beneficiaries. The notable activity during the period was the establishment of home and school vegetable gardens, which increased by 24% of LOP target, as women beneficiaries adopted this technology to supplement family income. Improved small animal husbandry also increased significantly during the period. The project internal evaluation and planning unit will be modifying this output indicator, and that of basic grain storage, as of Oct. 1, 1992, to require the adoption of at least two distinct technical practices before being reported. Finally, efforts are underway during this harvest period to intensively promote improved basic grain storage among the beneficiary women-headed households.

The updated computerized listing of all participating farm families has been further perfected by the planning unit. In addition, the evaluation process has become much more analytical as reflected in the LUPE's report of the first semester CY92 and the regional quarterly evaluation meetings. Sustainable low-cost hillside agricultural technologies, including the planting of the natural and non-toxic pesticide Neem, continue to be taught to participating farm families.

As a result of MNR and USAID concerns for project consolidation, the project's geographic coverage was reduced from 50 to 44 extension agencies (field offices) for the remainder of the LOP. Survey findings of the project's geographical area have revealed that the estimated number of potential beneficiary farm families is 27,000, and the approximate percentage of women-headed households is 8%. This first figure reflects the recent reduction in the project's geographic coverage, and also represents an updating of the PP's original overestimate of the target population.

A case study on management of natural resources related to gender, funded by the AID/W ECOGEM Project, was carried out in the area of a LUPE extension agency in the southern region, and the preliminary results were presented to LUPE staff.

The project's administration and management improved dramatically during the period. Under the supervision of the MNR's Vice Minister, LUPE was managed during the first three months of the period by two ARD advisors and the project planning chief. The six-month rehabilitation plan was successfully implemented and all but one of the 21 FARS recommendations were closed. The remaining recommendation is completed but not closed. Four new members of the project management team, which are the executive director, sub-director for operations, administrative officer, and the newly established "financial officer", were selected and took office. A long-term administrative advisor position for ARD was established and the incumbent short-term advisor selected for the position. In addition, ARD also continued to offer administrative support through nearly 34 person months of short-term TA. Sound administrative procedures in all the areas previously identified as deficient have been successfully established, with the exception of the financial accounting, whose total mechanization has required more effort than originally envisioned. The auditing firm Price Waterhouse released their final report, which included 14 recommendations. However, the final NFA report included only 3 of them. The Mission is giving priority to the closure of these recommendations.

The project's revolving fund was increased on a permanent basis from L2,000,000 to L3,000,000, based on the findings of an in-depth cash flow analysis. The internal revolving fund for L100,000 was also made available, under the countersignatures of the LUPE Director and Financial Officer, and is being used for local expenditures. Project employees received a cost of living salary adjustment (approximately 15%) previously approved by the MNR to counteract the high attrition rate of technical

staff. In addition, many project technicians were given promotions to a higher level position during an efficient and objective selection process. The project's leased central office space in Tegucigalpa was lost to another COH entity, but new facilities were found and the offices will be moved during the months of October and November. This move will afford the project more space and easier mobilization of vehicles. It was also decided that the Mission will not procure a new lot of vehicle spare parts, but rather the project will directly purchase parts on a case by case basis.

D. Problems and Delays

1. The project's external mid-term evaluation was postponed till January of 1993 to avoid a scheduling conflict with the Christmas season.
2. The final subscription of a cooperative agreement with an umbrella NGO for the provision of part-time para-technicians was delayed in the Mission clearance process.
3. Due to delays in ROCAP's contracting process, a decision was made to seek TA and training in integrated pest management (IPM) through ARD, rather than through a buy-in to the RENARM project.

E. Major Activities or Corrective Actions During the Next Six Months

1. The external mid-term evaluation of the project will be conducted, starting in January of 1993.
2. The remaining recommendation from the financial review and the NFA recommendations will be closed.
3. The project's central office will be moved to the new location.
4. Project LOP output targets will be modified, based on the results of the farm family survey.
5. The Project Agreement will be amended, as necessary, following the results of the mid-term evaluation.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

A ___ B ___ C XC. Accomplishments and Overall Status

Since its inception in 1987, the project has been successful in the following ways: (1) facilitating the implementation of the Judicial Career Law to provide for a stable, judicial career service; (2) establishment of a public defender program to protect the legal rights of the poor; (3) establishment of a public prosecutor's program to provide for active prosecution and expeditious handling of cases; (4) establishment of justice-of-the-peace program to replace unqualified first line judges with law school graduates; (5) reorganization and computerization of administrative processes in the Court and Executive Committee of Congress; (6) fostering of closer coordination between and court and police; (7) facilitation of free, fair, and open elections in 1989; and (8) equipping of labor unions with the tools to understand the major macroeconomic adjustments in process.

During this period, a 3-year \$5.3 million amendment was developed, authorized and obligated. This amendment focuses on the AOJ Component in which considerable success has been achieved, with a major emphasis on anti-corruption activities. Limited support will be provided to the TNE for commodities, training of poll workers, and international observers for the 1993 elections under the Electoral Assistance Component. Training of labor leaders, basic civic education, and support to private groups to monitor government conduct and advocate for the public interest, are activities planned under the Democratic Leadership Component. No new activities will be initiated under the Legislative Enhancement Component because of the unjustifiable delays in the implementation of this component by the Congress. A no-cost extension with the principal contractor, Georgetown University (GU), was negotiated until December 15, 1992 to fulfill the USAID commitment to support the Center for Information and Legislative Studies (CIEL) until it is operational.

Two Gallup polls were conducted to gather baseline information to measure the progress of the project. The first focused on the Administration of Justice Component with some questions related to the TNE/RNP and Democratic Leadership Components. The second very recent poll focused primarily on the Legislative Enhancement Component.

Judiciary

With USAID assistance, the Court was successful in its efforts to obtain additional budget funds which will enable the Court to meet the GOH's commitment to assume financial responsibilities for activities implemented in Phase I and, consequently, consolidate the gains made in the judicial sector.

A complete and integrated accounting system was procured and installed in the Court, the only one of its kind in Central America. Manuals, procedures, and regulations for all administrative areas were completed and submitted to the Supreme Court for approval. Training in relevant aspects of the system was extended to 575 judges and key administrative personnel. In addition, 26 staff members of the Court received intensive on-the-job training in office automation, including functioning and computerization of the new MUNIS system.

The remaining technical instruments necessary for the full application of the Judicial Career Law were developed. Recruitment and selection procedures and performance evaluations were added to the job classification and salary scales developed during the last reporting period. These instruments are in various stages of approval within the Court. The start of new activities under the Amendment has been conditioned on the approval of all Manuals by the Court.

The Court computer network was installed during this period and the Jurisprudence pilot project, enabling judges to access court decisions on similar kinds of cases, was completed. Additionally, three impact evaluations of the justice-of-the-peace, public defender, and public prosecutor programs were conducted, as well as assessments of the Ministry of Government, municipal judges, National Judicial Reform Commission, and the Attorney General's Office.

The project financed the development of a reference manual for Judges of the Courts of First Instance (Jueces de Letras), and a trip of the Court architect to Costa Rica for a consultation regarding the construction of a medical forensic laboratory in San Pedro Sula. USAID, through ICITAP, has been working with the Court in the development of building plans and equipment needs for this facility.

Congress

Technical assistance continues to be provided for the CIEL. One Brazilian consultant spent two weeks in Honduras to provide the Director with a general orientation regarding the nature and functioning of such a Center. Key Honduran CIEL staff and technicians traveled to Brazil to look at the equivalent Center there, successfully bringing into focus the technical and organizational requirements facing the Honduran CIEL program. The Director of the CIEL also travelled to Washington to receive orientation at the US Library of Congress on the various aspects of a Legislative Center.

Procurement of the Mainframe for the CIEL was delayed during this period because of lengthy negotiations with IBM. As a result, the automated bill-tracking system in the General Secretariat of the Congress could not be implemented during this period as planned. Office automation training for the Executive Secretariat was completed with a course on Ventura Publishing. Work related to the development and computerization of the administrative and accounting systems in the Paymaster and Budget Office began in September.

TNE

In anticipation of the 1993 elections, an election expert from Puerto Rico developed specifications for election commodities to be purchased. The Mission has decided not to attempt to institutionalize the procurement process for the elections and civil registry commodities because of the highly political nature of the TNE/RNP. USAID began direct procurement of computer equipment, a large UPS and various chemicals and film for microfilming in support of the updating and computerization of the civilian registration lists.

Democratic Leadership

A grant with AIFLD was extended through August 31, 1992 and will be further amended to October 1993. AIFLD has continued to carry out courses on basic economic principles and, with the upcoming elections, they will be adding civic education seminars that inform labor groups on aspects of voter education, origin and development of political parties, as well as the role labor plays in a democracy.

A purchase order for services was negotiated with the Educational Development Center (EDC) to procure the first in a series of interactive radio production services to be used as a self-instruction module in civic education for the adult basic education program.

D. Problems and Delays

This is a "C" project because of its sensitive nature. Implementation problems often require the attention of Senior Management to resolve. There have been significant delays in the Congressional component, principally related to the failure of the Congress to fulfill its commitments in a timely fashion.

The Judiciary

1. Full implementation of the Judicial Career Law had not been effected because the head of the Judicial Career Council (the grievance board) does not appear interested in pursuing the goals of the Council. The Council only met occasionally to review personnel actions that are being appealed. In addition, there is conflict of interest in that two Council members are Magistrates who, as part of the plenum, also decide on the personnel action being appealed. The President of the Court is considering alternatives to resolve this conflict.

2. The technical evaluation of contract proposals for the Supreme Court network was delayed because it was necessary to include a technical team expert because of a recently developed back up technique called "mirroring". Nonetheless, all equipment in the Court's computer network that was installed was certified; however, some equipment had not yet arrived because of an unjustifiable nine-week delay by the supplier in delivering the equipment.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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3. The implementation of the MUNIS software in the Court to effect administrative reforms was delayed. The time necessary for adaptations of the software to the Honduran system was significantly underestimated. Additionally, lack of data and personnel to devote to obtaining this data, as well as the limited absorptive capacity of Court staff to learn a new manual system, computerization of this system, and perform their daily administrative duties all at the same time, slowed down the MUNIS implementation.

Congress

1. The renovations of the building which will house the CIEL are considerably behind schedule due to a combination of cumbersome disbursement procedures (which have since been streamlined) and architect/construction delays. While it was thought that renovations would be completed by July 15, it is unlikely that the second floor of the CIEL (which will house the computers) will be ready before November 15 and the rest of the building before early December.

2. The CIEL Information System Manager had to be replaced due to illness. Thus, the expense incurred on his training in the Brazilian system are lost to the project. The replacement was finally selected three months after his predecessor's separation; however, his contract still remains to be signed.

3. The Director has been slow to hire the rest of the CIEL staff, thus delaying their training until November. There is no space for either personnel, equipment, or furniture. Other key staff will be selected by the beginning of November.

4. The development and computerization of administrative and accounting systems in the Paymaster/Budget Office has not taken place due to the delay of the Congress in authorizing this activity. The diagnostic report on the Paymaster/Budget Office, on what needed to be done, was sent to the Congress in November 1991; however, it was not until July 1992 that authorization was received by the Congress in spite of frequent requests from USAID and GU requesting this authorization.

5. The Mainframe of the CIEL was expected to have been delivered and installed during this period. However, lengthy negotiations by GU with IBM precluded this. Likewise, the automated bill tracking system could not be implemented without the Mainframe.

TNE

The procurement process in support of updating the civil registry was delayed until the TNE/RNP closed all pending FARS recommendations which was accomplished during this period.

Other

The net amount committed during this period reflects a negative figure. This is due to the decrease of funds under the institutional contract from \$9,515M to \$9,034M. This decrease reflects the decision that USAID, rather than the contractor, will procure commodities for the TNE and Congress.

Accrued expenditures during this period were nearly double the amount projected. Expenditures after the PACD, particularly related to USAID personnel, and severance pay of one employee was not included in the projected amount. Additionally, USAID procured commodities which were originally included in the institutional contract.

Gender Considerations in Development (GCID):

A study identifying obstacles to female participation in the judicial, legislative, and electoral processes was planned for this period but did not take place because the firm selected by USAID did not provide a final proposed plan. However, the gender-segregated data provided by the CID Gallup polls and the results of the AOJ assessments and evaluations provide us with excellent data. Should the need arise for further in-depth study, the SDI project will contract a firm to carry out such an activity.

E. Major Activities or Corrective Actions During the Next Six Months

General

1. Amendments to Memorandums of Understanding with Court, Congress, and TNE.

The Judiciary

- 1. Court approval of all MUNIS and personnel Manuals.
- 2. Awarding of contract to provide technical assistance to the Inspector General's Office for a period of one year.
- 3. Awarding of grant to the Inter-American Bar Foundation for continuing education for bar members.
- 4. Awarding of contract to CSLA for expansion of jurisprudence activities.

Congress

- 1. Hiring remainder of CIEL staff and training of all staff.
- 2. Procurement and delivery of CIEL furniture.
- 3. Delivery and installation of Mainframe for CIEL.
- 4. Development of four information systems in CIEL: Legal Information, Floor Debate, Bill Tracking, and Bibliographic Information.
- 5. Development and computerization of administrative and accounting system in Paymaster and Budget Office.

TNE

- 1. Initiation of procurement process for election commodities and pollworkers.

Democratic Leadership

- 1. Amendment of AIFLD Grant Agreement through October 1993.
- 2. Execution of a buy-in to centrally funded education project for additional services to develop a civic education component of the GOH Adult Education curriculum.
- 3. Identification of indigenous advocacy groups to work with democratic leadership issues and AOJ.

PROJECT STATUS REPORT

April 01, 1992 - September 30, 1992

A X B C

I. BACKGROUND DATA

Project Title: Shelter Sector Program II
 Project Number: 522-HG-008, 522-0324
 Date of Authorization: original 12/30/86
 Date of Obligation: original 09/09/87 Amendment 11/02/89
 PACD: original 07/31/90 Amended to 06/30/93
 Implementing Agencies: National Housing Fund (FOVI) and Municipal Governments of Honduras
 Major Contractors: N/A
 Project Managers: Carlos M. Flores
 Status of CPs/Covenants: Met

Date of Last Evaluation: 04/30/90 Next Evaluation: 06/30/93
 Planned No. of NFAS: 0 NFAS Contracted/Completed: N/A
 Date of Last Audit: 00/00/00 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: HG Loan: original \$35,000,000
 DA Grant: original \$ 1,600,000
 Amount Obligated: HG Loan: original \$25,000,000
 DA Grant: original \$ 1,600,000
 Amount Committed: Period: \$ 7,453
 Cumulative: \$ 1,484,645
 Accrued Expenditures: Period - Projected: \$ 150,000
 Period - Actual: \$ 50,000
 Cumulative: \$22,665,426 (HG) \$1,362,712 (G)
 Period - Next: \$ 400,000 (HG) 60,000 (G)
 Counterpart
 Contribution: Planned: \$ 8,033,000 (HG)
 Actual: \$ 5,455,385
 % LOP Elapsed: N/A (HG) 87% (G)
 % of Total Auth. Oblig.: 71% (HG) 100% (G)
 % of Total Oblig. Exp.: 89% (HG) 84% (G)
 % of Total Auth. Exp.: 63% (HG) 84% (G)

II. PROJECT PURPOSE

To improve the institutional capacity of the private sector and municipal governments and to enhance the availability of housing and infrastructure services for low income families.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES:

A. SPECIFIC LINKAGE TO STRATEGIC OBJECTIVES: Although this project does not directly contribute to any strategic objective, it supports Strategic Objective No.4: Healthier and Better Educated Hondurans and Program output No.4.4 of reducing the incidence of selected diseases by providing access to sanitation and safe water systems.

B. PERCENT OF LOP FUNDS RELATING TO STRATEGIC OBJECTIVES: 0%

III. PROJECT DESCRIPTION

The project is composed of three major elements: long-term financing of new shelter construction and home improvements for low-income families channeled through the National Housing Fund (FOVI) with the increased participation of the private sector; long-term financing for urban upgrading (water, sewerage and street pavement) services for low-income families through municipalities, thus enhancing municipal capability to provide, operate, maintain and recover the investment cost of such services; and resources for technical assistance to municipalities, support of long-term advisors, and needed analytical work.

IV. PROJECT STATUS

A. Planned WOPs

- Private sector & finance entities participating in housing production.
- Participating institutions improved their efficiency and are recovering investment costs.
- A functional system is in place for private sector finance participation.
- An institutional and financial mechanism is in place for cost recovery of upgrading activities in urban municipalities.

Progress to Date

- Participation of the private sector in the provision of specific shelter and service improvement has been achieved. The private, in particular the non profit sector, has made some advances in the development of shelter solutions for low-income families.
- Shelter component is finished. Financial institutions are recovering costs.
- FOVI has instituted a delivery system but is not able to mobilize resources to sustain itself. It has discounted mortgages/loans from NGOs serving low income families.
- Municipalities are applying cost recovery systems with different levels of success.

Major Outputs

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
1. Infrastructure Coverage (Families)	21,887	1,500	26,000	1,200	1,770	24,800	113%
2. Home Improvement Loans (*)	6,750	0	0	0	0	0	0%
3. New Mortgage Loans Persons	2,917	0	2,605	0	0	2,605	89%
4. Training %	M.F	M.F	M.F	M.F	M.F	M.F	M.F
Long-term	0 0	0 0	0 0	0 0	0 0	0 0	N/A
Short-term	0 0	0 0	0 0	0 0	0 0	105 12	N/A

NOTE (*) The achievement of the output has been discontinued because of the lack of interest by the private sector.

PROJECT STATUS REPORT

April 01, 1992 - September 30, 1992

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B. Other Accomplishments and Overall Status

The Urban Poor II Housing Guaranty Loan and the complementary Shelter Sector Program II Grant address the need for housing and basic-urban infrastructure services affordable by low-income families in Honduras. Minimum shelter, potable water and sanitary sewerage systems, local roadway paving, credit for home improvements, and security of land tenure are examples of the issues addressed by this project. Total resources of \$42.5 million were allocated to this program, \$22.5 million for shelter construction and \$20 million for urban upgrading.

The Municipality of Tela completed a US\$261,460 sewerage project in July, 1992. However, an increment of Lps.492,631.04 to the loan for the Sewerage Project for the city of Tela was approved to acquire and install a series of sewerage pumps. The installation of these sewerage pumps will complete the sewerage system for the north-eastern sector of the city. The effluent from this sector, which is currently being discharged directly to the ocean, will be emptied through the recently completed sewerage system to the oxidation lagoons. The completion of this sewerage project means that 37 urban upgrading projects out of a total of 39 have been completed.

The Municipality of Choluteca commenced its sewerage project in July 1992.

One of the four sub-projects under the urban development Program, FOVIPO, was completed in July 1992, placing 2213 lots in the market. FOVIPO is a sectoral urban market model in San Pedro Sula involving a partnership between the municipal government, a local financial institution, and private landowners. The Municipality, together with the financial institution, provides resources to create a fund to finance urbanized lots purchased by low-income families. The landowners finance the price of the land.

A sewerage project proposed for the western sector of the city of La Ceiba was declared eligible for financing in the amount of Lps.3.245 million.

Under 522-0324, technical assistance was contracted for the cities of La Ceiba and Comayagua to structure respectively, a tariff system and cost recovery unit to recover past HG financed projects and any other infrastructure projects that will be constructed in the future.

C. Problems and Delays

Urban Development:

1. The technical assistance to structure a project cost recovering unit in Comayagua's municipality was not completed during the reporting period due to delays in the contracting process for a consultant.
2. The developers of a second sub-project under FOVIPO have been unable to complete it on schedule, due to drainage problems caused by the construction of an adjacent housing project.

D. Major Activities or Corrective Actions During the Next Six Months

1. Urban upgrading:

Complete the installation of the sewerage pumps for the city of Tela. The liquidation process of the total funds loaned to the city of Tela to construct the sewerage project will be completed.

Award the construction contract for the sewerage project in La Ceiba and start the construction activities.

Complete the oxidation lagoons and the installation of the internal network in Sector I of the Choluteca Sewerage Project.

2. Urban development:

Finalize technical assistance for the city of Comayagua to structure a cost recovery unit and start the activities oriented to recover past HG financed sewerage project. Implement the new tariff system designed for the Municipality

of La Ceiba to recover HG-financed project cost.

Liquidate FOVIPO/HG advances for Urban Development projects completed to date in San Pedro Sula.

Gain RHUDO/CA concurrence on a plan to commit the remaining HG/ESF resources.

Contract technical assistance to evaluate the experience of the FOVIPO model.

Reach a decision on the \$10 million in HG funding authorized, but not obligated.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

Project Title: Policy Analysis and Implementation (Public Sector Component)
 Project Number: 522-0325
 Date of Authorization: original 08/28/87
 Date of Obligation: original 08/28/87
 PACD: original 08/31/94
 Implementing Agencies: Ministry of Finance and Public Credit (MOP) and Central Bank of Honduras (BCH)
 Major Contractors: Latin American Scholarship Program of American Universities (LASPAU) (Grantee)
 Project Manager: Vicente Diaz
 Status of CPs/Covenants: Met

A. FINANCIAL DATA

Amount Authorized: ESF Grant: original \$ 7,000,000
 Amount Obligated: ESF Grant: original \$ 3,300,000 amended to \$ 7,000,000
 Amount Committed: Period: \$ 140,253
 Cumulative: \$ 5,764,489
 Accrued Expenditures: Period - Projected: \$ 590,000
 Period - Actual: \$ 788,928
 Cumulative: \$ 4,791,020
 Period - Next: \$ 850,000
 Counterpart Contribution: Planned: \$ 2,000,000
 Actual: \$ 850,000

Date of Last Evaluation: 01/31/91
 Planned No. NFAs: 1
 Date of Last Audit: 00/00/00
 Next Evaluation: 12/31/93
 NFAs Contracted/Completed: 0
 Next Audit: 00/00/00

% LOP Elapsed: 51%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 68%
 % of Total Auth. Exp.: 68%

II. PROJECT PURPOSE

To strengthen the Honduran capacity to formulate and implement economic policies and administrative reforms.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O. Project directly supports Mission's S.O. Nos. 1, Increase Agricultural Investment, Production, and Exports, and No. 2, Increase Private Investment, Production and Trade. Through the provision of TA and training, the Honduran capacity to formulate, analyze and implement macroeconomic policies will be enhanced. Sound macroeconomic policies are requisites for successful structural adjustments that are key to progress toward the S.O.s.

B. PERCENT OF LOP FUNDS RELATING TO S.O. 100%

III. PROJECT DESCRIPTION

The project provides technical assistance (TA) and training. In the short-term, the TA supplements existing OOH capacity in policy analysis, planning and implementation. Over the medium-term, the project strengthens Honduras' human resource base by providing advanced degree training in economics to more than 35 scholars.

IV. PROJECT STATUS

A. Planned EOPS

Progress to Date

Significantly increased OOH capacity to undertake economic analysis and implement policies as evidenced by policy changes in the areas of foreign trade, customs administration, public sector expenditures, and export competitiveness.

The project has continued working with the Central Bank, the Ministry of Finance (MOP) and the Office of the Controller General in support of the OOH economic program. Reports on a financial sector assessment, external debt management strategy, and internal debt were presented in final. Other areas of interest are public sector financial accounts, MOP organization and tax management and financial investigative techniques. A total 20 project-financed scholars have returned to Honduras.

B. Major Outputs

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
1. Technical Assistance (Total Months)							
a. Short term	100	30	158	15	11	104	104%
b. Long term	120	6	24	6	6	24	20%
2. Training (Persons)	ME	ME	ME	ME	ME	ME	ME
a. Long Term Initiated	35	6	42	0	5	0	40 NA NA
b. Short-term Completed	15	50	121	25	122	75	359 198 NA NA

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

A X B ___ C ___

C. Other Accomplishments and Overall Status

This project supports the GOH economic reform program by strengthening the capacity of Honduran public sector institutions to formulate and implement sound economic policies and administrative reforms. This project is the public sector component of the Mission's three pronged strategy to improve policy formulation and implementation. These objectives are also supported through a private sector component with the Honduran Council for Private Enterprise (522-0325.1), through an agricultural policy component with the Ministry of Natural Resources (522-0325.2), and through a financial sector component with public and private sector financial entities. Progress on each component is reported separately. The public sector component has two interrelated areas: 1) TA for policy analysis and implementation; and 2) participant training in economics at the graduate level.

The GOH continues making substantial use of this project's resources in implementing its comprehensive economic reform program.

Final reports with recommendations were presented by consultants to the GOH and Mission on (1) management of external debt (5/92); (2) internal public debt (8/92); and (3) a financial sector assessment (9/92), which is serving as the basis for IDB and USAID assistance to the sector.

Field work on a diagnosis of re-organization requirements of the MOF has been completed and partial reports presented to the GOH and Mission. A final draft report is pending submission by the contractor.

Technical assistance to the Controller General of the Republic (CGR), through a two year PSC, continues helping the GOH refine and carry out policies, procedures, and systems needed to control public expenditures. The consultant participated as panelist in the 6th Annual Conference on Public Financial Administration in Miami, FL, April 13 - 15, 1992; and as principal speaker, and rapporteur for the governmental sector, at the 5th National Congress of Accountants in Tegucigalpa, from August 28 through 29, 1992.

Six more long-term trainees bring to a total 20 those who have returned to Honduras. One of them was recruited by an American consulting company with activities in Honduras and Guatemala, for practical training in these countries for 18 months. After completion of his Master's program, a participant is continuing on toward a Ph.D. program partially sponsored (HAC fee) by Mission. Five additional participants were sent to graduate studies in economics in the U.S. during the reporting period.

A seminar on Financial Investigative Techniques for 25 participants was held by IRS in 5/92. While IRS provided two instructors, the GOH provided one additional instructor from the cadre of Honduran instructors trained during 1991.

One hundred and seventy two short-term participants attended seminars on financial and accounting systems in government agencies, auditing and accounting, macroeconomic adjustment, and labor statistics.

A draft project amendment was completed under which additional TA would support the GOH's creation of a policy analysis unit. Additional resources were to be provided for three additional years to support the formulation, analysis, and implementation of macroeconomic policies. This would assist the GOH to better assess macroeconomic policy options and analyze their consequences. Long-term GOH capacity in economic policy-making and implementation was also to be developed by supporting additional post-graduate studies in economics. A last minute lack of consensus among top GOH economic authorities about the placement of the unit prevented amendment completion. However, a reprogramming of remaining funds to provide for additional Ph.D. studies in economics has been proposed. At the end of the reporting period, a consultant team began to assist the GOH in their continuing efforts to establish a policy analysis unit, as part of an effort to determine the most effective use of remaining project TA funds.

The economic policy reforms currently being implemented should, over the long term, yield significant improvements in family income and significantly increase employment opportunities for women. The existing PP does not provide for assessing impact on gender. The draft amendment does, however, address gender with regard to its TA and training elements. Even though it was never formally approved, the measures for the

training element can be incorporated into the proposed training grant extension. The measure for the TA element might also be implemented, depending on the results of the aforementioned TA consultancy.

D. Problems and Delays

Inability to complete amendment due to last minute lack of consensus among top GOH officials has delayed action on the policy analysis unit. Otherwise, the original project maintains its high level of performance.

E. Major Activities or Corrective Actions During the Next Six Months

1. Complete consultancy to assess the use to date of TA and prepare a draft plan establishing the approach for utilizing the remaining TA resources under the project, including the viability of a policy analysis unit; and examine the using of the AID/W Implementing Policy Change project to assist the Public Sector PAIP component through short- and/or long-term collaboration.

2. Begin implementation of consultancy recommendations, as appropriate.

3. Reprogram a portion of remaining project funds to cover the training of additional Ph.D.s

4. Negotiate amendment of grant with LASPAU to cover the administration of the additional Ph.D. candidates.

5. Complete diagnosis of reorganization requirements of the MOF.

6. Deliver seminar on tax administration.

PROJECT STATUS REPORT
April 1, 1992 - September 30, 1992

A ___ B X C ___

I. BACKGROUND DATA

Project Title: Policy Analysis and Implementation/COHEP Cooperative Agreement
 Project Number: 522-0325.01
 Date of Authorization: original 08/28/87
 Date of Obligation: original 09/10/87
 PACD: original 09/09/92
 Amendsent 04/12/89
 Amendsent 09/30/95
 Implementing Agencies: Honduran Council for Private Enterprises (COHEP)
 Major Contractors: N/A
 Project Managers: Richard Whelden
 Status of CPs/Covenants: All CPs met, most covenants met (See Sec. IVC.)

Date of Last Evaluation: 09/17/90
 Planned No. of NFAs: 0
 Date of Last Audit: 00/00/00
 Next Evaluation: 09/01/93
 NFAs contracted/completed: 0
 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$ 5,000,000
 Amount Obligated: DA Grant: original \$ 200,000 amended to \$ 5,000,000
 Amount Committed: Period: \$ (537,270)
 Accrued Expenditures: Cumulative: \$ 3,760,493
 Period - Projected: \$ 340,000
 Period - Actual: \$ 345,688
 Counterpart Contribution: Cumulative: \$ 3,526,004
 Planned: \$ 950,000
 Actual: \$ 4,133,308
 % LOP Elapsed: 63%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 71%
 % of Total Auth. Exp.: 71%

II. PROJECT PURPOSE

To strengthen the Honduran capacity to formulate and implement economic policies and administrative reforms.

RELATIONSHIP TO MISSION'S STRATEGIC OBJECTIVES

- A. SPECIFIC LINKAGE TO S.O.: Contributes to S.O. No. 2, Increased Private Investment Production and Trade, by increasing private sector participation in the development and implementation of policy reforms designed to increase private investment and trade.
 B. PERCENT OF LOP FUNDS RELATING TO S.O.: 100%

III. PROJECT DESCRIPTION

The COHEP Cooperative Agreement will: 1) develop within the private sector, through a stronger, more dynamic COHEP, the capacity to study, analyze and lobby effectively for policy reforms; 2) build understanding and consensus within the private sector on needed economic reforms to encourage increased private investment and employment; and 3) strengthen the financial and technical capacity of COHEP and member associations as a means to accomplish these objectives.

IV. PROJECT STATUS

A. Planned EOPs

1. Increased membership.
2. Increased financial support from members.
3. Development of professional economic research capacity.
4. Published information.
5. Seminars/Conferences.

Progress to Date

1. From 32 to 41 members.
2. Fund raising drive initiated; new plan and strategy developed and approved.
3. 30 studies, consumer price index, economic agenda, financial model produced.
4. Monthly bulletins, weekly newspapers, position papers, studies published and weekly radio programs.
5. 55 seminars/conferences/workshops conducted to date.

B. Major Outputs

	Planned		Next		Accomplished		
	LOP	Period	Cum.	Period	Period	Cum.	% of LOP
1. 3-4 studies per year	20	2	28	4	4	30	150%
2. Conferences/Seminars	0	6	55	3	6	55	N/A
3. Published reports	0	1	22	3	3	24	N/A
4. Public relations campaign (3 phases)	3	0	3	0	0	3	100%
5. Training (persons)	0	0	3000	0	346	3542	N/A
6. Training & Short Term	M.F. 00 00	M.F. 00 00	M.F. 00 00	M.F. 00 00	M.F. 79 21	M.F. 75 25	M.F. N/A

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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C. Other Accomplishments and Overall Status

The Policy Analysis and Implementation Project has four interrelated components: a Public Sector, an Agricultural Sector, a Private Sector, and a Financial Sector component. The Cooperative Agreement with COHEP is the Private Sector component of the project.

The objective of this project component is to strengthen COHEP and its capacity to formulate and implement economic policies and administrative reforms. This Cooperative Agreement has brought about a fundamental change in COHEP, from what was an organization comprised of a select group of private individuals, the old guard of commercial enterprise, lobbying to protect their own best interests, to an organization whose member organizations are a wide and diverse number of businesses that represent the broader, national interests of the private sector. Thus, COHEP has become a dynamic force of change in the Honduran economy.

COHEP has supported conferences, seminars and workshops, covering topics related to industrial reconversion, financial and banking reform, regional trade, investment law, labor code, and IPR, all highly debated issues that affect private sector interests.

Public education and consensus building efforts continued this period with the publication of documents, bulletins, position papers and newsletters. The Administrative Simplification Program developed by COHEP in the areas of business registry, import permits and export permits is now under high level review. This review process with the GOH has been slow and cumbersome. Therefore, COHEP decided to temporarily suspend the technical services contract with Instituto Libertad y Democracia (ILD) to save project resources while providing ample time for this process to mature. In the meantime, COHEP is doing more research and design of Administrative Simplification reforms in other areas that affect private sector interests. During this period COHEP was also key in analyzing and lobbying substantially for the passage by Congress of a new and modern Investment Law aimed at promoting foreign investment in Honduras.

A seminar was organized by COHEP to analyze the draft of the new Banking Law for Honduras. More than 100 persons participated in this seminar which introduced this very important and delicate topic to both the private sector and the GOH. The law's importance in making financial intermediation more efficient and competitive in Honduras was highlighted. Also, COHEP has been very active in the analyzing and lobbying for new IPR legislation and is making all the necessary arrangements to set up a seminar on this subject early in the next reporting period. This topic is of utmost importance in attracting increased foreign investment to Honduras as it will address the issue of protection of both industrial and intellectual property rights.

COHEP met its commitment to raise no less than Lps. 1,500,000 by September 30, 1992 as its first contribution/tranche to the Capital Endowment Fund according to its financial self-sufficiency plan and draft MOU. In order to accomplish this goal, COHEP improved its communications strategy, set up a fund-raising gala dinner with the participation of the President of Honduras and almost five hundred guests, and implemented a major fund-raising drive within the private sector community. This is evidence of the support COHEP receives from the private sector as the lead organization representing private sector interests in Honduras.

The following is a list of covenants and their current status:

<u>Covenants</u>	<u>Status</u>
a. Review and modify by-laws to increase	a. Met
b. Building consensus on national economic issues.	b. Permanent on-going activity.
c. Strengthening private sector associations.	c. Met
d. Organizational reform.	d. Met
e. Establish a major fund-raising drive.	e. New plan and financial projections were implemented beginning last period.
f. Significant increase in membership dues.	f. Modification of statutes to increase dues was approved in the October 1991 Extraordinary Assembly.
g. Raise Lps. 2MM for Capital Endowment Fund.	g. Lps.1,560,000 raised to date.

The policy research conducted by COHEP will emphasize equity by bringing the benefits of development to women. Policy reform itself promotes the further integration of women into economic development.

D. Problems and Delays

Submission of the draft MOU to establish a capital endowment fund to AID/W for approval was delayed until COHEP raised its first contribution/tranche of L.1,500,000 to the endowment.

The Executive Director resigned in July 1992 to take on an important job in the financial sector. COHEP has gone through the process of a competitive search for his replacement and will soon contract a new Executive Director.

E. Major Activities or Corrective Actions During the Next Six Months

1. Continue to promote and lobby for the passage of new legislation on IPR, the banking law, privatization, administrative simplification, financial reform and labor code laws and regulations.
2. Continue reaching targeted groups to promote the advantages of free markets and free enterprise (press, secondary school students, politicians, etc.).
3. Continue to publish and distribute weekly bulletins, quarterly review magazines, as well as needed reports/position papers and its weekly radio program.
4. Continue Seminars/Conferences/Workshops on such topics as industrial reconversion, IPR, privatization, liberalization of financial markets and new banking law, regional integration and others topics.
6. Submit COHEP endowment proposal to AID/W for approval and sign MOU with COHEP and GOH to establish the capital endowment fund.
7. Recruit a new Executive Director for COHEP.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

A B C

I. BACKGROUND DATA

Project Title: Policy Analysis and Implementation
 Project Number: 522-0325.02
 Date of Authorization: original 03/05/90 Amendment 7/21/92
 Date of Obligation: original 03/09/90 Amendment 9/23/92
 PACD: original 08/31/94 Extended 8/27/97
 Implementing Agencies: Ministry of Natural Resources
 Agricultural Sectoral Planning Unit (UPSA) and
 General Directorate of Statistics and Census (DGECC)
 Major Contractors: Sigma One Corporation, Abt Associates Inc., Ateneo de
 la Agro Industria (ADAI) and Mississippi State
 University
 Project Managers: John Warren and Guillermo Alvarado
 Status of CPs/Covenants: Met

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$ 4,350,000 amended to: \$ 14,350,000
 Amount Obligated: DA Grant: original \$ 3,000,000 amended to: \$ 7,300,000
 Amount Committed: Period: \$ 977,905
 Cumulative: \$ 3,198,097
 Accrued Expenditures: Period - Projected: \$ 638,000
 Period - Actual: \$ 766,675
 Cumulative: \$ 2,811,453
 Period - Next: \$ 730,000
 Counterpart Contribution: Planned: \$ 2,450,000
 Actual: \$ NA
 % LOP Elapsed: 41%
 % of Total Auth. Oblig.: 50%
 % of Total Oblig. Exp.: 38%
 % of Total Auth. Exp.: 20%

Date of Last Evaluation: 00/00/00 Next Evaluation: 09/00/94
 Planned No. of NFAs: 0 NFAs Contracted/completed: 0
 Date of Last Audit: 00/00/00 Next Audit: 00/00/00

II. PROJECT PURPOSE

To strengthen the Honduran capacity to formulate and implement economic policy and administrative reforms.

III. RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: This component of the PAIP supports Strategic Objective No. 1, Increased Agricultural Production and Exports by formulating and implementing policy reforms aimed at increasing agricultural investment. The new amendment also supports Strategic Objective No. 3, More Efficient Management and Sustainable Use of Selected Natural Resources by supporting policy reforms aimed at improving natural resources management

B. PERCENT OF LOP FUNDING RELATED TO S.O.: 100%

III. PROJECT DESCRIPTION

The aim of this project is to improve Honduran capabilities for carrying out policy analyses and implementing Policy Reforms in the areas of agriculture and Natural Resources Management via cooperative undertakings, seminars and workshops, and through an improved agricultural statistics base. Both short-term and long-term technical assistance is being utilized. Short-term training, specifically as it supports the analytical capability of the Honduran counterparts, is also provided.

IV. PROJECT STATUS

A. Planned EOPs

Progress to Date

1. Strengthened institutional capacity within the public agricultural sector for policy formulation and analysis.

1. Project is strengthening the GOH capacity for policy formulation and analysis, principally through the preparation of policy position papers, and development of agricultural statistics data base.

B. Major Outputs

	Planned				Accomplished		
	LOP	Period	Cum.	Next Period	Period	Cum.	% of LOP
1. Joint policy analysis studies	16	6	12	2	10	28	175%
2. Reports and Conference Proceedings disseminated	1800	1000	2700	500	100	2300	128%
3. Proposals for Executive Decrees, interministerial agreements	0	0	14	0	6	15	N/A
4. Legislative reform bills introduced to Congress	0	1	2	0	3	6	N/A
5. Rural Household Survey	1	1	1	1	0	1	100%
6. National Agricultural Survey	4	0	2	0	1	2	50%
7. Agricultural Census	1	0	0	0	0	0	N/A
8. Land Titles Issued	10,000	0	0	0	0	0	N/A
9. Established Farmer owned financial institutions	4	0	0	0	0	0	N/A
10. Reorganization of Ag Public Sector Agencies	3	0	0	0	0	0	N/A
11. Environmental Strategy Developed	1	0	0	0	0	0	N/A

	LOP		Period		Cum.		Next Period		Period		Cum.		% of LOP
	M	F	M	F	M	F	M	F	M	F	M	F	
12. Participants attending project sponsored seminars	500	100	300	30	652	88	300	30	1008	254	3363	609	68%
13. Training													
Long-term	0	0	0	0	0	0	0	0	0	0	0	0	N/A
Short-term	80	20	2	2	20	3	2	2	0	2	59	3	7%

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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C. Other Accomplishments and Overall Status

Agriculture represents the largest productive and employment sector of Honduras, and the largest potential source of growth for the economy. The head of the sector is the Minister of Natural Resources who presides over the Agricultural Development Council (CODA) which is comprised of the directors of the public agricultural sector agencies. The Minister is also a member of the Economic Cabinet and of the Board of Directors of the Central Bank. This project component works through and in support of the Agriculture Sectoral Planning Unit (UPSA), which is the technical secretariat of the CODA. Project activities center on policy analysis and implementation planning for reforms in the areas of price structures, land and resource base utilization, and access to markets and technology.

This Agricultural Component of the Mission's Policy Analysis and Implementation project was formally initiated as a separate project component in March 1990 to provide a means to respond to a favorable environment for policy change in the agricultural and natural resources sectors. Due to recent adoption of substantial improved sectoral policies by the current GOH Administration as a result of project advice, this project component was amended in September of this year to extend and increase its support to the GOH in the implementation of agricultural and environmental policies.

The core element of the policy reforms is an omnibus agricultural bill (the Agricultural Modernization Law) which revises several laws related to the agricultural and natural resources sectors. Congress approved the law on March 5, 1992. It was published in the Gazette (official journal of the GOH) and became effective as Decree Number 31-92 on April 6, 1992.

The law enacts: a) the elimination of state intervention in product and factor markets; b) the elimination of price and trade controls, and a shift from generalized price subsidies to targeted economic assistance to the needy; c) a reduction of the threat of expropriation of private agricultural land; d) legalization of private land rentals; e) promotion of land markets development; f) protection from expropriation of forest; g) return of ownership of trees to land owners; and h) the legal basis for the privatization and decentralization of GOH agriculture services (research, extension and credit).

During the reporting period the project focused on assisting UPSA and the farmer organizations in drafting the regulations for the Law. More than 50 Articles of the Law in 12 different areas require the drafting of regulations for proper interpretation and implementation. The project has carried-out studies for the restructuring of MNR, evaluation of the impact of structural adjustment, privatization of a large sugar mill (ACENSA), design of the "cajas rurales", restructuring of agrarian reform cooperatives, design of a land bank as well as other minor studies which will ultimately support drafting of the regulations and implementation of the Law. Project personnel also assisted more than 12 working groups responsible for drafting the regulations of the Law in conducting meetings, analyzing and clarifying concepts, and generating viable mechanisms for implementation of the Law.

The effort to draft the regulations has been generally successful, but complex, due to such factors as lack of collaboration by middle management government officers and interference by groups with vested interests (domestic and expatriate). Most of the regulations have been finalized and approved by the main interest groups of the sector. Only a few exceptions are pending. Some will probably require special laws due to the complexity of the reform (such as the "cajas rurales" and land financing mechanisms). The interference of vested interests (such as the established lumber industry and bureaucracy in the forestry regulations) has caused delays as well.

The project is also assisting the GOH in implementing its policy to develop a private seed industry. During this reporting period the project continued to provide direct technical assistance to the private seed industry and to the Pan-American Agricultural School (El Zamorano) in the design and lay-out of seed processing plants. It also assisted the GOH and private sector in finally reaching agreement on a lease contract for the privatization of MNR seed plants, and in improving the seed regulations for the Law and GOH trade and regulatory policies for the seed industry.

The project's effects on women are expected to be positive and felt at both the institutional and sector-wide levels. For instance, the new law eliminates the discrimination against women; grants them title to the land and automatic repayment of a mortgage in the case of death or disability of their husbands. The project's

analytical exercises, dissemination events, and short-term training objectives target a higher percentage and involvement of women than is found currently in these types of activities. Reforms that improve financial returns to agriculture and open access to markets will benefit female segments of producer populations.

During this reporting period the Mission finalized, approved and signed with the GOH a \$10 million amendment for the project. The project PACD was extended to August 1997 and \$ 3.0 million in funds added. The major purpose of the amendment is to support implementation of the Law and assist the GOH in the development of sound natural resources and environmental policies.

D. Problems and Delays

The Project has been trying to support the National Agriculture Census (NAS). The Mission procured technical assistance from the Bureau of the Census (BUCEN) to assess the feasibility of carrying-out the ag census by the GOH administration and to provide recommendations on minimum requirements for its execution. The result has been that, deficiencies persist in the management of the census, the BUCEN recommended while that the Mission proceed with its support to the NAS. These deficiencies are expected to be mitigated by TA provided by FAO, UNDP, the Mexican Government and AID. A high degree of involvement by AID project management will be required during next six months. The NAS is expected to be ready for field application by May 1993.

E. Major Activities or Corrective Actions During the Next Six Months

1. The project will continue to focus on support for drafting of the law's regulations and implementation of the program.
2. Draft RFP for technical assistance for second phase of project. Analyze responses to RFP and select TA contractor for phase II.
3. Concentrate efforts on supporting the National Agricultural Census. Project will provide TA and management resources for the monitoring of progress.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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C. OTHER ACCOMPLISHMENTS AND OVERALL STATUS

Project Agreement was signed on 9/29/92.

D. PROBLEMS AND DELAYS

None

E. MAJOR ACTIVITIES OR CORRECTIVE ACTIONS DURING THE NEXT SIX MONTHS

- 1) Work with GOH and COHEP to overcome private banks opposition to draft Banking Law which will improve the supervision of banking system.
- 2) Evaluate BCH's compliance with the CP requiring presentation of a restructuring plan:
- 3) Contract for project management.
- 4) After CPs are met, contract for project TA and initiate procurement of commodities.
- 5) Assist BCH and Superintendency of Banks to develop a detailed training plan.
- 6) Initiate FARS review of BCH contracting procedures.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

A X B ___ C ___

I. BACKGROUND DATA

Project Title: Honduras Peace Scholarship I (HOPS I)
 Project Number: 597-0001 and 522-0329
 Date of Authorization: original 02/06/85
 Date of Obligation: original 03/25/85 Amendment 04/25/90
 PACD: original 11/30/93
 Implementing Agencies: N/A
 Major Contractors: Academy for Educational Development (AED)
 National Association of Partners of the Americas (NAPA)
 Project Manager: Ned van Steenwyk/Jeff Lansdale
 Status of CPs/Covenants: Met

Date of Last Evaluation: Ongoing Process Next Evaluation: 00/00/00
 Planned No. of Non Federal Audits: 0 Non Federal Audits contracted/completed: 0
 Date of Last Audit: 00/00/00 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: DA/ESF Grant: original \$27,550,000 amended to \$31,980,000
 Amount Obligated: DA/ESF Grant: original \$ 2,000,000 amended to \$31,980,000
 Amount Committed: Period: \$ 13,232
 Cumulative: \$30,522,118
 Accrued Expenditures: Period - Projected: \$ 1,012,000
 Period - Actual: \$ 1,041,510
 Cumulative: \$28,376,956
 Period - Next: \$ 686,700
 Counterpart Contribution: Planned: N/A
 Actual: N/A
 % LOP Elapsed: 87%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 89%
 % of Total Auth. Exp.: 89%

II. PROJECT PURPOSE

To increase the number of U.S. trained public and private sector individuals at the planning, implementation, technical, managerial and administrative levels.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The project relates directly to S.O. No. 5: More responsive Selected Democratic Institutions and Processes with Greater Citizen Participation through the cumulative number of people having completed the "Experience America" program while receiving training in the U.S.

B. PERCENT OF LOP FUNDS RELATING TO S.O.: 100%

III. PROJECT DESCRIPTION

The project will increase the number of U.S. trained public and private sector individuals at the planning, implementation, technical, managerial and administrative levels. This will be achieved by providing U.S. training to individuals who are working in agriculture and rural development, health and nutrition, human resources, population, energy and environment, science and technology, planning and institutional development.

IV. PROJECT STATUS

A. Planned EOPs

1. Provide long-term scholarships for U.S. training for 475 people.
2. Provide 1,435 short-term technical scholarships for training in the U.S.

Progress to Date

1. 478 long-term scholars have been sent to the U.S. for training.
2. 1,450 short-term scholars have been sent to the U.S. for short-term technical training.

B. Major Outputs

	<u>Planned</u>				<u>Accomplished</u>		
	<u>LOP</u>	<u>Period</u>	<u>Cum.</u>	<u>Next Period</u>	<u>Period</u>	<u>Cum.</u>	<u>% of LOP</u>
1. Long-term	475	0	478	0	0	478	101%
	285	0	287	0	0	287	101% M
	190	0	191	0	0	191	100% F
2. Short-term	1435	0	1450	100	0	1450	101%
	860	0	918	35	0	918	107% M
	575	0	532	65	0	532	92% F

PROJECT STATUS REPORT

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scholarship recipients.

C. Other Accomplishments and Overall Status

The Central American Peace Scholarship (CAPS) Project was authorized on February 6, 1985 under the Caribbean and Latin America Scholarship Program (CLASP I). In FY 1987, CAPS I funding was moved from CA regional accounts to Mission bilateral accounts, thus creating the HOPS I Project under the regional authorization. Of the 125 long-term scholars that remained in the U.S. at the end of the previous reporting period, 46 returned to Honduras during this reporting period, 2 were cancelled for low academic achievement, 23 should complete their studies in December of 1992 and the remaining 54 will complete their degrees in 1993. The one remaining scholar who had not obtained employment during the previous reporting period is now employed. Of the 46 scholars who returned during this reporting period, only 15 remain unemployed and are seeking employment with Mission and private sector assistance.

- 7. Hold a re-entry seminar in the U.S. for long-term academic scholars who are completing their degrees in December of 1992 and the spring of 1993.

The most recent academic term reports received on the 77 scholars who are still in the U.S. were reviewed and the academic achievement of CAPS scholars is excellent with 70% receiving grade points of 3.0 or better and 43% with grade points between 3.5 and 4.0. Communications with all Peace Scholars in the U.S. are being maintained as planned.

By the end of 1990, approximately 238 long-term scholars remained studying in the U.S. while post-secondary education costs began to increase dramatically in the U.S. The Mission was concerned that long-term scholars might not be able to complete their studies if costs continued to increase. Consequently, the Mission suspended long-term scholarship awards to assure that scholars remaining in the U.S. would be able to complete their studies. Current financial projections for 1993 indicate that approximately \$2,000,000 will remain available for additional scholarships. Therefore a no-cost PACD extension through FY94 is being processed to allow sufficient time to award approximately 250 additional short-term scholarships.

This funding is becoming available at a very opportune time as HOPS II obligations are substantially below original projections through this period (see HOPS II SAR for additional information). In addition to compensating for lower than anticipated numbers of short-term scholarships under HOPS II, because of reduced funding levels, the increased number of short-term scholarships under HOPS I will allow the project to recruit additional female participants and improve gender balance for short-term scholarship recipients (see B.2. above). HOPS I will assure that at least 61% of the additional scholarship recipients are female to achieve the project goal of 40% female participation among short-term scholarship recipients.

All follow-on activities for HOPS I scholarship recipients, will continue to be financed and executed under the HOPS II project (see the HOPS II SAR for further information on follow-on activities with HOPS I scholarship recipients).

D. Problems and Delays

As mentioned above, female participation in short-term training has been less than anticipated. Additional female scholarship recipients will be selected for short-term technical scholarships with the balance of unexpended funding for the project.

E. Major Activities or Corrective Actions During the Next Six Months

- 1. Continue communications with the 77 scholars remaining in the U.S.
- 2. Amend the Project Agreement for a no-cost extension of the PACD through September 30, 1994.
- 3. Assure that the 15 unemployed scholars who returned to Honduras during this reporting period obtain employment.
- 4. Define and prioritize short-term scholarship areas for approximately 250 scholarships based on the Mission's Strategic Objectives in sectors which will assure a more appropriate gender balance among scholarship recipients.
- 5. Recruit and select 100 short-term scholarship recipients, assure that at least 61% of these scholarship recipients are female, and begin pre-departure training for these scholars.
- 6. Begin a demand driven short-term technical scholarship program which will award approximately 50 scholarships based on employer/employee defined areas of studies which will impact on the Mission's Strategic Objectives and assure appropriate gender balances for the project's

PROJECT STATUS REPORT

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C. Other Accomplishments and Overall Status

This project is the successor to the Rural Roads II Project (522-0214). As the name of this project implies, primary emphasis will be given to institutionalizing regular maintenance work on rural roads, although some new construction will take place over the life of the project. One important aspect of this project is the emphasis on road maintenance by private contracting. This is a revolutionary trend in Honduras and elsewhere in the developing countries. It is oriented toward maximizing use of project resources by promoting the growth of private construction companies.

During this reporting period, one 25.0 kilometer maintenance project was completed. Another 8 maintenance projects (217 km.) are under construction. Due to delays in awarding the contracts by SECOPT and the heavy rains which have occurred during the months of June - September progress on the 8 projects has been slow; however, completion of the projects is expected to be within the time frame indicated in the contracts. Six maintenance projects (222 km.) were sent out for bid during the month of August, however, only four contracts (166 km.) will be awarded. Two maintenance contract proposals were rejected because they were more than 20% above the engineers estimate. In summary, 348 km. of rural roads have been completed, 8 projects totalling 159 km. are under construction and contracts for maintenance totalling 166 km. are in process of being awarded.

Two rehabilitation projects amounting to 55 km. were completed during the reporting period. A total of 7 projects for 179 km. of road rehabilitation have been completed since 1991. One 20 km. rehabilitation contract is currently in the award process.

Road construction project activities started this period. Four contracts amounting to 89 km. were awarded and construction operations have commenced for two projects in spite of the rainy season. It is estimated that 11 km. out of the 89 km. have been completed for the two projects.

The rural road maintenance "Peon Caminero Program" commenced in May. Changes were made to the program to expedite payment to laborers and improve overall supervision. Full time foremen are now in charge of groups of "peones". The foreman acts as a contractor and he is in charge of payment, tool management and supervision. SECOPT's General Directorate for Roads and Airports Maintenance (GDRAM) manages the program from its regional offices.

A public auction was held on August 20, 1992 for the second sale of used equipment to private contractors. The auction resulted in the sale of one hundred and fifty (150) out of 180 pieces of heavy equipment as part of the road maintenance privatization process started by SECOPT.

Using the computerized road maintenance planning system (MDM-III), SECOPT's GDRAM completed its analysis and maintenance programming for the entire rural network. The final report on rural road conservation was issued in August 1992. The report gives the prioritization and the types of maintenance required for the 8,632 km. of rural road network. A total of \$127 million is required to provide rural road maintenance between 1993 and 1996. The report includes recommendation on different alternatives to solve funding deficiency. The Government of Honduras (GOH) is seeking financing from various international funding institutions, including the Government of Kuwait.

A tentative agreement was reached with SECOPT's GDRAM to expand the existing and successful "Peon Caminero" Pilot Program with the municipalities. Fifteen additional municipalities will be added to the program increasing the total to 21. By having the municipalities in charge of the "Peon Caminero Program", will improve the prompt payment of salaries to the laborers and provide better supervision and will also promote the participation of local governments in a joint effort with SECOPT to maintain the roads.

A PIO/T was issued by USAID/MDI to contract the services of a local consulting firm to investigate the capacity of Honduran construction companies to absorb the amount of work generated by the privatization of road maintenance and construction. It will also study the current capacity of SECOPT to manage the contracts. Recommendations will be made if it is determined that Honduran construction companies are not capable of efficiently performing the road construction work planned in the project. It is expected that the study will be completed by April 1993.

Aside from managerial functions within SECOPT, women are not direct participants in rural road projects. The Peon Caminero labor intensive maintenance component may have some room for women participation. However, no interest have been received to

work in such an activity. An indirect household benefit, however, is received since each peon (600 in total) receives a total of \$800 per year.

D. Problems and Delays

Negotiations for a Project Agreement Amendment to increase the GOH's contribution to make up for the shortfall in funding required to complete project's EOPs is currently underway. SECOPT has agreed that a L.42.5 deficit (\$7.22 million) exists, and has proposed an amendment to the PROAG to reflect the deficit and increase the GOH's counterpart contribution programming disbursements in proportion to U.S.A.I.D.'s grant funding. We are awaiting Ministry of Finance concurrence with such an amendment. In addition to the originally programmed counterpart contribution, SECOPT has already included the equivalent of \$3.01 million in its budget for 1993 to cover the additional funds required for calendar year 1993.

The high demand for construction services has caused a rise in the cost of construction and maintenance projects. Discussions are currently underway between SECOPT and the contractors to address this problem. It is expected that a favorable agreement can be reached before the tendering of maintenance projects for 1,066 km. programmed for November 1992.

The audit programmed for June 1992 has not been performed. Discussions between the Financial Analysis and Review Section (FARS) and the Regional Inspector General (RIG) office has resulted in a revision to the scope of work for the non-federal audit. It is anticipated that the audit will take place in March 1993.

Cumbersome procedures in the process of legalization of contracts by the GOH has resulted in project delays. In many cases, contractors have commenced projects without the Initiation Orders. SECOPT is discussing with other GOH agencies that intervene in the process to change the current system and expedite the legalization of the contracts.

E. Major Activities or Corrective Actions During the Next Six Months

1. A prequalification of construction firms will be performed to select companies for 1993 operations.
2. Approximately 12 groups of road maintenance projects for a total of 1,066 kilometers will be sent out for bid in November 1992.
3. Approximately 90 km. of rural road construction will be sent out for bid in November 1992.
4. Approximately 65 km. of rural road rehabilitation will be sent out for bid in November 1992.
5. An expanded "Peon Caminero Program" will commence with the participation of five municipalities of the Municipal Development Project (USAID No. 522-0340).
6. A non-federal audit of the project will be performed with the scope of work agreed between FARS and the RIG.
7. A PIO/T will be issued by USAID/MDI to contract the services of a local consulting firm, to update the existing methodology on environmental studies. This scope covers the study of existing legislation and methodology regarding Environmental Impact Assessments. The consultant will also compile and develop designs and make recommendations to alleviate the environmental impacts of road construction and maintenance activities. The scope of work is under consideration by SECOPT's General Directorate of Roads (GDR).
8. SECOPT's GDRAM is preparing for the First Central America and Panamá Congress on road conservation. This forum is oriented toward the standardization of roads conservation policies and the interchange of road maintenance experiences in the Central American countries. The Congress will be sponsored by U.S.A.I.D., the World Bank and the GOH, and will be held in November 1992.
9. The last project Condition Precedent will be met by SECOPT's GDRAM demonstrating that progress on the institutional strengthening goals of the GDRAM is satisfactory.
10. Contract will be awarded to a local consulting firm to investigate the capacity of Honduran construction companies to absorb the amount of work generated by the privatization of road maintenance and construction.
11. GOH concurrence with PROAG Amendment to increase GOH counterpart contribution will be obtained.

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I. BACKGROUND DATA

Project Title: Municipal Development
 Project Number: 522-0340
 Date of Authorization: original 06/29/90
 Date of Obligation: original 06/29/90 Amendment 07/14/92
 PACD: original 06/28/97
 Implementing Agencies: Ministry of Finance (MFPC). Municipalities of Honduras
 Major Contractors: International City Management Association (ICMA)
 AID Project Manager: Sigifredo Ramirez
 Training Coordinator: Donald G. Bryan
 Status of CPs/Covenants: CPs for First Disbursement - all met.

FINANCIAL DATA

Amount Authorized: DA Grant: original \$10,000,000
 Amount Obligated: DA Grant: original \$ 1,000,000 amended to \$9,344,000
 Amount Committed: Period: \$ 119,449
 Accrued Expenditures: Cumulative: \$ 2,850,112
 Period - Projected: \$ 756,000
 Period - Actual: \$ 975,119
 Cumulative: \$ 2,371,632
 Period - Next: \$ 1,015,000
 Counterpart Contribution: Planned: \$15,000,000
 Actual: \$ 697,674

Date of Last Evaluation: 00/00/00 Next Evaluation: 03/01/93
 Planned No. of Non Federal Audits: 3 NFAs contracted/completed: 0
 Date of Last Audit: N/A Next Audit: 08/31/93

% LOP Elapsed: 32%
 % of Total Auth. Oblig.: 93%
 % of Total Oblig. Exp.: 25%
 % of Total Auth. Exp.: 24%

II. PROJECT PURPOSE

To enhance the participation of the Honduran populace in the local democratic process and improve the operational capacity of municipalities to respond to the land, infrastructure and public service needs of their constituents.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O. The project is responsible for the S.O. indicator, Improved Public Perception of Local Governance and the output, Fourteen Municipalities Responsive to Constituent needs.

B. PERCENT OF LOP FUNDS RELATING TO S.O.: 100%.

III. PROJECT DESCRIPTION

The project consists of a multifaceted initiative to increase citizen participation in decisions related to the allocation of land, public service facilities by municipal governments, and to improve the effectiveness of municipal government in responding to citizens' needs for land, public services and infrastructure. The project is being implemented by key municipalities, selected Central Government Agencies, and the Ministry of Finance and Public Credit.

IV. PROJECT STATUS

A. Planned EOPs

Progress to Date

- | | |
|--|--|
| <p>1. Active involvement of patrons and community groups in local government dialogue.</p> <p>2. Municipalities are analyzing, anticipating needs, and planning solutions with citizen input.</p> <p>3. The public looks to the municipality to meet its basic urban service needs.</p> <p>4. Greater municipal responsibility and authority for deliver of public services.</p> | <p>1. More than 30 "Cabildos Abiertos" took place in all 14 municipalities. Municipal authorities are using these "cabildos" to inform the community of specific problems.</p> <p>2. ICMA is providing TA to 12 of the 14 municipalities in the 93 budget preparation, to be discussed by municipalities/communities.</p> <p>3. TA provided to municipalities intends to raise community awareness of the needs of its participation in municipal development.</p> <p>4. The Reglamento is ready to be published and will allowed greater flexibility to municipalities for service provision.</p> |
|--|--|

B. Major Outputs

	Planned		Accomplished		% of LOP							
	LOP	Period	Cum.	Next Period		Cum.						
NATIONAL LEVEL												
1. Formula based Revenue Sharing adopted	1	1	1	0	1	100%						
2. Urban Services Devolved to Local Governments	1	0	0	0	0	0%						
3. Ejidal lands Transferred to Municipalities	1	1	1	0	1	100%						
4. Municipal Particip. in Management of National Resources	1	0	0	1	0	0%						
MUNICIPAL LEVEL												
1. Annual Programming and Budgeting	14	3	7	3	3	7	50%					
2. Public Service Delivery, Systems and Procedures	14	0	0	3	4	4	29%					
3. Technical Urban Planning, Land Use and Development Policies	14	0	0	3	2	3	21%					
4. Maximizing effective participation of citizens	14	0	0	0	4	4	29%					
5. Municipal leagues and associations functioning	2	1	1	0	1	1	50%					
6. Training (persons)	M	F	M	F	M	F	M	F				
Long-Term	0	0	0	0	0	0	0	0	0%	0%		
Short-Term	1,632	408	0	0	72	10	419	70	570	135	35%	33%

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A ___ B X C ___**C. Other Accomplishments and Overall Status**

The Municipal Development Project (MDP) was signed with the GOH in June, 1990 and has been designed to strengthen democracy in Honduras by enhancing the participation of the community in the decision-making process of the local government and by improving the operational capacity of the municipalities to respond to the land, infrastructure and public service needs of their constituents. The project seeks to change the manner in which municipalities approach and react to the concerns of their communities. The project implementation strategy seeks to address a number of different constraints for decentralization and municipal autonomy both at the national and at the local level. At the national level, change will be addressed with the central government and selected ministries or autonomous agencies which play a role in the municipal operations. At the local level the project will work with selected economically significant municipalities to improve the planning and operational capacities to better respond to their citizenry. On a less intensive basis, the project will work with other municipalities in specific technical assistance and training subjects.

Most of the major activities programmed to take place during the reporting period have been completed:

1. Different alternatives were discussed at the Mission's senior level to change the Project TA and training components to a cost effective strategy which was duly approved and is in the implementation process.
2. Assessments for Choluteca, Comayagua and Siguatepeque were completed. Letter of Agreement was signed with Choluteca. Comayagua and Siguatepeque will follow early in the next period.
3. The Agreement between National Cadaster and the Ministry of the Interior ("Gobernación") for the use of \$3.0 million of counterpart funds was signed. National Cadaster has signed contracts with the private sector to perform cadastral work in four municipalities (El Progreso, Siguatepeque, Juticalpa and Catacamas). The work will be completed before 12/31/92.
4. "Gobernación" was designated to chair the "Sub Comisión de Modernización del Estado para Descentralización" created by the Presidential Commission. However substantial TA will have to be provided before "Gobernación" becomes a real leader in decentralization.
5. The project has completely restructured AMHON and is providing substantial staff support to guarantee that the changes initiated are fully implemented. This will serve as the basis for establishing a more permanent relationship with the Institution through the signing of a Cooperative Agreement expected to take place by the middle of next period.

Other accomplishments during the reporting period may be summarized as follows:

1. At the national level:

- a) As a result of changes in implementation strategy, project management has completed the following actions:
 - completed documentation and advertisement for the contracting of eight non-PSCs for Municipal Development Advisors (MDAs) and one non-PSC Community Development Advisor (CDA). Selection will be completed early next period.
 - issue of purchase orders to the University of San Pedro Sula and the Technological University in Tegucigalpa to provide four modules each of non-formal academic training for participating municipalities staff. These POs will train approximately 70 people in a four month period.
- b) Dialogue with the Ministry of the Interior ("Gobernación") has continued. An analysis of the "Dirección de Asesoría y Asistencia Técnica Municipal" (DGAATH) has been completed. The results of this TA will provide the Ministry and USAID with a vision of the future responsibilities of the DGAATH as the central government (policy maker) with respect to the municipalities.

c) The project continues to work with the "Comisión Presidencial para la Modernización del Estado" and the recently created Decentralization Sub-Committee in the process of identifying a decentralization leader and the strategies to initiate an effective decentralization mechanism. The MDP Project Manager participated as facilitator in a Decentralization Seminar.

d) Initiated coordination meetings with IDB and UNDP on collaborating efforts in the municipal sector.

e) Initiated Pre-award survey for AMHON including FARS audit and RHUDO/CA evaluation to define USAID cooperation with the Institution.

f) Negotiated with "Secretaría de Obras Públicas y Transporte - SECOPT" the inclusion of 6 MDP municipalities in the "Peon Caminero" Project and the municipalization of the project by decentralizing the rural roads maintenance program.

g) A key step in the MDP regionalization effort was the creation of the Valle de Sula Metropolitan Zone (VSMZ), that was enacted in September 18 with the participation of nine Sula Valley municipalities (El Progreso, La Lima, San Pedro Sula, Choloma, San Manuel, Potrerillos, Puerto Cortes and Yimienta).

h) In the training area, several events have taken place during the reporting period.

- "Primer Encuentro de Alcaldes", in which 276 out of 291 Honduran mayors participated.

- Seminar on the Municipal Law for Mayors and Executives of National Institutions to discuss local responsibilities.

- Three clinics at the regional level, focused on community participation mandated by the Municipal Law.

- Budget preparation seminar for 12 of the 14 participating municipalities.

2. At the local level:

a) Completed first phase of TA to 4 municipalities and signed Letters of Agreement to continue providing TA in specific areas of interest not covered in the initial intervention.

b) Specialized financial assistance was provided to San Pedro Sula, in an effort to prepare a future financial plan to improve municipal finances in the city. Also, a complete assessment of the municipal operations was initiated, to be used as the basis for a Letter of Understanding.

c) In addition to the training for mayors and municipal staff on the Municipal Law, two HOPS trainees departed to the U.S. for a four month training course and six participants began predeparture training in municipal management. Also the process for selecting 40 HOPS participants was initiated.

d) The project status was reviewed with the 14 municipalities and the implementation strategy was explained. Also, meetings to evaluate and adjust ICMA TA provided to the first four municipalities took place.

e) Assessment of career training needs at mid management level in group one municipalities.

f) The project is at pace with targets for gender identified trainees with a total of 135 women (or 33%). The project anticipates inclusion of a large percentage of women as training is implemented in the community participation area.

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D. Problems and Delays

The redesign of the Training and TA strategy will further delay some of the training activities. Nevertheless, a great deal of training events have taken place during the period.

The ProAg amendment dealing with counterpart funding was postponed until October 1992.

E. Major Activities and Corrective Actions During the Next Six Months

1. Complete hiring of 8 MDAs and the CDA.
2. Complete and evaluate the pilot training activities with the USPS and UNITEC.
3. Signing of Cooperative Agreement with AMHON.
4. Completion of training strategy.
5. Completion of selection process and sending HOPS and CAPS candidates to the US.
6. Working arrangement with "Gobernación" for the use of counterpart funds.
7. Completion of assessments in seven municipalities of the project (La Ceiba, San Pedro Sula, Tegucigalpa, Tocoa, Catacamas, Juticalpa and Puerto Cortés).
8. Define and examine the alternative management structures of the proposed Technical Assistance and Training Local Institution (Foundation, FVO, etc.). Begin steps necessary for implementation.
9. Completion of cadastral work in four municipalities and initiation of contracting procedures for continuing with the program.
10. Negotiation of ProAg amendment with Hacienda to review and define the use of counterpart resources, after Mission review of overall GOH counterpart requirements.
11. Signing of Letters of Agreement with Comayagua and Siguatepeque.

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C. Other Accomplishments and Overall Status

The project completed 14 technical assistance contracts during this period. This is only 50 percent of the 25 projected for the period. However, in terms of cumulative totals, IESC has completed a total of 133 technical assistance contracts, only seven contracts short of the goal of 140 contracts under this grant. IESC expects to complete at least four more contracts before the end of this calendar year.

This project was designed to upgrade managerial and marketing skills, and improve production technologies of Honduran companies. To date, as a result of technical assistance provided under the project, 83 companies have increased profits; 106 companies report that they are using new production technologies; 90 companies have adopted administrative or other management reforms, and 59 companies have increased annual sales by a minimum of 20 percent.

D. Problems and Delays

There are no implementation problems at this time. The project has achieved the goal but, because of USAID/Honduras reduction in staffing and funding levels, the Mission has informed IESC that it will not continue funding the project beyond the 12/30/92 PACD. Estimates submitted by IESC indicate that there are sufficient funds to continue the project until the PACD. The end of project evaluation previously projected for August of this year has been delayed but the scope of work for this evaluation has been drafted.

E. Major Activities or Corrective Actions During the Next Three Months

1. Carry out a minimum of four additional technical assistance contracts.
2. Contract an evaluation team to conduct the end of project evaluation.
3. Dispose of the assets of IESC and determine whether severance obligations are due to the employees.

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C. Other Accomplishments and Overall Status

The Cortés Chamber of Commerce and Industry (CCIC) is one of the country's leading private sector organizations and is the most influential organization of its type in the North Coast region of Honduras. The CCIC continues to contribute substantially to the economic development of Honduras. As a result of a longstanding tradition of involvement in the Honduran socioeconomic and political environment, the Chamber has evolved into a powerful presence in national affairs, especially in San Pedro Sula where the CCIC is based, as well as in the surrounding Sula valley region, the most important economic development pole in Honduras.

On September 10, 1992, a no-cost extension of the Project was granted extending the Life of Project through March 31, 1993.

The CCIC continues participating with the Honduran Council for Private Enterprise (COHEP) to expedite the approval of different laws by the Congress, some of which subsequently have been approved. The CCIC also participated in different meetings held with key private and public sector organizations to review and discuss for subsequent approval important legislation affecting the Honduras investment climate and the economic and social well being of Hondurans. The most important of these were: 1) implementing regulations for the new Investment Law approved on September 19, 1992; 2) law and regulations for the new GOH Institution, Housing Social Fund, "FOSovi"; 3) implementing regulations for the new Municipal Law; and 4) various bilateral and multilateral agreements affecting trade and investment.

During this period CCIC's membership was reduced by 37 members due to the closing of companies in San Pedro Sula. The CCIC's goal during the next 6 months is to increase its increase membership by 20 members, for a total of 1,450 members.

The CCIC continues to promote and support the EPZs and to assist trade missions to and from Honduras. During the life of this project 2780 jobs have been generated, of which, approximately 85% are held by women.

The CCIC will be the intermediary organization for implementing the findings and recommendations of the EPZ baseline study carried out by Price Waterhouse. Price Waterhouse delivered the final report on October 15, 1992. The study will be used to prepare profiles in which specific recommendations, strategies and programs will be formulated to meet the identified needs. The project profiles will be used to promote private, public or joint private/public investment. As part of its activities to promote exports and new investments, the CCIC hosted investment missions from the U.S., Taiwan, Korea, and the Peoples Republic of China.

The CCIC continues working on issues related to free enterprise commerce, the privatization process and export promotion and investment through different private and public sector institutions to improve and maintain a favorable climate for investment.

Mr. Miguel Soto, CCIC's Manager for International Relations and liaison official with the Mission, resigned on July 6, 1992; Mr. Edgardo Reynaud, formerly Manager for economic related matters, has been appointed this position.

Although the PACD was extended to March 31, 1993, it is certain that the remaining grant funding will not be fully expended prior to this date. An additional one year extension is being considered, which will permit the CCIC to implement the EPZ baseline study.

D. Problems and Delays

None

E. Major Activities or Corrective Actions During the Next Six Months

1. The CCIC, in conjunction with the Mission, will continue working to implement the privatization program. A detailed communications strategy is being prepared by the CCIC to accelerate the GOH's privatization program.
2. The CCIC will work on a new proposal for a possible follow-on Grant.
3. The CCIC will increase its membership by 20 new members.
4. The CCIC will begin developing profiles to implement the recommendations of the EPZ baseline study.

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I. BACKGROUND DATA

Project Title: Honduran Peace Scholarship Project II (HOPS II)
 Project Number: 522-0364
 Date of Authorization: original 06/21/90
 Date of Obligation: original 06/21/90 Amendment 09/20/91
 PACD: original 06/30/98
 Implementing Agencies: N/A
 Major Contractors: Academy for Educational Development (AED)
 Honduran Advisory Council for Human Resources
 Development (CADERH)
 Project Manager: Ned van Steenwyk
 Status of CPs/Covenants: N/A

Date of Last Evaluation: Ongoing Process Next Evaluation: 03/31/93
 Planned No. of Non Federal Audits: 0 Non Federal Audits contracted/completed: 0
 Date of Last Audit: 00/00/00 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: ESF Grant: original \$15,000,000
 Amount Obligated: ESF Grant: original \$ 1,216,800 amended to \$ 6,116,800
 Amount Committed: Period: \$ 80,901
 Cumulative: \$ 2,419,646
 Accrued Expenditures: Period - Projected: \$ 528,000
 Period - Actual: \$ 591,333
 Cumulative: \$ 922,553
 Period - Next: \$ 706,500
 Counterpart Contribution: Planned: N/A
 Actual: N/A
 % LOP Elapsed: 28%
 % of Total Auth. Oblig.: 41%
 % of Total Oblig. Exp.: 15%
 % of Total Auth. Exp.: 6%

II. PROJECT PURPOSE

To equip a broad base of leaders and potential leaders in Honduras with technical skills, training and academic education, and an appreciation and understanding of the working of a free enterprise economy in a democratic society.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The project relates directly to S.O. No. 5: More responsive Selected Democratic Institutions and Processes with Greater Citizen Participation through the cumulative number of people having completed the "Experience America" program while receiving training in the U.S.

B. PERCENT OF LOP FUNDS RELATING TO S.O.: 100%

III. PROJECT DESCRIPTION

The project will provide 500 short and long-term scholarships for studies in the U.S. These scholarships will contribute to: (1) a more stable social, political, and economic environment which is conducive to economic development; (2) complement other national efforts for developing a human resource base with capable leaders for managing and implementing national policies and programs; and (3) strengthen ties of friendship and understanding between the U.S. and Honduras.

IV. PROJECT STATUS

A. Planned EOPs

- Returned Peace Scholars are employed in their areas of expertise and applying the skills learned in the U.S.
- Returned Peace Scholars are active and influential in community or professional affairs.
- Peace Scholars have benefitted from the program in terms of either finding a job or having increased responsibility or salary.
- Peace Scholars have maintained linkages with the U.S. after return home.

Progress to Date

Monitoring mechanisms and activities were designed and specified in the project paper for each stage of project implementation (recruitment, selection, pre-departure preparation, U.S. training, and follow-on) for facilitating the realization of these EOPs.
 36 short-term and 70 long-term scholarship recipients have been selected to date: 63 Peace Scholars are currently in the U.S.; 33 are receiving pre-departure training; 9 primary school teachers returned; and 1 trainee was cancelled.

B. Major Outputs

	Planned				Accomplished				% of					
	LOP	Period	Cum.	Next Period	Period	Cum.	Period	Cum.	LOP	LOP				
Persons beginning Pre-Departure Training	M	E	M	E	M	E	M	E	M	E	M	E		
1. Long-term	60	40	18	22	44	33	0	0	20	13	46	24	77%	60%
(a) Technical	12	8	0	4	12	6	0	0	5	1	17	3	142%	38%
(b) Academic	48	32	18	18	32	27	0	0	15	12	29	21	60%	66%
2. Short-term	240	160	45	45	72	53	28	32	0	0	27	8	IX	%

Persons in U.S. Training

	M	E	M	E	M	E	M	E	M	E	M	E		
1. Long-term	60	40	26	11	27	11	33	13	26	11	27	11	45%	28%
(a) Technical	12	8	12	2	13	2	17	3	12	2	13	2	108%	25%
(b) Academic	48	32	14	9	14	9	16	10	14	9	14	9	29%	28%
2. Short-term	240	160	23	3	27	8	24	9	12	2	16	7	7%	4%

Returned Peace Scholars

	M	E	M	E	M	E	M	E	M	E	M	E		
1. Long-term	60	40	0	0	0	0	0	0	0	0	0	0	0%	0%
(a) Technical	12	8	0	0	0	0	0	0	0	0	0	0	0%	0%
(b) Academic	48	32	0	0	0	0	0	0	0	0	0	0	0%	0%
2. Short-term	240	160	4	5	4	5	24	9	4	5	4	5	2%	3%

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

C. Other Accomplishments and Overall Status

The HOPS II project is the second phase of the Caribbean and Latin American Scholarship Program (CLASP II), and has integrated HOPS I and HOPS II follow-on activities with Peace Scholars from both projects as well as former CASS/CASP and ROCAP Peace Scholarship recipients.

An internal evaluation of the project was conducted as planned. The USAID/Honduras evaluation team concluded that the project is on target for most activities with the exception of the award of short-term scholarships (see problems and delays below). An external evaluation team will be contracted in the next reporting period to assist the Mission in reviewing current project implementation strategies and project outputs in light of severe projected obligation reductions. The external evaluation will also focus on pre-departure training objectives and strategies. Experience America and leadership training in the U.S., and the impact of follow-on activities, to assist the Mission in defining priorities for HOPS II with projected reduced funding levels.

During this reporting period 37 long-term and 14 short-term scholars departed for studies in the U.S. In addition, the second group of 33 long-term academic scholarship recipients was selected. Predeparture training began for this group of scholars who will depart for studies in the U.S. during 1993. Distance learning strategies for pre-departure training were successfully executed as planned with short-term scholarship recipients. This alternative provides a less costly delivery mechanism for pre-departure training for short-term technical scholarship recipients and will be used whenever possible to compensate for the reduced levels of funding discussed below.

The HOPS II computerized Training Tracking System (TTS) was completed and installed in project computers as planned. The TTS permits the loading of data from the CLASP Information System (CIS) into the TTS. The Mission is currently evaluating the feasibility of integrating OIT's PIO/P generator and Participant Training Monitoring System (PTMS) into the TTS to further simplify processing, tracking, evaluation, and reporting on CLASP Peace Scholars.

Scholarship priorities for future short-term academic scholarships were reviewed by USAID technical offices based on the Mission's Program Performance Assessment System (PPAS) Strategic Objectives, the 1993-94 Action Plan, and projected reduced funding levels for the project.

CAPS and HOPS I follow-on activities are fully integrated into HOPS II. During this reporting period, 994 people benefitted from HOPS II follow-on activities, bringing the cumulative total of follow-on beneficiaries to 5,718. HOPS II continues to provide support for the National Association of Former Scholarship Recipients for the Development of Honduras (ANEDH), and former CASP/CASS and ROCAP Peace Scholars. ANEDH selected and hired a full-time Executive Director to execute the association's 1992-93 operational plan during this reporting period. Project follow-on activities during this reporting period included:

- 1 re-entry seminar for returning scholars;
- 7 workshops for long-term CAPS scholars on various subjects;
- ANEDH's annual national congress;
- 1 national meeting and 6 regional workshops for CAPS environmental educators
- 2 seminars for CAPS apple and vegetable production scholars;
- 1 seminar on the design and implementation of 4 community development projects executed by former CAPS scholars in the Mosquitia;
- Field trips to 13 rural primary schools by HOPS II primary teachers to assist other teachers and define additional activities for 1993; and
- 1 initial seminar for ROCAP's former CAPS scholars from Honduras.

Problems and Delays

Funding levels for HOPS II are substantially below the amounts originally projected for the project. Final funding levels are uncertain but the project may receive less than 50% of the originally authorized amount of \$15,000,000.

As a result of reduced funding levels, HOPS II will not be able to award the planned 400 short-term scholarships (see B.2 above). The award of short-term scholarships planned for this reporting period was suspended. Nevertheless, with funding becoming available from reserves under HOPS I (see HOPS I SAR), HOPS I will be able to award additional short-term technical scholarships which will compensate for reduced numbers of short-term scholarships under HOPS II. In this manner, the total number of scholarships for short and long-term studies under HOPS I and II should be approximately 550 long-term and 1,750 short-term scholarships, which is very close

to the combined total anticipated for the Mission's HOPS I/II Peace Scholarship programs. Also, the HOPS II demand driven short-term technical scholarship program will now be implemented under HOPS I.

Female participation is now at 34% for long-term scholarships and 23% for short-term scholarship recipients. The project is experiencing difficulties in recruiting and selecting females because of traditional gender biases in some of the Mission's highest priority scholarship areas. The project will continue to review and revise scholarship priorities, recruitment and selection strategies to encourage a minimum of 40% female scholarship recipients for the LOP. Future scholarship priorities will also target sectors which can assure higher levels of female participation.

E. Major Activities or Corrective Actions During the Next Six Months

1. Assure that a minimum of 40% of the new short-term scholarship recipients are females.
2. Contract and conduct an external evaluation of HOPS II.
3. Reach a decision regarding the feasibility of integrating the PIO/P generator and PTMS into the HOPS II computerized Training Tracking System (TTS).
4. Implement approximately ten follow-on seminars and training programs for a minimum of 1,000 beneficiaries.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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C. Other Accomplishments and Overall Status

The Mission and the GOH did not sign the 1992 SAP until nearly the end of the reporting period. Nonetheless, progress toward first disbursement has proceeded apace. All CPs have been substantively met, although one, repeal of previous legislation in conflict with the new Investment Law, occurred shortly after the end of the April-September reporting period. Having met this last condition, we expect the GOH request for disbursement shortly.

Other key measures paving the way for first disbursement include:

1. Agriculture. Progress in implementation of the Agricultural Modernization Law. All implementation regulations have been drafted. The four regulations dealing with land tenure have been approved by the GOH and currently await publication in La Gaceta. Other sets dealing with reorganization of the sector, agriculture marketing, and the Seed Capital Fund awaiting the Minister's signature. Others have not progressed as far.

2. Trade and Investment. The GOH approved all implementing regulations for the the new Investment Law. It also compressed trade tariff rates to the 5-20% range and did not introduce any customs exonerations.

3. Financial Sector. The Central Bank (BCH) agreed to lower the reserve requirement to 30% in 1992, set a floor on rediscount rates to keep them at least as high as the marginal cost of savings mobilization by the banking system, made satisfactory progress toward unifying the administrative operations of BCH rediscount lines; and gained Congressional approval of legislation allowing foreign-exchange trading by foreign-exchange houses.

D. Problems and Delays

None

E. Major Activities or Corrective Actions During the Next Six Months

1. Execution of first disbursement.
2. Movement toward second disbursement.
3. Preparation and approval of FY 1993 SAP Concept Paper (depends on funds availability).

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

Project Title: Private Sector Population II
 Project Number: 522-0369
 Date of Authorization: original 05/25/89
 Date of Obligation: original 07/21/89 Amendment 02/22/92
 PACD: original 01/21/95
 Implementing Agencies: Asociacion Hondureña de Planificacion de Familia (ASHONPLAFA)/ Foster Parents Plan (Plan en Honduras)
 Major Contractors: The Population Council
 Project Manager: Francisco Zamora
 Status of CPs/Covenants: Met

Date of Last Evaluation: 04/10/92 Next Evaluation: 06/01/94
 No. of NFAs planned: 0 NFAs contracted/completed: 0
 Date of Last Audit: 00/00/00 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: DA/ESF Grant: original \$16,000,000
 Amount Obligated: DA/ESF Grant: original \$ 957,000 amended to \$10,454,000
 OYB transfer (contraceptives): \$ 450,000
 TOTAL OBLIGATED \$10,904,000
 Amount Committed: Period: \$ 201,265 \$ (AID/W)
 Cumulative: \$ 7,608,013 \$ 7,608,013 (TOTAL)
 Accrued Expenditures: Period - Projected: \$ 1,219,000
 Period - Actual: \$ 896,147 \$ (AID/W)
 Cumulative: \$ 5,792,032 \$ 5,792,032 (TOTAL)
 Period - Next: \$ 1,100,000
 Counterpart Contribution: Planned: \$ 8,911,457
 Actual: \$ 5,766,507
 % LOP Elapsed: 59%
 % of Total Auth. Oblig.: 68%
 % of Total Oblig. Exp.: 53%
 % of Total Auth. Exp.: 36%

II. PROJECT PURPOSE

To contribute half of the increase in contraceptive prevalence (percentage of couples in union of reproductive age using family planning methods) from 41% in 1987 to 50% in 1994.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVE:

A. SPECIFIC LINKAGE TO S.O.: The project relates directly to Strategic Objective No. 4 Healthier, Better Educated Hondurans by reducing reproductive related risk for women and children.

B. PERCENT OF FUNDS RELATING TO THE MISSION STRATEGIC OBJECTIVE: 100%

III. PROJECT DESCRIPTION

The two principal components of this project are: 1) strengthening ASHONPLAFA's ability to provide medical/clinical, community distribution, and social marketing services to more Hondurans, with an emphasis on rural areas; and, 2) assisting local private voluntary organizations to integrate family planning into their country programs, thereby increasing total coverage.

IV. PROJECT STATUS

A. Planned Results

- Expansion of Community Distribution of contraceptives to 1,760 posts.
- Reorganize and expand Contraceptive Social Marketing Program.
- Clinical services available at five regional centers.
- Expand the Information, Education, and Communication Program.

Progress to Date

- Accomplished. Distribution posts have increased from 1,450 to 1,793.
- Accomplished. Products are now in nearly 100% of pharmacies.
- Accomplished. All five are fully operational.
- Communication strategy has been developed and is being implemented.

B. Major Outputs

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
ASHONPLAFA							
1. a) Voluntary Surgical Contraception (new users)							
Total	58,600	6,295	32,543	6,910	5,535	31,783	54%
Women	58,100	6,205	32,183	6,820	5,473	31,451	54%
Men	500	90	360	90	62	332	66%
b) Temp. Methods (CYP)	12,714	12,000	13,336	13,000	13,336	13,336	100%
CYP=Couple Years Protection							
2. Contraceptive Social Marketing (CSM) Sales (000s)							
Pills	792	70	455	72	54	439	55%
Pills (LD)	828	55	289	57	47	281	34%
3. Community Services (000s)							
Pills	3,437	300	1,836	328	327	1,863	54%
Condoms	2,038	212	1,430	196	187	1,405	69%
Foam Tab.	319	9	57	12	12	60	18%
FOSTER PARENTS PLAN							
1. Referrals							
	2,400	680	990	100	65	375	16%
2. Training							
	M.F	M.F	M.F	M.F	M.F	M.F	M.F
Short Term	384/1536	252	421/1683	43/214	10/6	336/1536	88%

PROJECT STATUS REPORT

April 1, 1991 - September 30, 1992

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C. Other Accomplishments and Overall Status

The Population II project is designed to build upon gains made during the Private Sector Population I Project. The sector goal to which this project will contribute is to reduce the Total Fertility Rate (defined as the number of children a woman would have if, as she passed through her reproductive years, she had the fertility rate each age group is now experiencing) from 5.6 to 4.7. In order to increase the availability and accessibility of voluntary family planning services in Honduras, the project primarily provides support to three service delivery programs of the Honduran Family Planning Association (ASHONPLAFA): 1) Community Services; 2) Social Marketing; and 3) Medical/Clinical Services. The project also supports other private organizations interested in providing family planning services.

The midterm evaluation report was completed and delivered during this semester. ASHONPLAFA and the Mission are studying the recommendations made by the evaluation team and will decide on an agreed workplan in order to make the necessary adjustments to the project. On their own, ASHONPLAFA has already started to implement some of the recommendations. However, other recommendations are of a more complicated nature and will need to be discussed before they are addressed.

The Epidemiology and Family Health Survey for 1991 was completed for Honduras during this period. Data collection went well and analysis of the results was started with several preliminary reports already presented to the Government and other organizations. The results of the family planning section indicate an increase in contraceptive prevalence from 41 percent in 1987 to 47 percent in 1991, although the biggest increase was in non-modern methods. In any case, the results point to an increase in interest and demand for family planning.

In the Social Marketing Program (commercial retail sales of contraceptives), the performance remained fairly static possibly due to temporary shortages of staff and the initiation of a number of activities that will bring better results during the next period. For example, much time was concentrated in doing a pharmacy survey whose results show that ASHONPLAFA's products were available in 97% of the pharmacies and that its products dominate the contraceptive market in Honduras. A baseline study was also carried out to determine the effect of product advertising. The results of the latter study are being analyzed to make modifications in publicity campaigns. The program made its presence known via radio and television stations through educational and promotional spots such as animated cartoons to sell oral contraceptives. Finally, 50,000 pamphlets were published and are being distributed free at pharmacies to educate customers about family planning. The staff shortage has been corrected and all of the promotional efforts should start paying off during the next period.

The Medical/Clinical Program maintains the number of surgical sterilizations approximately on schedule and extra training in vasectomy for ASHONPLAFA physicians is being carried out to increase this service. ASHONPLAFA has also begun a vasectomy training program for Ministry of Health and Social Security Institute physicians due to the demand for training by health personnel. A third Women's Health Services clinic opened in Choluteca in the southern section of Honduras and a fourth in La Ceiba in the northern coast. These Women's Clinics provide gynecological, prenatal, and postnatal services and are exposing many more women to family planning services they would not normally have been offered.

The Community Services Program, distributes contraceptives through neighborhood volunteers, who receive small fees for their sales. During this period, the program met 100% of its sales goals and it exceeded the Life Of Project goal for contraceptive distribution posts. Many of these posts were opened with the cooperation of PVOs such as World Relief, Save the Children, and Foster Parents Plan International. Training and educational activities were accelerated also. A booth was set up at a regional fair in which educational materials and contraceptives were handed out. Groups of social workers, nurses, and other health personnel were recipients of family planning instruction and books through the community services program. Finally, many more contacts were established with large factories to promote family planning services.

Foster Parents Plan International (PLAN) is the second major grantee under this project. A five-year operational program grant for \$355,700 was awarded to PLAN to permit it to integrate family planning activities into its regular program. Activities include training, education and referral.

PLAN has now trained about 50% of the nurses and physicians in IUD insertion. Many

IUD has to be done. There is a shortage or lack of posters, pamphlets, and other educational literature to get more people interested in family planning. PLAN will work with ASHONPLAFA and the Ministry of Health to procure and distribute more of this material in the project areas.

The Population Council, a U.S. organization, recommends and manages small grants to local PVOs for family planning activities. With the approval of the CARE proposal this semester, all subgrants have now been made. The country office is operating well with a new advisor who began work in April 1992.

The majority of the services provided by this project benefit women directly through improved health and economic welfare.

D. Problems and Delays

1. The Social Marketing Program's attempt to market a new contraceptive pill and a new condom has been very slow due to difficult negotiations with the pharmaceutical company.
2. AID/W Contracts Office refused to execute PIO/Ts for buyins to RAPIDS IV, FPMD, and INOPAL II because they were to be financed with funds already obligated to the ASHONPLAFA Cooperative Agreement. Funds would have to be deobligated from the grant to be used. After discussions with AID/W Procurement and General Counsel staff, it was decided that the Mission would use funds provided in FY 93 for these activities. As a result, there will be several months delay in certain operations.

E. Major Activities or Corrective Actions During Next Six Months

ASHONPLAFA

1. Open 50 more contraceptive distribution posts.
2. Finish final reports for the 1991 Epidemiology and Family Health Survey and disseminate the results.
3. Market a new contraceptive pill.
4. Develop an updated RAPID (Resources for the Awareness of Population Impact on Development) presentation for the government.
5. Procure technical assistance from FPMD (Family Planning Management Development) project to improve ASHONPLAFA administration.
6. Develop workplan with ASHONPLAFA to address the recommendations of the Mid Term evaluation.

FOSTER PARENTS PLAN

1. Promote higher IUD use through an educational campaign for the target population and health personnel.

PVO/OTHER GROUPS

1. Increase funding for The Population Council (INOPAL II) for an additional two years of operations.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

A X B ___ C ___

I. BACKGROUND DATA

Project Title: Economic Stabilization and Recovery IV
 Project Number: 522-0375
 Date of Authorization: original 05/28/91
 Date of Obligation: original 06/05/91
 PACD: original 12/31/92
 Implementing Agencies: Ministry of Finance and Public Credit and Central Bank of Honduras
 Major Contractors: None
 Project Managers: Lorraine Simard, Richard Whelden (Local Currency)
 Status of CPs/Covenants: Met

Date of Last Evaluation: 00/00/00 Next Evaluation: 00/00/00
 Planned No. of NFAS: N/A NFAS Contracted/Completed: N/A
 Date of Last Audit: 00/00/00 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized:	ESF Grant: original	\$58,000,000
Amount Obligated:	ESF Grant: original	\$58,000,000
Amount Committed:	Period:	0
Accrued Expenditures:	Cumulative:	\$58,000,000
	Period - Projected:	\$17,000,000
	Period - Actual:	\$17,000,000
	Cumulative:	\$58,000,000
	Period - Next:	\$ 0
Counterpart Contribution:	Planned:	N/A
	Actual:	N/A
% LOP Elapsed:		83%
% of Total Auth. Oblig.:		100%
% of Total Oblig. Exp.:		100%
% of Total Auth. Exp.:		100%

II. PROJECT PURPOSE

To (a) provide balance of payments support to Honduras, permitting urgently needed private sector imports, (b) support the GOH Stabilization and Economic Recovery Program, and (c) encourage support by the World Bank and IMF of the GOH Economic Cabinet.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O. The ESR IV Program directly supports S.O. Nos. 1 (increased agricultural investment, production, and exports) and 2 (increased private investment, production, and trade) by conditioning funds disbursement on specific policy improvements that are essential to achievement of the S.O.s.

B. PERCENT OF LOP FUNDS RELATING TO S.O.s 100%

III. PROJECT DESCRIPTION

The ESF IV Program includes two components: Stabilization to (a) restrain credit to a level compatible with the nation's production and import capabilities, and (b) progress toward a unified, market-determined exchange rate regime; and, a structural adjustment component in the areas of agriculture, trade, investment and privatization.

IV. PROJECT STATUS

A. Planned EOPs

Progress to Date

- | | |
|---|--|
| 1. Ample IFI support of the GO Economic Program | 1. IMF, World Bank and IDB extended their support of GOH Economic Program in 1991. |
| 2. Progress toward a unified, market-determined exchange rate | 2. GOH exceeded IMF targets by unifying exchange rates on June 19, 1992. |
| 3. Progress in implementing agriculture sector reforms | 3. Congress passed Agricultural Modernization Law in March 1992, which addresses key agriculture sector constraints. |
| 4. Progress in improving the investment climate | 4. Congress passed the new Investment Law in May 1992 |
| 5. Acceleration of the privatization program. | 5. The GOH met its 1991 privatization target of 5 and so far in 1992 has undertaken 11 privatizations. |
| 6. Progress in improving the trade regime. | 6. The GOH has implemented major trade reforms in both 1991 and 1992. |

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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C. Other Accomplishments and Overall Status

During the reporting period the Mission disbursed the final \$17 million of the Program. Key reforms during the period included: passage of the new Investment Law, the GOH's unification of the exchange rate, compression of trade tariffs to the 4-35% range, and acceleration of the privatization program. Progress was also noted in the preparation of implementation regulations for the Agricultural Modernization Law.

The FY 1992 Economic Program was negotiated with the GOH and the PAAD for the FY 1992 ESF Cash Transfer Program was approved at the end of the reporting period.

D. Problems and Delays

None

E. Major Activities or Corrective Actions During the Next Six Months

(See the Project Status Report for the FY 1992 ESF Program, the Structural Adjustment Program (SAP) (522-0365).)

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

Project Title: Central American Survivors' Assistance (CASA)
 Project Number: 522-0380
 Date of Authorization: original 05/03/88
 Date of Obligation: original 05/01/90
 PACD: original 08/31/91 amended to 05/31/93
 Implementing Agencies: World Rehabilitation Fund (WRF)
 Major Contractors: None
 Project Manager: Maggie Arbuckle
 Status of Cps/Covenants: None

Date of Last Evaluation: 00/00/00 Next Evaluation: 00/00/00
 Planned Number NFAs: 0 NFAs Contracted/Completed: 0
 Date of Last Audit: 12/31/90 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: DA/ESF Grant: original \$ 1,180,000 amended to \$ 1,536,000
 Amount Obligated: DA/ESF Grant: original \$ 1,180,000 amended to \$ 1,536,000
 Amount Committed: Period: \$ 256,000
 Cumulative: \$ 1,536,000
 Period - Projected: \$ 0
 Period - Actual: \$ 54,000
 Cumulative: \$ 1,334,000
 Period - Next: \$ 150,000
 Counterpart Contribution: Planned: N/A
 Actual: N/A
 % LOP Elapsed: 78%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 87%
 % of Total Auth. Exp.: 87%

II. PROJECT PURPOSE

To provide medical care and other relief for victims of Central American civil strife.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: Project directly supports the Mission's strategic objective of improving the health and education of Hondurans. The CASA project was created by a mandate from Congress to assist the unique needs of war victims. Providing them with medical services will enable them to participate more fully in the economic development of Honduras.

B. PERCENT OF LOP FUNDS RELATING TO S.O.: 100%

III. PROJECT DESCRIPTION

Project provides comprehensive rehabilitation services to eligible victims of Central American civil strife.

IV. PROJECT STATUS

A. Planned EOPs

2000 Treatments

Progress to Date

1193 beneficiaries treated

B. Major Outputs

	<u>Planned</u>		<u>Next</u>		<u>Accomplished</u>		<u>% of LOP</u>
	<u>LOP</u>	<u>Period</u>	<u>Cum.</u>	<u>Period</u>	<u>Period</u>	<u>Cum.</u>	
1. Treatments	2000	-0-	1156	510	175	1193	59.7%
2. Training (Persons)	<u>M.F</u>	<u>M.F</u>	<u>M.F</u>	<u>M.F</u>	<u>M.F</u>	<u>M.F</u>	<u>M.F</u>
Long-term	00	00	00	00	00	00	0%
Short-term	00	00	00	00	00	00	0%

PROJECT STATUS REPORT
April 1, 1992 - September 30, 1992

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C. Other Accomplishments and Overall Status

This project was funded as part of the Children's Survival Assistance Program (CSAP), mandated by Congress to provide medical care and other relief for children who are the victims of the Nicaraguan civil strife. The regional authorization for CSAP is \$17.7 million. The project was managed under Cooperative Agreement No. OTR-0000-A-00-8120-00 between the World Rehabilitation Fund (WRF) and A.I.D.'s former Task Force for Humanitarian Assistance (TFHA). WRF's program in Honduras was initiated in May 1988 and was funded in the amount of \$2,066,000 and had an original PACD of December 31, 1989. Recognizing the unmet needs identified by WRF and the prospect of additional funding availability, TFHA through LAC, provided a no-cost extension of the project to April 30, 1990. The purpose of the extension was to allow: 1) the LAC Bureau and the USAID/Honduras sufficient time to decide how to proceed with future activities under the new Central American Survivors' Assistance (CASA) legislation; 2) sufficient time for management responsibilities to be transferred from TFHA to the USAID/Honduras Mission; and 3) time for the Mission to review and receive WRF's proposal for further extension of the project beyond April 30, 1990.

On April 10, 1990, the LAC Bureau allotted the Mission \$1.8 million of CSAP funds for administration of the program (STATE 113838), and renamed the program Central American Survivors' Assistance (CASA). Effective May 1, 1990, the Mission assumed management of the CASA Program for Honduras. Through Amendment No. 8 to WRF's existing Cooperative Agreement with TFHA, the Mission obligated \$1,180,000 of the total \$1.8 million allotment, bringing total obligated funding under both programs to \$3,246,000.

An additional \$100,000 was obligated for the project in September of 1990 to permit WRF to provide vocational rehabilitation services and to provide further support to WRF's goal of establishing a financially self-sufficient, indigenous rehabilitation organization as a means of ensuring the availability of rehabilitation services for CASA-eligible patients beyond the PACD. The Mission's interest in supporting WRF's self-sufficiency effort stemmed from the positive results of an institutionalization study conducted on the WRF Rehabilitation Center in September, 1989 which concluded that the goal of a sustainable organization would be achievable.

A local Board of Directors for the indigenous rehabilitation organization was formed and is capable of managing the organization. The project funded a study of the market in Central America for WRF's prosthetic and orthotic devices, which indicated that a strong demand for the high quality products produced by WRF exists in Costa Rica and Panama. The study was later incorporated into a business plan which estimated that WRF's factory should be self-supporting by the grant termination date. However, the profits generated by the factory are not sufficient to subsidize the rehabilitation component of the facility. This will prevent WRF from offering comprehensive rehabilitation services to CASA eligible beneficiaries in the future.

The cooperative agreement was extended to May 31, 1992 in hopes of bridging CASA assistance to funding anticipated under the Congressional earmark of funds for war victims. The desire to concentrate its portfolio has required the Mission to carefully consider its interest in providing additional funding under the CASA project.

As the volume of CASA beneficiaries dwindled along with CASA funding toward the end of the grant term, it became apparent that without CASA subsidized patients, WRF could not achieve the economies of scale necessary to produce P/O devices affordable to many non-CASA patients. At the close of the first semester of FY92, WRF had depleted all of this CASA funding and was preparing to turn over all equipment and supplies acquired under the CSAP/CASA project to the Honduran Rehabilitation Association (HRA), the indigenous rehabilitation organization developed by WRF.

However, additional funds of \$256,000 were provided to extend the cooperative agreement with WRF. This extension, which was signed in September 1992, covers a 12-month period ending May 31, 1993. Under the agreement, World Rehabilitation Fund/Honduran Rehabilitation Association (WRF/HRA) will provide additional follow-up rehabilitation services to approximately 1,000 beneficiaries who were previously served under the Children's Survival Assistance Program (CSAP) and the Central American Survivors' Assistance Program (CASA). Of these beneficiaries, 350 recipients will receive prosthetic/orthotic (P/O) devices.

As the project completes its transition from an emergency relief program to an outpatient medical rehabilitation program, achieving self-sustainability will be an important task. WRF/HRA have been working to increase efforts to link CASA eligible beneficiaries with public and other programs that assist the disabled, as well as increase the financial support from other private and public sources. Contacts have been made and agreements reached with institutions such as the Honduran Ministry of Public Education, La Universidad Pedagogica de Honduras, Texas Chapter of the American Academy of Prosthetist and Orthotists and the Texas Association of Physical Therapy. In addition, fund raising activities have been designed to include a sponsorship program and the creation of a bank of sponsors.

All recommendations made in the 12/31/90 FARS review have been closed.

Because CASA was mandated by Congress as an emergency relief program, and given the nature of the assistance being provided (i.e. medical services are provided to eligible beneficiaries) gender considerations are not specifically addressed by the project. However, patients are treated regardless of sex, and staff hiring is done on the basis of merit.

D. Problems and Delays

While working between June 1, 1992 and the signing of the latest grant extension, under a no-cost extension grant agreement and uncertain as to the availability of funds, WRF/AHR nevertheless maintained limited operations utilizing income generated from sales of laboratory and factory products. Streamlining its operations and at the same time continuing to assist CASA beneficiaries without AID funding, allowed them to reevaluate the WRF/AHR community-based rehabilitation program and its CASA beneficiaries in the process of seeking other means of funding as discussed earlier.

E. Major Activities or Corrective Actions During the Next Six Months

1. To implement HRA's strategic sustainability plan, HRA will work toward increasing domestic sales of laboratory and industrial production units (IPU) products, increase export sales of IPU products, increase financial support from private and public sources, finalize a sales agreement with Honduran agencies responsible for the disabled, and increase efforts to link CASA eligible beneficiaries with public and other programs that assist the disabled.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

PROJECT TITLE: PL480 Title II - Monetized Activities

ACTIVE MONETIZED FOOD AID AGREEMENTS:

PROGRAM	AGREEMENT/AMENDMENT DATE	AMOUNT IN EQUIVALENT US\$
FY 1991 Title II (Monetized)	June 10, 1991	1,250,656
FY 1992 Title II (Monetized)	Pending	1,491,408

Implementing Agencies: Ministry of Health (MOH)
Ministry of Education (MOE)
National Social Welfare Board (JNBS)
CARE

Major Contractors: CARE

AID Project Manager: Emily Leonard
Marta Larios

Date of Last Evaluation: 00/00/00
Planned No. of NFAs: 1
Date of Last Audit: 00/00/00

Next Evaluation: 00/00/00
NFAs Contracted/Completed: 0
Next Audit: 12/00/92

A. FINANCIAL DATA: (in Lempiras)

Program	Agreement Amount	Generations	Programmed Local Cur.	Total Disbursed	Semester Disbursed
Title II 1991 CARE Managed:					
MCH/SF	3,553,427		2,766,280	2,152,324	270,725
MITA	632,802		929,767	929,767	471,816
Sub-Total	4,186,229		3,696,047	3,082,091	742,541
GOH:					
MOE	200,000		1,185,430	442,715	442,715
MOH	250,000		517,000	192,879	192,879
JNBS	660,000		1,100,000	209,000	209,000
COMMITTEE	0		130,000		0
Sub-Total	1,050,000		2,932,430	844,594	844,594
TOTAL	5,236,229	6,628,477	6,628,477	3,926,685	1,587,135
Title II 1992					
MCH/SF	2,819,745		2,817,945	763,955	763,955
MITA	1,077,104		1,077,104	146,037	146,037
Sub-Total	3,896,849		3,895,049	909,992	909,992
GOH:					
MOE	1,500,000		1,500,000		
MOH	960,000		960,000		
JNBS	1,300,000		1,300,000		
Sub-Total	3,760,000		3,760,000		
OPERATING RESERVE	382,842			398,553	
TOTAL	8,039,691	8,053,602	8,053,602		

FY'91 Amount of food authorized for monetization: 8,670.0 metric tons
Amount received as of 02/19/91: 8,670.0 metric tons
Amount sold as of 02/19/91: 8,670.0 metric tons

FY'92 Amount of food authorized for monetization: 8,500.0 metric tons
Amount received as of 02/27/92: 8,499.0 metric tons
Amount sold as of 02/27/92: 8,499.0 metric tons

II. PROJECT PURPOSE

The purpose of the project is to support the operation, strengthening, and follow-up of the Maternal Child Health (MCH) and School Feeding (SF) programs, through monetization proceeds which will be used to cover budget limitations found in the feeding programs operated by the GOH and CARE (see separate Project Status Report for Non-Monetized Title II Program).

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: This program contributes to the Mission's strategic objective of Healthier, Better Educated Hondurans by supporting programs designed to increase coverage of health services, improve nutritional status of beneficiaries, increase school attendance and improve infrastructure such as water and sewerage.

B. PERCENT OF LOP FUNDS RELATING TO S.O.: 100%

III. PROGRAM DESCRIPTION

N/A

IV. PROGRAM STATUS

A. Local Currency Uses: Proceeds from the sale of the commodities are being used to fund projects and/or activities described as follows:

- Strengthen the logistical capacity of the MOE, the MOH, and the JNBS in implementing the regular MCH and SF Programs.
- Strengthen the institutional capacity of the MOH, the MOE and the JNBS in order to assume responsibilities in the management of the MCH and SF Programs.
- Fund budget deficits that might occur with respect to inland commodity transportation costs, handling, storage of regular food aid program and other administration costs that can not be covered with ESF local currency funds.
- Productive projects oriented to improve the diet and basic health of program beneficiaries.
- Community development projects tending to strengthen the MCH and SF Programs.
- Other complementary projects in marginal sectors and/or among minorities included within the target population of the MCH and SF Programs.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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B. Local Currency Management

CARE is in charge of negotiating cash sales contracts with the private sector for Title II commodities. Proceeds from the sale of donated commodities are deposited in a local banking account which is managed by CARE. Any interest earned on the account is to be kept in the same account and used for the same purposes for which the program is intended.

Local currency is disbursed out of the account to each of the four implementing agencies in accordance with a budget agreed upon by all parties to the Title II Monetization Agreement. Detailed project descriptions are prepared by the JNBS, MOH, and the MOE for the programs. Each of the GOH agencies receives 50% of its budgeted amount subject to adequate flows of sales proceeds to the account. The balance of funds budgeted for an agency are disbursed on a reimbursement basis upon submission of agency reports showing how the initial 50% was used, together with the appropriate support documents. It should be noted that while a terminal date is set for the sale and distribution of commodities, implementation of projects or activities funded by monetization proceeds can be carried on as long as there are funds available.

In each fiscal year, commodities have entered the country and local currencies have been generated and deposited into accounts created for their management.

CARE is using the remaining balance of FY 1991 funds to finance special projects, i.e. the purchase of replacement vehicles, the public recognition project, the repair of the San Pedro Sula warehouse and the purchase of scales to improve growth monitoring activities and to measure commodity rations according to ration tables. In order to initiate expenditure of FY 1991 funds, the GOH entities presented for approval updated FY 1991 monetization proposals. The initial disbursement was approved as follows: MOE 37% of total funds programmed, MOH 57%, JNBS 19%.

USAID/H approved CARE's request to start using their portion of FY 92 monetization funds for the MCH, SF and MITA programs as of April 1, 1992. CARE is using these funds for the following purposes: 1) to cover salaries and benefits of direct project personnel; 2) training of CARE and GOH counterpart personnel in program administration; 3) supervision and monitoring expenses; 4) development of procedures manual to systematize the different phases of program administration by component; 5) to install financial and accounting information systems to improve counterpart capability in managing monetization funds; and 6) to cover other operational costs such as fumigation and transportation.

The approved 1992 monetization proposal allocates L. 3,760,000 to the GOH counterparts for follow up on activities initiated with FY 90 and FY 91 funds. Given that disbursements of FY 91 funds to GOH agencies has just started, the GOH will not present proposals for monetization funds for FY 93. Should execution of FY 91 and FY 92 funds by GOH be expedited and the need arises to request FY 93, USAID/H would consider the possibility of using interests generated.

It is important to note that there is a difference between AID's fiscal year and the period that monetization projects are carried out; e.g., the FY92 monetization project will cover the period of April 1992-March 1993. This difference is due to the fact that the wheat arrived and was monetized in late February 1992. This is the only opportunity during the year that CARE had to sell Title II wheat to the millers in accordance with their purchase schedule.

The Mission plans to carry out a non-federal audit of Title II Local Currency Program next semester. This audit was requested after all FY 90 monetization funds were executed. The purpose of this audit is to ensure that adequate controls and management systems are being established for this program and that proceeds are being used appropriately. The SOW was prepared in coordination with the Mission's FARS office. Funding will be through the FARS Trust Fund account and the PIO/T for the contracting of a local auditing firm is circulating for approval. The audit is expected to start in December 1992.

Monetization funds are also being used to defray costs related to the sampling and testing of commodities by the MOH. In particular, funds are used to purchase chemicals to perform analyses of aflatoxin in beans.

C. Problems and Delays

Delays have been experienced in approving CARE and GOH counterpart requests for purchase of transportation equipment. All requests for project vehicles have to be approved by the Mission Director. Although approved monetization proposals included the purchase of vehicles, implementing agencies were asked to provide USAID/Honduras with a justification for the need of new equipment. This justification included an analysis of the institution's complete fleet of vehicles. CARE's request has now been approved; GOH counterparts' requests are still pending the receipt of more detailed information on proposed use.

Initiation of non-federal audit has been delayed due to the fact that monetization funds could not be used for its financing and Mission had to explore other sources of funding. It has now been decided that the FARS trust fund will be used for this purpose.

AID/Washington has not approved FY 1993 Monetization component because the program's Annual Estimate of Requirements (AER) had to be amended due to the non-availability of Non-Fortified Dry Milk (NFDM) for FY 1993. This commodity was replaced by Corn Soy Blend (CSB).

D. Major Activities or Corrective Actions During the Next Six Months

1. Disbursement of remaining FY 1991 funds to the counterpart agencies.
2. Follow up on approval of FY 1993 monetization proposal by AID/Washington.
3. Final reconciliation of FY 1991 disbursements by CARE.
4. Signature of the FY 1992 monetization agreement between CARE and GOH counterparts since FY 91 funds are reconciled.
5. Improvement of financial reporting systems by GOH agencies through CARE's training activities.
6. Undertaking of non-federal audit of CARE and GOH local currency accounts and management.
7. Receipt and sale of FY 1993 commodities.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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I. BACKGROUND DATA

Project Title: PL 480 TITLE II - Nonmonetized Activities
 Project Manager: Marta E. Larios
 Implementing Agencies: CARE
 Ministry of Health (MOH)
 Ministry of Education (MOE)
 National Social Welfare Board (JNBS)
 Selected Municipalities

Program Amount: 10,414.0 MT
 Value of Commodities: \$4,618,500.00
 Transportation Costs: \$1,301,600.00
 \$5,920,100.00

FINANCIAL DATA

Amount of Tonnage Authorized: 10,414.0 MT for FY92
 Available for free distribution: 9,896.0 MT for FY92
 Food Reserves: 518.0 MT

STATUS OF FOOD PROGRAMMED FOR FY 1992

QUARTER CALL FORWARD	DATES	PROGRAMS	AMOUNT REQUESTED (MT)	AMOUNT RECEIVED AS OF SEPT. 30 (MT)
4th. Quarter	March 1992	MITA Project	216.0	216.0
1st. Quarter	July 1991	SF/MCH Programs	3,739.0	3,739.4
2nd. Quarter	Oct. 1991	SF/MCH Programs	2,978.0	2,991.0
4th. Quarter	March 1992	SF/MCH Programs	2,715.5	2,728.9
Authorized Amount:			10,414.0 MT	
Amount received in Honduras:			9,693.3 MT	
Balance to be received:			0.0 MT	

STATUS OF FOOD DISTRIBUTION FOR FY92

Distributed Amount:	6,908.5 MT
10/1/91-3/31/92	04/01/92-09/30/92
- SF: 1,739.5 MT	1,031.5 MT
- MCH: 2,044.8 MT	1,693.8 MT
- MITA: 233.0 MT	188.9 MT
Remaining to be Distributed:	2,784.7 MT
Food reserves:	518.0

	Distributed Amount	Remaining to be distributed
Total to be distributed:	6,908.5	+ 2,784.7 = 9,693.3 MT

Difference between authorized amount and total to be distributed will be programmed for FY 93.

Last CY92 MCH distribution is pending.

Date of Last Evaluation: 09/18/87 Next Evaluation: 12/00/92
 Planned No. of NFAs: 0 NFAs Contracted/Completed: 0
 Date of Last Audit: 00/00/00 Next Audit: 00/00/00

II. PROJECT PURPOSE

The project purposes are: (1) School Feeding (SF): to increase school enrollment and attendance of low income children; (2) Maternal Child Health (MCH): to improve nutritional status of pregnant and nursing women and children, and increase coverage of Ministry of Health services for these beneficiaries; and (3) Municipal Infrastructure and Technical Assistance (MITA): to improve municipal infrastructure services and generate employment in selected municipalities.

objectives of the feeding programs are to reduce malnutrition rates, food deficiencies, high prevalence of diseases and infant mortality rates and to benefit mothers and children participating in the program through increased access to basic health services.

3. MITA Program:

This program consists of a series of Food For Work sub-projects between CARE and municipalities aimed primarily at providing water distribution systems, sewage and rain water drainage, street improvement, and retaining walls.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: This program contributes to the Mission's strategic objective of Healthier, Better Educated Hondurans by increasing coverage of health services, improving nutritional status of beneficiaries, promoting increased school attendance and improving infrastructure services such as water and sanitation.

III. PROJECT DESCRIPTION

The SF and MCH Programs are managed by CARE in coordination with the JNBS, the MOE and the MOH. CARE acts as the OOH's agent in managing the inflows of Title II commodities into the country and in supervising their distribution through schools, health centers, and JNBS feeding centers.

B. PERCENT OF LOP FUNDS RELATING TO S.O.: N/A

1. SF Program:

The SF Program supports the Ministry of Education (MOE) in achieving its objectives of reducing absenteeism and drop out rates in the preschool and primary school systems.

The SF component provides food for approximately 300,000 school children beneficiaries in nine of the 18 departments of the country. The MCH component provides food in the form of dry rations at 302 health centers throughout Honduras and at 1,000 on-site feeding centers sponsored by the JNBS. Approximately 12,000 mothers and 104,500 children benefit from the MCH component.

2. MCH Program:

The MCH Program supports the National Social Welfare Board (JNBS) and the Ministry of Health (MOH) in carrying out supplementary feeding programs. The overall

The MITA Program is managed by CARE under Food For Work sub-project agreements with municipalities such as El Progreso, Choloma, Villanueva, San Antonio, and La Lima. In FY 91 the MITA/UFW completed its second year of operations. Planned outputs for FY 1992 are 100,000 person days of employment.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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CARE receives an annual contribution (ESF LC funds) from the GOH to manage the Title II resources. Additional funds generated under the Title II Monetization Program are also used to defray the costs of CARE's operations. These funds are also used to pay GOH employees working in the three agencies charged with management of food distribution centers.

IV. PROJECT STATUS

A. Planned EOPS

Progress to Date

- 1. All food for three distributions for SF and MCH Programs arrived in Honduras by September 30, 1992. 100% accomplished. See Financial Data above.
- 2. Counterpart funds fully disbursed by December 31, 1992. As of Sept. 30 CARE received 75% of counterparts funds.
- 3. MCH commodities delivered in three distributions to 116,500 malnourished children in FY92. MCH counterpart agencies have distributed 67% of the annual programmed commodities. There is one more distribution of FY 92 commodities pending.
- 4. SF commodities delivered in two distributions to 300,000 pre-school children in FY92. The MOE has distributed 100% of its annual programmed amount of commodities.
- 5. 100,000 person days of work generated under MITA Program. 80,300 person days of work generated.

A multiyear agreement for FY 91-94 between CARE and the GOH was signed on May 8, 1991. The FY92 Food Letter of Intent was signed on April 24, 1992.

As reported previously, CARE plans to phase out of its feeding programs in Honduras in 1994. The Mission is exploring the option of monetizing Title II commodities and supporting the same beneficiaries with food coupons under the Programa de Asignacion Familiar (PRAF) program.

The following steps have been taken to evaluate this option: The Mission requested technical assistance from the LAC Health and Nutrition Sustainability Project (LAC/HNS) contract to conduct a cost effectiveness study of the Title II direct feeding programs vs. the GOH-funded food coupon program. The purpose of the study is to identify for the Mission the range of costs and effect of implementing the alternative form of subsidies presently being provided: food versus coupons through health centers and schools. LAC/HNS has confirmed availability of core funds in their contract to provide expatriate technical assistance in support of the study.

USAID/Honduras plans to provide local currency funds to contract a local firm to complete all data collection activities under the direction of LAC/HNS expatriate advisors. The required PIO/T for this procurement is being circulated. Expected starting date is late November 1992.

CARE/Honduras is also in the process of conducting an evaluation of the effectiveness of the food program interventions for achieving their stated goals. It will consider these interventions in the context of the resources available to carry them out, and relate them to the overall goals of the programs. It will serve various purposes. First, it will provide information useful in determining GOH capabilities to manage the programs. Second, it will assist in defining the size and type of any future program. This evaluation has been amply discussed with the GOH counterparts. It started on September 16, 1992 and will last approximately 10 weeks.

In compliance with Regulation 11, CARE prepared and presented to USAID/Honduras for approval Title II Program publicity material which consisted of: local newspaper advertisements, radio messages, a threefold pamphlet, a 1993 calendar and posters. Basically, the message transmitted is that the commodities or assistance financed by monetized proceeds have been provided through the friendship of the American

people. Illustrative pictures of program sites are displayed on the material, which is being printed for distribution to program centers and schools during FY93.

The 497.4 MT of beans received in Jan. 1992 that were found to be contaminated with aflatoxin by the Honduran MOH were later declared fit for human consumption. Further quantitative analysis done by the MOH showed that aflatoxin levels were within the acceptable levels for human consumption. AID/W also advised USAID/Honduras that based on the survey report and lab analysis USDA had determined that the subject beans could be used for human consumption. Therefore, normal distribution of commodities was reinitiated three months later than programmed.

The Title II Interinstitutional Committee (IC) has been working with the MOH's Food Control Division (FCD) to improve services provided in the sampling and testing of commodities. Several meetings have been held and as a result a procedures manual was prepared by MOH's FCD. It is currently being reviewed and discussed by the IC.

CARE and MOE counterpart designed a pilot School Breakfast Proposal to improve the impact of the ongoing School Feeding Project. The project was approved by USAID/Honduras and monetization funds will be used for its financing.

CARE/New York carried out an internal audit of CARE/Honduras Title II food commodity accountability systems during August and September 1992. Although the final draft report is still pending, major findings show that, in general, CARE has developed adequate management information systems. Recommendations will be provided to improve monitoring/auditing techniques.

During this reporting period CARE has continued training GOH counterpart personnel in program management and in the reporting system (inventory control, consumption records, daily attendance list preparation, and adherence to program policy). CARE is also developing procedures manuals in order to systematize the different facets of program administration by component.

The GOH and CARE are still working to resolve open recommendations of the Financial Report No. 90-35 dated June 29, 1990. Open issues include:
- Improving MOE food storage and distribution facilities;
- Increasing MOE supervisory visits to food distribution posts.
Final resolution of these activities requires FY 91 and FY 92 monetization funding.

B. PROBLEMS AND DELAYS

Disbursement of counterpart funds by the Ministry of Finance to CARE continues to be a major issue. Partial funds were disbursed in late August.

Although Title II Interinstitutional Committee and MOH are working for a better coordination, problems continue with the sampling and testing of commodities. Delays in providing lab results alter scheduled food distributions and create difficulties in the handling and storage of commodities at the central warehouses.

AID/Washington has not approved FY 1993 Title II program because the program's Annual Estimate of Requirements (AER) had to be amended due to the non-availability of Non-Fortified Dry Milk (NFDM) for FY 1993. This commodity was replaced by Corn Soy Blend (CSB).

Problems have been experienced regarding unjustified losses. These losses are more frequent in those end-use center/schools managed by government personnel. USAID/Honduras has requested CARE to improve its approach in investigating thefts and other unjustified losses since, according to PL-480 regulations, it is the cooperating sponsor's responsibility to supervise/audit/investigate the administration of food commodities at all levels of the GOH counterparts. In cases where a counterpart is found at fault, CARE can bill the recipient and sub-recipient agencies for the value of the loss.

C. MAJOR ACTIVITIES OR CORRECTIVE ACTIONS DURING THE NEXT SIX MONTHS

- 1. Signature of the FY 1993 Food Aid Letter of Intent.
- 2. Initiation of Cost Effectiveness Study of direct feeding program vs. food coupons.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

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3. Coordination with the MOH's Food Control Division to improve services provided in the sampling and testing of commodities.
4. Initiation of the School Breakfast Project.
5. Complete evaluation and audit of program and discuss results with CARE, USAID/Honduras and OOH.
6. Follow up on approval of FY 1993 monetization component by AID/Washington.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992 A X B ___ C ___

I. BACKGROUND DATA

ACTIVE MONETIZED FOOD AID AGREEMENTS:

PROGRAM	AGREEMENT AMOUNT (Dollars)
Title I (FY82-90)	\$101,500,000
Title III (FY82-94)	\$ 68,500,000
Section 416 (FY86-90)	<u>\$ 12,800,000</u>
TOTAL	\$182,800,000

Implementing Agency: Ministry of Finance and Public Credit (MFPC) and the Ministry of Natural Resources (MNR)

Major Contractors: N/A

Project Managers: Vincent Cusumano/Armando Busmail

Date of Last Evaluation: 09/01/87 Next Evaluation: 09/01/93

Planned No. of NFAs: N/A NFAs contracted/completed: N/A

Date of Last Audit: 00/00/00 Next Audit: 10/31/92

A. FINANCIAL DATA: (in Lempiras)

Program	Agreement Amount	Generations	Programmed Local Cur.	Total Disbursed	Semester Disburs.
Title III (FY82)	25,000,000	26,630,988	26,630,988	26,618,984	99,155
Title III (FY91)	74,200,000	73,660,643	70,313,386	27,702,930	24,702,930
Title III (FY92)	75,600,000	58,500,000	-0-	-0-	-0-
Total Title III	174,800,000	158,790,000	96,944,374	54,321,914	24,802,085
Total Title I (FY82-90)	203,000,000	246,587,551	246,587,551	205,891,418	19,587,537
Total Section 416 (Corn/Wheat/Soya) (FY86-90)	36,404,075	36,404,075	36,404,075	29,367,209	9,367,200

II. PROJECT PURPOSE

The purposes of these programs are to combat hunger and malnutrition, to encourage improvement of agricultural production and marketing, and to assist in Honduras' economic development. These purposes directly support the Mission's Agricultural Strategy goals and those of the Mission's Action Plan and CDSS, which call for actions to improve nutritional levels of all Hondurans, especially the young and the poor, and for increased agricultural production and productivity.

A. RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

SPECIFIC LINKAGE TO S.O. No. 1: Increased Agricultural Production and Exports. The program has contributed toward Strategic Objective No. 1 through the allocation of local currency generations to finance counterpart requirements of the Mission's DA projects. Enactment of the Agricultural Modernization Law, improved land tenure security and liberalization of agricultural trade (PL-480 Title III SHM's) will spur increased production and exports.

B. PERCENT OF LOP FUND RELATING TO S.O. 100%

III. PROGRAM STATUS

A. SELF HELP MEASURES

The three year Title III Agreement signed on March 6, 1992, includes five Self-Help Measures (SHMs) consistent with the policy conditionality contained in the Mission's ESP balance of payments program. There are no policy conditions related to the Section 416 Programs.

On June 23, 1992, an implementation letter was issued to provide Mission concurrence with the Government of Honduras compliance on two of the five Self-Help Measures: 1) improved land tenure security, which provides equitable treatment to women and young farmers, 2) liberalization of agricultural trade. This letter also provided Mission concurrence in amending the following SHMs' completion dates: a) development of an environmental protection strategy, shall be completed on June 30, 1993; b) elaboration for a plan for decentralization and/or privatization of the Ministry of Natural Resources' agricultural research and extension activities shall be completed on December 31, 1992; c) privatization of the IHMA silos shall be completed on December 31, 1993; and d) privatization of two sugar mills shall be completed on June 30, 1994.

The following summary provides an overview of SHM compliance for the first nine months of 1992. Each SHM is listed, the policy area and required policy changes are described as well as the current status of the SHM.

a) Environmental Protection and Natural Resource Conservation: Elaborate environmental protection strategy by June 30, 1993, and capitalize an environmental fund by December 1993. Status: The strategy is not yet elaborated. A preliminary "Environmental Agenda" was prepared but this must be developed into a strategy document. In September, the President of Honduras presented to Congress the final draft of the Environment Law. Once enacted, this law will provide the framework for the design and implementation of an environmental strategy. The Government of Honduras has already disbursed the first tranche of capital in the amount of 2.0 million Lempiras to the environmental fund. The Mission will assist the GOH to develop an environmental strategy for Honduras.

b) Strengthen Agricultural Research and Extension: Design a plan for decentralization and/or privatization of the Ministry of Natural Resources' (MNR) agricultural research and extension activities by December 1992, and establish models and mechanisms for provision of private technical assistance to the agricultural sector. Status: As mandated by the Agricultural Modernization Law, the GOH has authorized the creation of the Directorate of Science and Agricultural Technology (DICTA). DICTA will operate as a decentralized agency of the MNR and will be structured during 1992 and 1993.

c) Continuation of previous SHM: Complete privatization of the IHMA silos and two sugar mills. Status: The privatization process of the IHMA silos, the ACENSA and ACANSA sugar mills continue to show little progress. Mission has concurred in amending the completion dates for these SHM as indicated above.

During the reporting period, program management met with the GOH Committee for SHM Compliance to monitor progress of pending SHMs. Quarterly meetings were scheduled to follow-up on the implementation of SHMs. Compliance dates of pending SHMs seem to be realistic.

Mission plans to include two additional Self-Help Measures for 1993: (A) Reorganization of the National Agrarian Institute (INA) and the Honduran Corporation for Forestry Development (CORDEFOR) to streamline management/administration and to cut personnel levels by 50 percent over current levels. Completion date: June 1993. (B) Add wheat to the already established price band system and link wheat and wheat flour tariff to allow importation of both products at current tariff differential. Completion date: December 1993. Mission will focus on current and new SHMs in 1993. Maintenance of the land tenure, pricing and trade policy measures will be closely monitored for implementation and continued compliance. This is especially important as Honduras enters next year's election year politics.

There are no outstanding audit or evaluation recommendations for this program.

PROJECT STATUS REPORT

April 1, 1992 - September 30, 1992

A X B ___ C ___

B. ECONOMIC GROWTH

Regarding the second area of program performance, economic growth, the Mission is assisting the GOH to design and execute a series of surveys starting with an agricultural census in 1993. The census will be followed by periodic surveys to gauge the impact of policy reforms on the overall economy. The Mission will also monitor donor and GOH economic information to track changes in agriculture GDP. The policy changes that will spur significant economic growth are already in place with the enactment of the Agricultural Modernization Law but the impact of this legislation will not be significant until 1994 and 1995. Regulations pertaining to the law are pending.

C. INCOME AND NUTRITION STATUS

In the final area of program performance, income and nutrition status, AID/W guidance on Title III Program Design cited the need for periodic reporting from the field on progress toward achieving food security (i.e., the access by all people at all times to sufficient food supplies). This issue was raised again during the review of the Mission's Title III Proposal, and the Mission committed to support periodic household surveys to assess food security by determining caloric consumption patterns. A Honduran firm will be contracted to execute a survey that will focus on education, health, consumption, expenditures, household and farm income, household composition and gender, and child anthropometrics. Six surveys will be executed during two years starting in February, 1993. Results of these surveys will be included in subsequent reports.

D. LOCAL CURRENCY USES:

Local currency generations from the PL-480 and Section 416 Programs are directly supportive of GOH activities in the agricultural and environmental sectors and in aid programs to the poorest sectors of the economy; local currency is also used to finance counterpart requirements of the Mission's DA projects with the public sector. GOH and Mission needs for local currency support in the agricultural sector in CY 1992 were met with local currency from the Title I and Title III Programs.

E. LOCAL CURRENCY MANAGEMENT:

Local currency proceeds are derived from the sale of Title III and Section 416 commodities. The proceeds are deposited into a special local currency account established in the Central Bank of Honduras for their control, upon payment by the private sector. The programming of local currency resources is a joint process between the Ministry of Finance and Public Credit (MFPC) and USAID. Program Implementation Letters (PILs) are issued to program funds in support of specific sectors/subsectors or for financing GOH counterpart for bilateral project agreements with USAID, other countries or international financial organizations. Sectoral assistance must comply with criteria previously defined for each sector and be mutually agreed upon by the parties through a PIL. USAID reviews and concurs in the MFPC's programming request based on its compatibility with previously defined criteria, USAID strategies, policy objectives and legislation. The Mission has had no problems in implementing guidance for use of local currency.

F. SECTION 106/108: N.A.

G. PROBLEMS AND DELAYS:

There are no significant problems and delays, however, the Mission should follow-up on pending SHMs. Attention should also be paid to the development and implementation of regulations and bureaucratic policies needed to effectively implement the Agricultural Modernization Law.

H. MAJOR ACTIVITIES OR CORRECTIVE ACTIONS DURING THE NEXT SIX MONTHS:

1. Negotiate and amend the Multi-Year PL-480 Title III Agreement for 1993.
2. Coordinate procurement and delivery of wheat for 1993 under the Multi-Year PL-480 Title III Agreement.
3. Follow-up with GOH on pending and new SHMs.
4. Contract and begin implementation of the Nutrition Survey.

CENTRALLY-FUNDED PROJECTS KNOWN TO BE ACTIVE IN HONDURAS

<u>Project No.</u>	<u>Project Title</u>	<u>Category</u>
936-5818	Learning Technology for Basic Education	B
936-5836	Improving Educational Quality	B
936-5984	Communication for Child Survival	B
936-3018	Contraceptives Procurement	B
936-3038	FP Logistics Management	B
936-3041	Family Health International (Buy-in)	B
936-3051	Contraceptive Social Marketing II	B
936-3043	Expansion and Improvement of Family Planning Services in Latin America and the Caribbean	B
936-5973	Water and Sanitation for Health II	B
936-5948	Vector Biology and Control	B
940-0014	Financial Sector Development	B
936-5448	Growth and Equity Through Microenterprise Investments and Institutions (Gemini)	B
	Consulting Assistance on Economic Reform (CAER)	
931-1254	Sorghum/Millet CRSP	B
931-1316	Bean/Cow Pea CRSP	B
931-1314	Pond Dynamics/Aquaculture CRSP	B
931-1311	Soil Management (Tropsoils) CRSP	B
936-5455	Appropriate Technology International II	B
936-5554	Conservation of Biological Diversity	B
936-3757	Biomass Energy Systems and Technology	C
598-0802	Central America Journalism Strengthening	CB

CATEGORIES:

- A - Supports Strategic Objectives and can be managed by the Mission
- B - Supports Strategic Objectives and is beyond Mission capacity to manage.
- C - Does not support Strategic Objectives

No Centrally-Funded projects are managed by the Mission. Of the twenty-one (21) projects known to be active in Honduras, all but two (2) support to one degree or another Mission Strategic Objectives.