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AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

HONDURAS

PROJECT PAPER

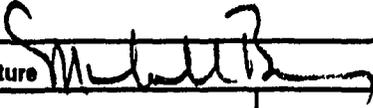
HONDURAS ENVIRONMENTAL PROTECTION FUND

BEST AVAILABLE DOCUMENT

AID/LAC/P-869

PROJECT NUMBER: 522-0385

UNCLASSIFIED

Agency for International Development PROJECT DATA SHEET				1. Transaction Code (A) A = Add C = Change D = Delete		Document Code 3			
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4. Bureau/Office USAID/HONDURAS		[]		5. Project Title Honduras Environmental Protection Fund					
6. Project Assistance Completion Date (PACD) MM DD YY 07 01 00				7. Estimated Date of Obligation (Under "B" below, enter 1,2,3, or 4) A. Initial FY 9 3 B. Quarter(4) C. Final FY 9 9					
8. Costs \$000 or Equivalent \$ 1 = 7.20 Lempiras									
A. Funding Source			First FY			Life of Project			
			B. FX	C. L/C	D. Total	E. FX	F. L/C	G. TOTAL	
AID Appropriated Total									
(Grant)			1,102	1,000	2,102	6,160	3,840	10,000	
(Loan)									
Other U.S.	1.								
	2.								
Host Country				950	950		6,228	6,228	
Other Donor(s)				133	133		1,168	1,168	
TOTALS			1,102	2,083	3,185	6,160	11,236	17,396	
9. Schedule of AID Funding (\$000)									
A. Appropriation	B. Primary Purpose	C. Primary Tech. Code		D. Obligations to Date		E. Amount Approved This Action		F. Life of Project	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) DP	69	G		0	-	2,102	-	10,000	-
(2)									
(3)									
(4)									
TOTALS				0	-	2,102	-	10,000	-
10. Secondary Technical Codes (maximum 6 codes of 3 positions each)							11. Secondary Purpose Code		
12. Special Concerns Codes (maximum 7 codes of 4 positions each)									
A. Code									
B. Amount									
13. Project Purpose (maximum 480 characters) To strengthen and expand environmental protection and natural resource management activities carried out by non-governmental organizations (NGOs) in Honduras.									
14. Schedule Evaluations MM YY MM YY Interim 0 9 9 6 Final 0 6 0 0					15. %...Origin of Goods and Services [x] 000 [] 941 [] Local [] Other (specify) _____				
16. Amendments/Nature of Change Proposed (This is page 1 of a ___ page PP Amendment)									
Approved by	Signature 			DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION					
	Title: Marshall D. Brown		Date Signed:						

HONDURAN ENVIRONMENTAL PROTECTION FUND (522-0385)

PROJECT PAPER

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PROJECT AUTHORIZATION

Name of Country: Honduras
Name of Project: Honduran Environmental Protection Fund
Number of Project: 522-0385

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Honduran Environmental Protection Fund Project for the Republic of Honduras ("the Cooperating Country") involving planned obligations of not to exceed Ten Million United States Dollars (\$10,000,000) in Grant Funds over a seven year period from the date of initial obligation, subject to the availability of funds in accordance with the AID OYB/Allotment process, to help in financing foreign and local currency costs for the Project.
2. The Project will strengthen and expand environmental protection and natural resource management activities in Honduras carried out by non-governmental organizations (NGOs). All activities must respond to one or both of the following two broad environmental priority areas: (1) conservation of ecosystems and protection of biodiversity; and, (2) sustainable management of watersheds. The Project will be executed under the auspices of the Ministry of Finance and Public Credit. Direct implementation of environmental sub-projects will be overseen by the Honduran Foundation for the Environment and Development (VIDA), a Honduran non-profit, non-governmental organization. VIDA was designated by the GOH as the administrator of its Fondo de Proteccion del Medio Ambiente (FOPMA). To accomplish its objectives, the Project will institutionally strengthen VIDA, and through that institution, Honduran NGOs which will actually design and implement environmental subprojects.

Project Funds will be used to finance environmental and natural resource management subprojects, and technical assistance, training activities and commodities which will institutionally strengthen the non-governmental organizations designing and implementing the efforts. Project Management costs as well as periodic evaluations and audits will also be financed by funds authorized herein.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with USAID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as USAID may deem appropriate.

4. Source and Origin of Goods and Commodities. Nationality of Services

Commodities and services financed by USAID under the Grant shall have their source and origin in the United States, except as USAID may otherwise agree to in writing. Ocean shipping financed by USAID under the Grant shall, except as USAID may otherwise agree to in writing, be financed only on flag vessels of the United States.

Non-U.S. procurement is authorized in accordance with Handbook 1, Sup. B, Chap. 18, up to an aggregate amount of \$4,165,000, or other amount as USAID may agree in writing. Of this amount, an estimated \$3,840,000 will be local procurement of services for project management, secretarial support, studies, and audit costs, and, subgrants for environmental activities made by VIDA to Honduran NGOs. An estimated \$325,000 will be for third country technical training, observational tours, and international meetings. None of the currently planned local or third country procurement requires a waiver under Handbook 1, Sup. B, Chap. 18. If, however, during implementation of the project, a local or third country procurement transaction is proposed that requires a waiver under Handbook 1, Sup. B, Chap. 18, such a waiver will be obtained before proceeding with the procurement.

5. Conditions Precedent to Disbursement

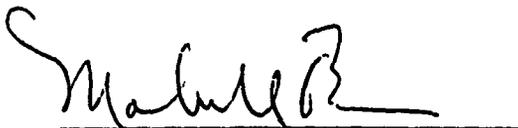
First Disbursement

Prior to the first disbursement of the Grant, or the issuance by USAID of documentation pursuant to which disbursement will be made, other than for USAID project management, the Grantee will, except as USAID may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

- (a) An opinion of the Attorney General of the Republic or of counsel acceptable to USAID that this Agreement has been duly authorized and/or ratified by, and executed on behalf of the Grantee and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;
- (b) A statement of the names of the persons authorized to act on behalf of the Grantee, and a specimen signature of each person specified in such statement.
- (c) Evidence that the rules (*reglamentos*) covering the administration of the FOPMA by VIDA have been issued by the Grantee and that they are consistent with the Project purpose and approach.

6. Covenants

- (a) The Cooperating Country shall make every effort to ensure that counterpart funds are available in a timely and satisfactory manner. Likewise, the Cooperating Country shall provide USAID with quarterly reports on the provision of counterpart contributions. These reports shall be provided no later than 30 days after the end of the quarter. Should the Cooperating Country fail to make available amounts designated in the budget or fail to make those amounts available in a timely and satisfactory manner as determined by USAID, USAID may suspend assistance to one or more project activities until such time that USAID shall determine that the assistance may be continued, or that one or more of the project activities shall be terminated.
- (b) The Grantee agrees to contribute to the FOPMA as originally envisioned by the Congress of the Republic of Honduras and specified in Legislative Decree 69-92, published in La Gaceta, August 6, 1992.
- (c) The Grantee shall make every effort to promote coordination of, and cooperation between, environmental efforts carried out by public sector institutions and those carried out by NGOs and supported under the Project.
- (d) The Grantee agrees that at whatever time, as formally notified by USAID in writing, USAID concludes that the management of VIDA is not acceptable, USAID may suspend all or a portion of further Project disbursements until such time as the management of VIDA again becomes acceptable.
- (e) The Grantee agrees that no pesticides will be procured or used, or timber harvested under this Project without first conducting an Environmental Assessment (EA) and having the EA approved, in writing, by USAID.



Marshall D. Brown
Mission Director
USAID/Honduras

July 1, 1990
Date

I. SUMMARY

The Honduran Environmental Protection Fund (HEPF) Project (the Project) is designed to strengthen and expand environmental and natural resources management activities carried out by non-governmental organizations in Honduras. The Project finances grants to Honduran-U.S. NGO co-ventures for the design and implementation of environmental subprojects in priority areas of 1) conservation of ecosystems and protection of biodiversity, and 2) sustainable management of watershed resources. USAID funds for these grants will be provided through a Cooperative Agreement with Fundacion VIDA, a Honduran NGO that has also been designated as administrator of the GOH's Fondo de Proteccion del Medio Ambiente (FOPMA), set up in the past year to finance environmental activities. The Project will also finance technical assistance and training for VIDA staff for, among other things, strengthening the organization's capacity to evaluate environmental subproject proposals and to monitor and oversee the implementation of subprojects.

The estimated total cost of the Project is \$17,396,389, of which USAID will contribute \$10,000,000. A summary budget for the major project activities is presented below:

PROJECT ACTIVITIES	USAID (\$ 000)	GOH (L. 000)	UNDP (\$ 000)	VIDA (L. 000)	TOTAL (\$ 000)
A. Environmental Sub-Projects					
1) USAID/VIDA Projects	5,000	5,400.0			5,750.0
2) Other FOPMA Projects	-	29,753.3			4,132.4
B. Sub-Project Administration	-	6,494.7	668	3,600	2,070.0
C. Technical Assistance	1,995	1,920.0			2,261.6
D. Training/Observational Tours	700	1,280.0			877.7
E. Commodities	125	-			125.0
F. Project Management	1,058	-			1,058.0
G. Monitoring and Evaluation	410	-			410.0
H. Audits	125	-			125.0
I. Contingency	587	-			587.0
TOTAL COSTS	\$10,000	L44,848	\$668	L3,600	\$17,396,389

* The U.S. Dollar value of GOH and VIDA Lempira expenditures is calculated at the official project exchange rate of L7.20 = \$1.00.

Of the USAID contribution, \$5,125,000 will be provided through a Cooperative Agreement with VIDA covering the financing of subprojects and recipient audit costs. The remaining \$4,875,000 of USAID funding will finance technical assistance and training to support VIDA, project monitoring and evaluations, and Mission project management. The L30,000,000 (the approximate U.S. dollar equivalent of \$4,166,667) that the GOH has already pledged to the FOPMA will be counted as part of its contribution to the Project. In addition, the GOH will contribute the local currency equivalent of \$2,062,222 programmed from PL-480 generations. A portion of the PL-480 funds will be added to the FOPMA for further financing of environmental subprojects. The remainder will be granted to VIDA to cover a portion of its operating expenses, and for the provision of technical assistance and training to Honduran NGO's. The UNDP will also contribute \$668,000 over five years towards VIDA's operating expenses. Finally, VIDA is responsible for providing the local currency equivalent of \$500,000 for operational expenses in the last two years of the Project. (See page 12 for a summary cost estimate table.)

The Project, described in greater detail below, provides a framework or process for the development, approval and implementation of the various subprojects. The ultimate success of the Project will depend on the success of the subprojects, collectively, in meeting their individual environmental enhancement and protection objectives. Indicators and benchmarks for measuring this success will be developed as part of the process of subproject development. The Project is composed of two phases. The initial phase will conclude with an evaluation at the end of the third year of the Project. This evaluation will serve as the primary basis for a decision on whether to continue the second four-year phase of the Project.

II. BACKGROUND AND PROBLEM

Like many developing countries, Honduras has been, and continues to be, dependent on its natural resources for much of its economic growth. The agricultural sector alone accounts for 30 percent of the GDP and 55 percent of total employment. Forest and mineral resources along with agricultural commodities are the principal exports, generating foreign exchange to finance imports needed to continue the country's economic development. Continued economic growth and the associated improvement in social well-being requires that these natural resources be managed and used in a more sustainable manner. Honduras' natural environment also provides other benefits. The quality and quantity of the nation's water supply is directly related to the condition of its watersheds and aquifers. The country's forest cover provides fuel and building materials to a large percentage of the population. Rich wildlife habitats and lush natural areas are some of Honduras' greatest potential tourism attractions.

The last few decades have, however, witnessed a marked deterioration in the character of Honduras' environment and a diminution of its natural resource patrimony. Rapid population growth, high levels of rural poverty, increasing urbanization, inappropriate national policies

which have not reflected the true costs of resource depletion, and ignorance of sustainable agricultural practices at the household level have all combined to take a significant toll.

The results of this trend are easy to identify. Extensive deforestation has resulted in changes in local micro-climates and increased soil erosion in many parts of the country, leading to reduced crop yields which in turn cause internal population migrations that in many cases result in further environmental degradation elsewhere. Largely as a result, many of the country's watersheds have been seriously degraded. The quality of water for human consumption and agricultural purposes has declined, resulting in health problems and contaminated and/or reduced production. Wildlife habitat has been lost and Honduras' rich biodiversity threatened.

The national government has been slow to recognize the growth and severity of these environmental problems. The Government of Honduras (GOH) has lacked the institutional capacity, resources, and in some cases political will, to design, implement, and enforce proper environmental policies and strategies for more sustainable resource use. However, there are now some positive signs which indicate an increased awareness concerning both the scope of the problem and the need to take meaningful actions.

In the past 18 months the GOH has indeed taken several actions which hold promise. The recently passed Agricultural Modernization Law recognizes the importance of promoting sustainable agricultural practices. The Law will also promote more sustainable management of the country's forest resources. The GOH created the National Environmental Council (CONAMA) and charged it with the development of the recently completed national environmental action plan.

Finally, in conjunction with U.S. official debt forgiveness, the GOH created the Fondo de Proteccion del Medio Ambiente (FOPMA) and endowed it with 30 million Lempiras (approximately \$5.5 million at the time). The law creating the FOPMA also specified that the fund is to be managed by the Honduran Foundation for Environment and Development (VIDA), a recently created non-governmental organization (NGO) whose membership consists of both individuals and Honduran environmental NGOs. In doing so the GOH recognized the fact that in order to adequately address the range of environmental challenges in Honduras, both the public and private sectors must be involved. The HEPF Project supports this strategy.

Experience in Honduras and elsewhere has shown that private, non-profit entities such as VIDA and the non-governmental organizations (NGOs) that will implement environmental subprojects with funding from the FOPMA and the Project can be very effective agents of change. One reason is that such groups frequently work at local levels and enjoy wide community support. Another is that successful NGOs frequently integrate economic development opportunities into their primary work. Given the economic situation of the majority of the Honduran population, this approach can be critical to success. Indeed, the HEPF Project will whenever possible address the interrelated problems of environmental

degradation and economic underdevelopment.

Environmental improvements are in many cases dependent on economic development, just as sustainable economic development is dependent on reversal of the current trend of environmental degradation. In response, the activities addressing the priority environmental problems of ecosystem degradation/loss of biodiversity, and poor watershed management supported under the Project will involve opportunities to combine environmental with economic benefits. By working through NGOs, the Project will be able to utilize their community level experience and participation and familiarity with basic economic development approaches to design and implement efforts which involve such a combination.

III. PROJECT DESCRIPTION

A. Project Goal, Purpose, Outputs and Indicators

The **goal** of the Honduran Environmental Protection Fund project (the Project) is to improve environmental protection and the management of selected natural resources. The measurement of goal achievement will be that the rate of deforestation, soil erosion, and degradation of water quality have been slowed in areas of Project intervention. The **Project purpose** is to strengthen and expand environmental protection and natural resource management activities carried out by non-governmental organizations (NGOs) in Honduras. Priority attention will be given to: (1) conservation of ecosystems and protection of biodiversity; and, (2) sustainable management of watershed resources.

Major Project outputs and their indicators which will contribute to the achievement of the Project purpose and conditions stated above are:

	<u>Output</u>	<u>Indicators</u>
1.	The design and implementation of projects addressing natural resource management and environmental protection.	The completion of an estimated 10-20 well executed subprojects.
2.	Development of VIDA into a strong and widely respected institution capable of effectively managing the FOPMA.	VIDA's ability to assess, approve, and manage sub-projects, evidenced by its ability to attract continued funding for the FOPMA from the GOH and/or international donors.

3. An increase in public consciousness concerning the issues of environmental protection and natural resource management.

Percentage of the population aware of selected environmental issues increases by the PACD.

The following condition will exist at the end of the seven-year life of project (LOP) as a result of project activities. It will indicate that the Project purpose has been achieved:

- A substantial majority (approximately 75% or more) of the total subprojects funded under the Project have had a measurable positive impact upon the environment.

Given the nature of the Project, the actual number and type of completed subprojects can only be estimated. Whatever the final number and focus of the subprojects, success will depend on whether they have had a measurable positive impact on the environment. Indicators of positive environmental impact will of course vary depending on the type of subproject. Such indicators will be identified during subproject design, and approved along with the proposing NGO's subproject monitoring and evaluation plan as one condition of funding.

Possible examples of indicators from the Project's environmental priority areas include:

1) Conservation of Ecosystems and Protection of Biodiversity

- unique or threatened ecosystems or wildlife habitats receiving protected area status and put under effective management
- national park guides/guards trained and placed
- hectares deforested (permanent vegetation ratio)

2) Sustainable Management of Watershed Resources

- hectares reforested or under regeneration
- households practicing one or more environmentally sound cultivation practices
- reduced loss of topsoil
- improved water quality

The presentation of baseline data will also be required as part of the full subproject proposal submission. Since all subprojects will have an impact on the environment, the environmental assessment (See ANNEX I – Project Analyses Summary) to be conducted by the implementing NGO will be undertaken as an integral part of a subproject's evaluation.

In terms of the overall Project, success will be measured by the aggregate positive environmental impacts of all completed subprojects, eg., number of reserves, parks and protected areas managed in a sustainable, enforceable manner, number of protected areas under effective NGO management, etc. (See ANNEX H – Monitoring and Evaluation Plan for further information.)

B. Project Description

The strategy for accomplishing the Project purpose is to provide resources, managed by VIDA, to finance sound environmental protection projects ("subprojects"). The Project will also provide technical assistance and training to VIDA staff in order to strengthen VIDA's capacity to evaluate environmental subproject proposals against established subproject criteria, and to monitor and oversee the implementation of approved subprojects. Technical assistance and training funded by Host Country counterpart contributions will also be offered through VIDA to Honduran NGOs to strengthen their capacity to design and implement effective environmental activities.

The planned seven-year Project is composed of two phases. The initial phase will conclude with a major evaluation at the end of the third year of the Project. The results of the evaluation will be used by the Mission to assess overall Project performance to date, based on indicators mutually agreed upon with VIDA. The evaluation will serve as the primary basis for a decision on whether to continue with the second four-year phase of the Project.

a. Subprojects

The Project establishes a framework under which environmental "subprojects" will be designed and implemented by NGOs. These subprojects, which will generally involve partnerships between U.S. and Honduran NGOs, will be funded through a Cooperative Agreement with Fundación VIDA. VIDA has been designated by the Government of Honduras as the administrator of the FOPMA, established by the GOH in mid-1992. The L30,000,000 pledged by the GOH to the FOPMA forms a portion of the Host Country counterpart contribution to the Project. Subprojects will be implemented under the Project using funding from the Cooperative Agreement and the FOPMA, and from the FOPMA alone. The environmental subprojects receiving USAID funding will differ from those financed entirely from the FOPMA in the following way:

- they will normally involve the participation of U.S. NGOs
- they will generally be larger, more complex, and of longer duration
- they will be focused on a narrower set of environmental priority areas

Similarities between the two groups include:

- all subproject proposals will be appraised by VIDA using the same standard procedures and criteria;
- VIDA will award funding to all based on the same standard selection criteria; and,
- all subprojects will be monitored and evaluated using the same procedures by, respectively, VIDA and the implementing NGOs.

The Project programs \$5.0 million of USAID funding for subgrants to Honduran NGOs to be used for the execution of environmental subprojects. Partnerships with U.S. NGOs experienced in the design of environmental activities will be strongly encouraged, particularly in the early years of the Project. Such "co-ventures" will provide Honduran NGOs with the opportunity to share in the knowledge gained by U.S. NGOs from years of working in Latin American and elsewhere in the developing world. If the initial co-ventures are successful in this respect, some subgrants may be awarded that do not involve the participation of U.S. NGOs. The subgrants will cover both lempira and dollar (if any) costs. Fifteen percent of the total cost of these projects will be financed with counterpart funds from the FOPMA (Lps. 5,400,000 at the official project exchange rate of L7.20=\$1.00). Under the Project the GOH will contribute from PL-480 local currency generations as much as an additional Lps. 5,153,300 to the FOPMA for environmental subprojects.

All co-ventures will respond to environmental priority areas identified by VIDA and USAID:

1) Conservation of Ecosystems and Protection of Biodiversity

Examples:

- Park guide/guard training programs
- Ecotourism development
- Preservation of significant wildlife habitats, eg., estuaries, cloud forests, coral reefs, etc.

2) Sustainable Management of Watershed Resources

Examples:

- Sustainable agriculture practices
- Community forestry
- Reforestation

Out of all the subprojects anticipated by VIDA to be executed over the first five years of their administration of the FOPMA, ten to fifteen are expected to involve the participation of U.S. NGOs. Such arrangements may be one-on-one, or with several Honduran partner NGOs. The co-ventures may be focused on a geographic region or on a particular topical area, and could involve U.S. NGOs working on either a residential or intermittent basis. The cost of these co-ventures is estimated to be in the range of \$300,000 to \$500,000 each. Illustrative

examples of possible co-ventures are presented in the Technical Analysis contained in Annex I.

The table below summarizes a few such possibilities:

Participating NGOs	Location/Description	Duration/Estimated Cost
MOPAWI/WWF	Community forestry in La Mosquitia	3 yrs/\$500,000
Aldea Global/TNC	Management of The Cerro Azul Meambar National Park (El Cajón & Lago de Yojoa watersheds)	3 yrs/\$400,000
ODEF/Katalysis	Creation of a sustainable agriculture training center serving Northern Honduras	3 yrs/\$765,000
MOPAWI/TNC	Development of a strategy for the management of protected areas in La Mosquitia	1 yr/\$150,000
FUCSA/North Carolina State	Watershed planning and management near La Ceiba	2 yrs/\$300,000

The dollar costs that will be covered by the sub-grants could include: personnel and travel/per diem for long-and short-term advisors; project vehicles and machinery; computer hardware and software; and, specialized equipment such as pollution monitoring devices. The U.S. NGOs will be expected to contribute to the co-ventures by covering costs associated with initial project design (prior to approval of the subproject profile by VIDA), and some general overhead and administrative costs over the term of the undertaking.

These co-ventures could be arranged in several ways. In some cases, Honduran NGOs have existing relationships with U.S. NGOs, such as those developed under the on-going Parks in Peril and Paseo Pantera projects, and may suggest new joint efforts at the conclusion of these activities. A Honduran NGO may develop the conceptual design for a co-venture and approach VIDA to facilitate a partnership with a U.S. NGO, while in other cases the reverse may occur.

The following process is envisioned for initiation, award and execution of co-venture sub-grants:

1) The U.S. and Honduran NGOs formalize their co-venture partnership and develop an initial project profile for submission to VIDA for review and comment. The initial profile must demonstrate that the effort corresponds to one or more of the environmental priority areas identified by VIDA and in concordance with the GOH's Environmental Action Plan.

The technical assistance team within VIDA provided under the Project will assess the technical assistance/training needs of the Honduran NGO within the context of the project profile. The Honduran NGOs involved in the co-ventures will need to have already demonstrated their capacity in general financial and managerial areas.

2) VIDA's Selection Committee (a USAID representative will be a non-voting member of the Selection Committee) will review the profile and the appraisal report prepared by VIDA's technical staff. The technical staff, in reviewing the profile, will determine what technical analyses will be required in the development of the final proposal if the profile is approved.

Standard subproject appraisal and selection criteria will be applied to all subproject profiles/proposals involving expenditures over L. 10,000. (Only VIDA's "microproyectos" are exempted.) The precise criteria will be determined on a project-by-project basis by the VIDA technical staff preparing the appraisal report, and formally approved by the Selection Committee. These criteria will include, but not necessarily be limited to an assessment of the proposed subproject's:

- technical feasibility
- sustainability
- social soundness
- financial/economic soundness, and
- environmental impact

The criteria will also include procedures to assess the capability of the proposing NGO(s) to adequately manage the requested sub-grant resources.

3) If the profile is approved, the NGO(s) will respond to comments on the initial submission and submit a final subproject proposal with all the required technical analyses for consideration by VIDA. If the profile is approved, a design grant covering up to 75 per cent of the estimated cost of the preparation of the final proposal may be awarded by VIDA.

4) The final proposal is reviewed by VIDA technical staff with the assistance of local and expatriate technical advisors, and another appraisal report is prepared for the Selection Committee. Based on the proposal and the report, the Committee drafts a formal recommendation to VIDA's Board of Directors.

5) Approval of the proposal by VIDA's Board involves two aspects:

- a) award by VIDA of a USAID-funded sub-grant to the NGO partners to cover 85% of subproject costs; and,
- b) award of FOPMA resources to cover 15% of subproject costs.

6) VIDA will monitor subproject implementation, and evaluate the results in the same manner as with all of the FOPMA-funded subprojects in its portfolio.

Before these co-ventures can take place, VIDA will be certified by USAID to award U.S. dollar sub-grants. In a related area, VIDA will need to develop the administrative capacity to efficiently undertake the work associated with negotiating and managing the sub-grants. Provisional certification, under which VIDA will be able to receive limited USAID funds for an initial co-venture grant, occurred prior to authorization of the HEPF Project. Final certification is expected by the Fall of 1993, and will depend on VIDA's ability to retain additional qualified staff. VIDA will either need to hire or contract out for these services. The GOH will provide funding under the Project for this purpose.

b. Technical Assistance

Under the Project technical assistance will be offered to VIDA and, through VIDA, to local Honduran NGOs. Consultants from the USAID Biodiversity Support Program (BSP) are working with VIDA to assess the general TA needs for the latter groups (see ANNEX D). The TA under the Project will be provided through three means:

(1) Long-term, expatriate technical assistance provided by a U.S. institutional contractor team with the participation of a U.S. environmental NGO with experience in institutional development. Under this procurement two long-term resident advisors will be placed in VIDA, one for two years and the other for six years. Another 35 person months of short-term specialized TA will also be associated with this contract. The primary purpose of this TA will be to strengthen VIDA's capacity to manage the FOPMA, which includes the strengthening of Honduran NGOs. This TA, for example, will assist VIDA in further assessing the TA and training needs of local NGOs, which in turn will be offered largely by local providers (see next section). In the case of local NGOs which are involved in co-ventures with U.S. NGOs, project-specific TA will be provided largely by the U.S. partner.

(2) Local technical assistance will be funded by a portion of the GOH counterpart contribution to the Project and will be utilized by VIDA to assist with the appraisal of subproject profiles and proposals, and to build Honduran NGO capacity directly. This TA will be contracted directly by VIDA and will cover such areas as accounting, internal controls, project management, monitoring and evaluation. Between 75 and 100 person months of TA will be available to Honduran NGOs eligible to receive funding from the FOPMA.

(3) Short-term TA is already being provided to VIDA through an add-on to the USAID/W Biodiversity Support Program (BSP) Cooperative Agreement. The purpose of this TA is to provide initial support to VIDA during the approximately eight-twelve month period before the institutional TA contractor can be selected and placed in-country. Funding for this effort is coming from the Mission's PD&S program.

c. Training

Two types of training are planned under the Project. International short-term technical training and observational tours will be offered both to VIDA staff and Board members, and to the staff of Honduran NGOs eligible to receive FOPMA funding. The majority of the training will utilize U.S. offerors, while most observational tours will be conducted within the region. Attendance at selected international meetings and conferences will also be supported. All international training/travel, which will be managed by the institutional contractor, will require adherence to USAID policies.

In addition, funds from the GOH counterpart contribution will be made available to VIDA for the purpose of conducting seminars, workshops and technical meetings for Honduran NGOs. On occasion, these events will involve environmental NGOs throughout the region.

IV. RELATIONSHIP TO USAID AND COUNTRY PROGRAMS

One of USAID/Honduras' Strategic Objectives is "improved management - toward long-term sustainability of selected natural resources." The Project will directly contribute to this Objective through its support of subprojects undertaken by the non-profit private sector involving the management and protection of natural resources and the environment. Indeed, the Project is predicated on the belief that for this Strategic Objective to be achieved, both the GOH and the private sector must be encouraged and supported in fulfilling their appropriate roles in addressing environmental problems.

As discussed more fully in the Expanded Project Description (ANNEX D), there are three on-going Mission projects that also relate to this Objective. These projects support the GOH's role in establishing policies, assisting in technology transfer, developing management and enforcement mechanisms. The Project will include activities supportive of these on-going Mission efforts. This supportive relationship is illustrated by the fact that one of the three performance indicators for this Strategic Objective, increased number of households practicing one or more environmentally sound cultivation practices, will be addressed not only by the activities under the Mission's existing Land Use and Productivity Enhancement Project, (LUPE, 522-0292), but also through subprojects supported under the HEPF Project. Furthermore, one of the three program outputs under this Strategic Objective, increased private sector activity in improving natural resource management, will be met entirely by the HEPF Project.

The GOH, through CONAMA, has completed a national environmental action plan and associated legislation. VIDA will be actively involved in identifying priority environmental areas of concern under the plan. This fact, combined with the GOH's creation of the FOPMA and support for VIDA's mandate, leaves no doubt that the VIDA project is fully in line with the national government's priorities.

Other donors such as the United Nations, the Canadian International Development Agency (CIDA), the Dutch Government and CARE are carrying out or planning projects which will both support, and be supported by activities planned under the HEPF project. Several of these donors are expected to directly support VIDA and/or contribute to the Fund.

V. SUMMARY COST ESTIMATE AND FINANCIAL PLAN

The overall project budget is \$17,396,389 of which \$10,000,000 will be provided by USAID. The GOH counterpart contribution consists of the original 30,000,000 lempiras FOPMA contribution, and an additional contribution of \$2,062,222 in PL-480 Title III generated local currency. In addition, the UNDP will contribute \$668,000 and VIDA \$500,000 towards the administration of subprojects funded by the FOPMA. Of the total budget, \$9,882,403 will be utilized for the execution and administration of environmental subprojects. USAID will contribute \$5,000,000 of this figure. The remaining funding will come from GOH, UNDP and VIDA contributions as noted in the table that follows on the next page.

Other major project inputs include technical assistance to VIDA and local NGOs (\$1,995,000), and training oriented to institutional capacity building, and enhancement of environmental protection and natural resource management skills (\$700,000). The remainder of the budget covers project management (\$1,058,000), project monitoring and evaluation (\$410,000), recipient-contracted audits (\$125,000), and commodities (office/computer equipments and vehicles) to be procured by USAID (\$125,000). Given the length and unknowns of the Project, a substantial contingency figure, \$587,000, rounds out the budget.

SUMMARY COST ESTIMATE

PROJECT ACTIVITIES	USAID (\$ 000)	GOH (L. 000)	UNDP (\$ 000)	VIDA (L. 000)	TOTAL (\$ 000)
A. Environmental Sub-Projects					
1) USAID/VIDA Projects	5,000	5,400.0			5,750.0
2) Other FOPMA Projects	-	29,753.3			4,132.4
B. Sub-Project Administration	-	6,494.7	668	3,600	2,070.0
C. Technical Assistance	1,995	1,920.0			2,261.6
D. Training/Observational Tours	700	1,280.0			877.7
E. Commodities	125	-			125.0
F. Project Management	1,058	-			1,058.0
G. Monitoring and Evaluation	410	-			410.0
H. Audits	125	-			125.0
I. Contingency	587	-			587.0
TOTAL COSTS	\$10,000	L44,848	\$668	L3,600	\$17,396,389

* The U.S. Dollar value of GOH and VIDA Lempira expenditures is calculated at the official project exchange rate of L7.20 = \$1.00.

VI. CONDITIONS, COVENANTS AND REQUIRED ACTIONS

Following are project-specific conditions precedent and covenants, and actions required under the Cooperative Agreement between USAID and VIDA. All conditions and covenants contained in the bilateral Project Agreement can be found in Annex L.

Condition Precedent prior to first disbursement of Project funding:

The *reglamentos* covering the administration of the FOPMA by VIDA have been issued by the Grantee and are consistent with the Project purpose and approach.

Covenants to continued Project funding include:

o The Grantee agrees to contribute to the FOPMA as originally envisioned by the Congress and specified in Legislative Decree 69-92, published in La Gaceta, August 6, 1992.

- o The Grantee shall make every effort to promote coordination of, and cooperation between, environmental efforts carried out by public sector institutions and those carried out by NGOs and supported under the Project.
- o The Grantee agrees that at whatever time, as formally notified by USAID in writing, USAID concludes that the management of VIDA is not acceptable, USAID may suspend all or a portion of new Project disbursements until such a time as the management of VIDA again becomes acceptable.
- o The Grantee agrees that no pesticides will be procured or used, nor timber harvested, under this Project without first conducting an Environmental Assessment (EA), and having the EA approved in writing by USAID.

The following actions are required prior to any disbursement of funds under the Cooperative Agreement with VIDA:

- o VIDA's Board of Directors shall adopt and incorporate into the Foundation's operating manuals the following which are acceptable to USAID:
 - o Operational Organizational Plan and Staffing Pattern required to carry out responsibilities associated with implementation of the Agreement program;
 - o A policy regarding disclosure of possible conflict of interest, and full disclosure of all Selection Committee meeting minutes and other information to interested parties
 - o A policy confirming the autonomy of VIDA Executive Staff in managing day-to-day operations of the Foundation
 - o Standard project appraisal and selection procedures and criteria to be applied to all sub-project proposals except VIDA's "microproyectos" as determined by the VIDA Selection Committee involving expenditures over L10,000, including but not necessarily limited to an assessment of a proposed sub-project's:
 - Technical feasibility
 - Sustainability
 - Social soundness (See Annex I - Social Soundness Analysis)
 - Environmental impact (See Annex I - Environmental Guidelines)
 - Financial viability of the sub-project, and the capability of the proposing NGO to adequately manage the grant resources (See Annex I - Financial Analysis)
 - o Annual work plan including human and financial resources.

Actions required for continuation of the Cooperative Agreement with VIDA:

- o Approval by USAID of annual work plans which include human and financial resources;
- o Approval by USAID of the results of the impact evaluation of the environmental activities conducted under the program on an annual basis;
- o Approval by USAID of the results of annual recipient audits; and,
- o At least fifteen (15) per cent of the total budget of each sub-project receiving USAID funding is contributed from the FOPMA.

VII. IMPLEMENTATION ARRANGEMENTS

A. Obligating Instruments

The Project will be obligated through a Handbook 3, bilateral Project Agreement with the Government of Honduras. The counterpart agency will be the Ministry of Finance and Public Credit (MFPC). The Project Agreement designates VIDA as the Project implementing institution. The Mission will negotiate and sign a Handbook 13 Cooperative Agreement with VIDA. This Agreement will initially be executed for five years with the understanding that, based on a favorable mid-term evaluation of the Project, the Agreement will be extended up to an additional two years. USAID will obligate authorized funds in an incremental manner over the LOP.

B. Implementing Agencies and Their Responsibilities

USAID: The Mission's Office of Agriculture and Rural Development (ARDO) will manage the VIDA project. ARDO will provide the Project Officer assigned overall responsibility for the project. The Project Officer will supervise a USPSC Environmental Advisor, and a FSNPSC Project Liaison Officer who will oversee daily project management.

GOH: The GOH will provide its counterpart funds for the FOPMA, VIDA operating expenses, technical assistance and training in a timely manner. The GOH will also insure that the *reglamentos* for the operation of the FOPMA are issued prior to disbursement of any USAID Project Grant funding, and that VIDA complies with the *reglamentos*.

Fundación VIDA: The designated implementing institution for the Project will be VIDA, a private, non-profit organization recognized by Presidential Resolution 35-92 on June 10, 1992. Legislative Decree 69-92, issued August 6, 1992 created the FOPMA and gave VIDA responsibility for its management.

VIDA will have responsibility for assessing, approving, funding, and monitoring projects financed by the FOPMA. The ability to fulfill these responsibilities has been developed with the assistance of BSP consultants. VIDA will conduct assessments of the environmental impact and social soundness of all projects receiving funding. VIDA will award sub-grants to U.S. NGOs to finance costs of those subprojects undertaken in partnership with Honduran NGOs. In addition, VIDA will provide technical assistance and training to local NGOs eligible to receive FOPMA funding. VIDA will also be responsible for developing and managing the project's information system, and distributing relevant information to USAID and other interested parties. VIDA will not itself implement environmental subprojects.

Honduran NGOs: Honduran NGOs will be responsible for implementing environmental subprojects over the LOP with financing from USAID Project funds and/or the FOPMA. Both NGOs exclusively involved in environmental work, and traditional "development" NGOs will be eligible for funding provided the project proposed meets the required criteria. The Honduran NGOs will be responsible for designing projects, preparing grant proposals for submission to VIDA, and implementing and evaluating projects upon approval. Over the life of the project it is estimated that between 15 and 20 Honduran NGOs will implement co-venture subprojects in partnership with U.S. NGOs. Participation in a co-venture will ordinarily be required for Honduran NGOs to receive USAID funding under the Project. However, there may be a small number of Honduran NGOs that could be capable of undertaking a large subproject alone. These NGOs could be eligible, with Mission concurrence, to directly receive USAID Project funding.

U.S. NGOs: Up to 10 U.S. NGOs are expected to be involved with co-venture implementation. The range of these NGOs will include environmental NGOs, development NGOs, universities, and non-profit foundations and associations. The U.S. NGOs will be responsible for collaborating on the design and implementation of co-ventures with their Honduran partners under the terms of the co-venture sub-grant with VIDA.

C. Procurement Arrangements

The authorized source, origin and nationality of goods and services procured with the USAID contribution to the HEPF Project is the United States (000). Project financed goods and services, including sub-grants made by VIDA and/or grant sub-recipients, will be procured in accordance with relevant AID Handbooks, AID Acquisition Regulations, and the Federal Acquisition Regulation as applicable. Local procurement will be carried out in accordance with the procedures of Handbook 1B. The Project will comply with the Agency's rules and procedures for Gray Amendment procurement. Ten per cent of the U.S. technical assistance will be sub-contracted to a Gray Amendment eligible firm. In addition, the PSC Environmental Advisor qualifies for inclusion under the Gray Amendment.

Given the nature of the Project in which a number of key variables cannot be known in advance, eg., the number of Honduran NGOs requiring technical assistance, the Mission will

competitively bid and execute a level of effort (LOE) contract with an institutional contractor to provide long-term technical assistance to VIDA. A justification and request for approval of procurement through a LOE contract will be submitted by the technical office to the Deputy Mission Director. The contractor will be required to execute a joint venture with a U.S. NGO having experience in institutional capacity building. Local technical assistance will be procured directly by VIDA utilizing project counterpart resources. TA will also be initially provided through an add-on to the AID/W Biodiversity Support Program (BSP) Cooperative Agreement. The contractor will also be responsible for administering and organizing, but not necessarily providing, technical training and observational tours.

A Handbook 13 Cooperative Agreement between USAID and VIDA will finance VIDA's award of sub-grants to U.S. NGOs and Honduran NGOs to develop and implement environmental co-venture subprojects. It is intended that the Cooperative Agreement cover the LOP and involve \$5.0 million from USAID for subproject funding, and \$125,000 for VIDA to contract annual recipient audits locally.

USAID will contract directly for the services of a PSC/PASA Project Officer, a USPSC Environmental Advisor, and a FSNPSC Project Liasion Officer. The Mission will also contract for mid-term and final evaluations, and special assessments as required to monitor project performance. If non-Federal audits are required, they will be contracted by the Mission. In addition, the Mission will procure vehicles and office equipment and transfer these to VIDA for its use during the Project. An exemption from the current Mission policy of not financing the purchase of project vehicles must be obtained prior to any such action.

VIII. MONITORING AND EVALUATION

A. Information System

VIDA will manage the Project information system, which will measure progress towards achieving project objectives, and if necessary, serve as the basis for revision of project indicators over the LOP. Technical assistance has been and will continue to be provided by BSP to gather baseline information, and to develop and implement the system. The system will be designed to generate monthly, quarterly and semi-annual reports that will be used primarily by VIDA management, the long-term technical assistance advisors, and USAID project managers. System data will be gender-disaggregated to the maximum extent possible.

B. Evaluation Plan

The mid-term and final evaluations to be conducted under the HEPF Project will measure the overall impact of project interventions. The mid-term evaluation will be used by USAID to assess overall project performance to date, and whether to proceed with Phase II of the Project. If a decision is made to proceed, the evaluation results will serve as the basis for any required modifications to the project implementation strategy and/or funding levels. The final

evaluation will assess the achievement of the project purpose as well as the project's overall contribution to the Mission's Strategic Objectives. It will specifically address "lessons learned" that may be applicable to related USAID and/or GOH efforts. In addition to the two evaluations, the project will also conduct, as needed, special impact assessments of specific issues or implementation problems in order to offer timely analysis and the basis for resolution.

C. Audits

Recipient audits will be undertaken on an annual basis by VIDA, funding for which will be included under the Cooperative Agreement. In addition, USAID may conduct periodic non-Federal audits of the entire project if warranted.

IX. ANALYTICAL CONSIDERATIONS

Due to the nature of the Project, two types of analytical work were undertaken during the preparation of this Project Paper. In several cases the Project's design itself was analyzed, eg., the technical and administrative analyses. In other cases, such as with social soundness, it makes little sense to analyze the overall project since what is important is that the subprojects be designed and implemented in a socially sound manner. In these cases the analytical work involved the development of guidelines to be used by NGOs during the design of proposed subprojects, and by VIDA when it appraises proposals and awards funding.

A. Technical Feasibility

The proposed project interventions are technically feasible as designed, with the following qualification. The number, size and timing of U.S. NGO co-venture subprojects under the Cooperative Agreement with VIDA can at this time only be estimated. Four or five potential efforts have been identified to be considered for initial co-venture sub-grants. One co-venture profile (initial proposal) has already been received by VIDA. Other partnership opportunities should develop quickly as knowledge of the Project increases among the U.S. NGO community.

B. Administrative Alternatives

The Administrative Analysis concluded that the final project design incorporates the best alternatives for assigning implementation functions to the institutions participating in the project. All implementing institutions can meet the responsibilities assigned them, albeit in several cases as a result of technical assistance and training provided under the Project. Additional professional staff will be required by VIDA to meet its Project responsibilities. This staff will be funded by a portion of the GOH counterpart contribution to the Project.

C. Economic and Financial Feasibility

The Project does not lend itself to a traditional economic cost-benefit analysis due to the fact that many of the benefits accruing from both the environmental subprojects and the institutional capacity building aspects of the project will be difficult to quantify. Even the alternate least-cost method of analyzing the economic feasibility of the project is problematic given the difficulty of assigning values to alternative project approaches. The Project Economic Analysis does illustrate convincingly that likely Project benefits will far outweigh the costs.

The Financial Analysis found that the financial resources required to implement the project will be available, and on a timely basis. The analysis also included a financial review of VIDA which examined the organization's financial management and internal control capabilities. The review concluded that the institution will be able to fulfill its financial responsibilities with limited additional effort. Final certification of VIDA to award dollar sub-grants is expected to be possible by Fall 1993. The analysis notes that VIDA will assess and strengthen, as needed, the financial management capabilities of NGOs proposing subprojects prior to the award of Project resources. The analysis also contains the methodology which will be used by VIDA and proposing NGOs to insure that the proposed subproject approach is the least-cost alternative.

D. Social Soundness

The Social Soundness Analysis concludes that for the Project to be most successful, several key social aspects must be taken into consideration during subproject preparation, review and approval, and implementation. These include:

- Participation of local residents in project planning and implementation;
- Recognition of how both men and women will participate in, and benefit from, sub-project implementation;
- Recognition that for most subprojects to be ultimately successful, they must respond to human needs in the context of addressing environmental problems, eg., incorporating income generation opportunities into subprojects;
- Suitability of the proposed project interventions given the context and beneficiary population; and,
- Project impacts in terms of: (1) spread effect beyond the project participants; (2) equitable distribution of benefits; and, (3) sustainability beyond the PACD.

Subproject proposals will include a section on social soundness which will cover each of these areas as well as include a description of the overall socio-cultural context of the project. Technical assistance and training will be offered to both VIDA and local NGOs to strengthen socially sound project design, evaluation and implementation skills.

E. Environmental Considerations

The environmental threshold decision by the LAC Bureau was a positive determination based on the negative environmental impacts which could result from poorly designed and/or executed sub-projects. This determination required that environmental guidelines be developed by the Mission's Environmental Officer covering the design, evaluation and implementation of all subprojects receiving USAID funding. Portions of these guidelines (see ANNEX I), which have been approved by the LAC Bureau Environmental Officer, will also be followed by all NGOs involved with Project co-ventures, or receiving subproject funding from the FOPMA of more than L10,000. During the review of the initial subproject profile, VIDA staff and/or consultants will determine which specific guidelines must be followed in the subsequent preparation of the full project proposal. VIDA will assure compliance through their evaluation of these proposals and monitoring of project implementation.

Last Revision: December 14, 1993 U:\...0385\TEN

HONDURAN ENVIRONMENTAL PROTECTION FUND
Logical Framework

Life of Project Funding
From FY93 to FY00
Total U.S. Funding \$10 million

Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p>A.1 Goal</p> <p>To improve environmental protection and the management of natural resources in Honduras.</p>	<p>A.2 Measurement of Goal Achievement</p> <p>The rate of deforestation, soil erosion, and degradation of water quality have been slowed in areas covered by subprojects addressing these problems.</p>	<p>A.3</p> <p>VIDA records; Final Evaluation</p>	<p>A.4</p> <p>Other USAID projects are successful in assisting the GOH adopt strong environmental policies, legislation, and strategies which promote and facilitate the activities of the non-profit private sector.</p> <p>GOH agencies involved in natural resource management are effectively implementing programs in support of the project goal.</p>
<p>B.1 Purpose</p> <p>Strengthen and expand environmental protection and natural resource management activities carried out by non-governmental organizations (NGOs) in Honduras.</p>	<p>B.2 End of Project Status</p> <ul style="list-style-type: none"> • A substantial majority (approx. 75% or more) of the total subprojects funded under the Project have had a measurable positive impact upon the environment. 	<p>B.3</p> <ul style="list-style-type: none"> • Survey of NGO environmental activities. • Fundación VIDA records. 	<p>B.4</p> <p>Public support increases for environmental activities.</p> <p>VIDA and local NGOs are successful in mobilizing resources from a wide variety of sources, e.g., the Honduras public, private companies, international donors.</p> <p>GOH continues to support the FOPMA as a means of funding environmental projects.</p>

HONDURAN ENVIRONMENTAL PROTECTION FUND
Logical Framework

Life of Project Funding
From **FY93** to **FY00**
Total U.S. Funding **\$10 million**

Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
C.1 <u>Outputs</u>	C.2 <u>Output Indicators</u>	C.3	C.4
The design and implementation of projects addressing environmental protection and natural resource management issues.	The completion of 10-20 well executed subprojects by the PACD.	VIDA records: Final Evaluation	US NGOs are interested in collaborating with local NGOs.
b. Development of VIDA into a strong and widely respected institution capable of effectively managing the FOPMA.	VIDA is able to attract continued funding for the FOPMA from the GOH, and/or international donors.	VIDA records	International donors continue to provide funding for environmental activities in Central America.
c. An increase in public consciousness concerning the issues of environmental protection and natural resources conservation.	Percentage of the population aware of selected environmental issues increases by the PACD.	Nationwide surveys of public awareness. Baseline survey in CY 93; second survey in CY 97; final survey in CY 00	The GOH joins with the non-profit private sector to promote environmental awareness.

HONDURAN ENVIRONMENTAL PROTECTION FUND
Logical Framework

Life of Project Funding
From FY93 to FY00
Total U.S. Funding \$10 million

Summary	Objectively Verifiable Indicators				Means of Verification	Important Assumptions
D.1 <u>Inputs</u> (\$000)	D.2				D.3	D.4
	<u>USAID</u>	<u>GOH</u>	<u>VIDA</u>	<u>Other Donors</u>		
- Grants to US NGOs.	5,000				MACS Reports	
- Grants to Honduran NGOs.		4,882			FARS Reports	
- Technical Assistance.	1,995	266			Project Implementing Reports and Records	
- International Training.	700				MIS	
- National Training.		178			Evaluation Reports	
- Commodities.	125					
- Evaluation/Audits.	535					
- Project Administration.		902	500	668		
- Project Management.	1,058					
- Contingencies	587					
TOTAL	10,000	6,228	500	668		

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: Dwight Steen, RD 
Richard Whelden, DF

DATE: 19 October 1992

SUBJECT: National Environmental Protection Fund Project Concept Paper

ACTION REQUESTED: That you approve the subject paper, and in doing so, waive the requirement for the development of a Project Identification Document, and instead authorize the Mission to proceed with the preparation of a Project Paper.

BACKGROUND: A New Project Description (NPD) was prepared for the proposed National Environmental Protection Fund (NEPF) project and submitted to USAID/W during this year's Action Plan review. As a result of this review, the LAC Bureau requested clarification on certain points contained in the NPD. The Mission responded with a cable to LAC/DR, which along with the NPD, served as the basis for the late July approval to proceed with the proposed project design and FY93 project authorization.

DISCUSSION: Approximately one month ago, in a meeting with the Director of the Office of Agriculture and Rural Development, you requested that RD and DF prepare a short concept paper to further articulate the proposed NEPF design. The resulting paper (attached) provides the basis for your decision concerning whether a Project Identification Document (PID) should be prepared, or, as allowed under new LAC Bureau guidance, that development of the PID be waived and the design team authorized to proceed directly with the preparation of the Project Paper.

The new project design guidance notes that the basic purpose of the PID is to convince USAID management that a preliminary project proposal has merit, and therefore that it makes sense to devote resources to further developing the project design. The Concept Paper fully responds to this question. The proposed project would support both the GOH's strategy of increased reliance on the non-profit private sector to address environmental issues in Honduras, and, the actual undertaking of such efforts by local environmental NGOs. The Concept Paper presents the overall project strategy, and indicates the areas of emphasis that the project designers will address, in close coordination with our counterparts, during the actual design of the project. These emphasis areas are discussed in a separate memorandum (enclosed).

RECOMMENDATION: We recommend that you approve the attached Concept Paper, waive the development of a PID for the proposed National Environmental Protection Fund project, and authorize the Project Design Committee to proceed with the preparation of the Project Paper.

APPROVED: M. J. [Signature]

DISAPPROVED: _____

DATE: 11/16/00



ANNEX C
(ANEXO C)

SECRETARIA DE HACIENDA Y CREDITO PUBLICO

REPUBLICA DE HONDURAS

Tegucigalpa, D.C. 18 de junio de 1993

No....AT-136-93

Señor
MARSHALL BROWN
Director
Agencia para el Desarrollo Internacional
Su Oficina

Estimado Señor Brown:

El Gobierno de Honduras (GdeH) da gran importancia a la protección del medio ambiente y al manejo sostenido de nuestros recursos naturales. En consecuencia en los dos últimos años ha realizado acciones concretas orientadas a encarar responsablemente la problemática ambiental que tanto nos concierne.

Los esfuerzos del Gobierno se concretan a través de varias acciones:

Se creó la Comisión Nacional del Medio Ambiente (CONAMA) a nivel nacional de una estrategia para el medio ambiente y para dirigir las políticas necesarias en esta área y recientemente el Congreso Nacional emitió el Decreto No.0890, contentivo de la Ley del Medio Ambiente mediante la cual se consolida el marco institucional para el desarrollo.

Fué creado el Fondo de Protección del Medio Ambiente con un financiamiento de L.30.0 millones para ser utilizado en proyectos de medio ambiente ejecutados por otros Organismos Privados de Desarrollo (OPDs), lo que fue autorizado por el Decreto No.69-92 publicado en La Gaceta el 6 de agosto de 1992; el mismo, establece en el Presupuesto General de Ingresos y Egresos de la República, una transferencia anual de L.5.0 millones a partir de 1992, hasta completar el monto total indicado y designa a la Fundación Hondureña de Ambiente y Desarrollo VIDA (Fundación VIDA) como su administrador. Además se está concluyendo el plan de acción que orienta la estrategia del país en el mediano plazo.

Estos pasos positivos, indican la voluntad del país para enfrentar los enormes retos en el campo ambiental. Nuestros bosques están desapareciendo a una velocidad alarmante, las prácticas rudimentarias agrícolas están dando como resultado el rápido agotamiento y erosión de la tierra, y un considerable número de habitantes de vida salvaje están siendo degradados.



SECRETARIA DE HACIENDA Y CREDITO PUBLICO

REPUBLICA DE HONDURAS

Tegucigalpa, D.C.

No.....

El GdeH está enterado de que la Agencia de los Estados Unidos para el Desarrollo Internacional (USAID), promueve proyectos que apoyan los esfuerzos nacionales que tienen como objetivo el manejo de los recursos en forma racional y sostenible. Es por eso que nos gustaría solicitar formalmente la asistencia de USAID en un proyecto de la Fundación VIDA llamado Fondo Nacional para la Protección del Medio Ambiente. Este proyecto tiene como fin el mejoramiento del medio ambiente hondureño a través de la ejecución de actividades de las Organizaciones no Gubernamentales (ONGs) para el medio ambiente, reconociendo la necesaria participación del sector privado.

La Fundación VIDA es una organización nueva, y su Junta Directiva y reducido personal son en su totalidad personas dedicadas y talentosas. VIDA podría beneficiarse grandemente con un significativo apoyo a largo plazo. La meta de la Fundación VIDA es financiar proyectos que tengan un impacto positivo sobre el medio ambiente hondureño. Por lo tanto, esta institución jugará un papel muy importante en la ejecución de la estrategia nacional para mejorar el uso de los recursos nacionales y, a la larga, conservar estos recursos para el bienestar de las nuevas generaciones.

Las ONGs hondureñas, que diseñarán y ejecutarán proyectos ambientales con fondos del FPMA, son igualmente y en su mayoría, de reciente creación. A fin de que los proyectos que ellos tienen a su cargo sean más efectivos, se requiere una asistencia considerable en cuanto al fortalecimiento institucional general y en cuanto al desarrollo de experiencia técnica específica. Las responsabilidades de la Fundación VIDA incluyen tal asistencia, pero su propia capacidad en esta área es limitada. Dada la considerable experiencia de las ONGs de los Estados Unidos, con actividades en Latinoamérica sobre la administración de recursos naturales para la protección del medio ambiente, requerimos que ellos se involucren tanto en el fortalecimiento de las ONGs hondureñas como en el diseño actual y ejecución de proyectos. No hay duda que los esfuerzos en el medio ambiente en nuestro país podrían beneficiarse con este compartir de conocimientos y experiencia.

Finalmente, estamos conscientes que los L.30,000,000.00 que constituyen el FPMA para proyectos ambientalistas ejecutados por las OPDs en Honduras, ésta es una cantidad insuficiente, por lo cual el GdeH solicita que la USAID brinde apoyo financiero para la ejecución de proyectos ambientales en áreas prioritarias, identificadas por VIDA.



SECRETARIA DE HACIENDA Y CREDITO PUBLICO

REPUBLICA DE HONDURAS

Tegucigalpa, D.C.

No.....

El GdeH propone que si un esfuerzo bilateral como el descrito anteriormente es autorizado por USAID, el Ministerio de Hacienda y Crédito Público sea designado como la institución de la contraparte oficial, y que VIDA sea seleccionada como la institución ejecutora.

La contribución total de la contraparte, para el proyecto serán de \$2.320,000. El fondo de L.30,000,000.00 creado según Decreto 69-92, para la protección del medio ambiente, servirá también como contraparte para este proyecto, bajo el entendido que dicho fondo también podrá ser utilizado para financiar proyectos o contrapartes de otros donantes que se consideren prioritarios.

Atentamente,



René Ardon Matute
RENE ARDON MATUTE
Ministro

ANNEX D – EXPANDED PROJECT DESCRIPTION

I. SUMMARY AND RECOMMENDATIONS

A. Summary

The purpose of the Honduran Environmental Protection Fund (HEPF) Project (the Project) is to strengthen and expand environmental protection and natural resource management activities carried out by non-governmental organizations (NGOs) in Honduras. Priority attention will be given to: (1) conservation of ecosystems and protection of biodiversity; and, (2) sustainable management of watersheds. To accomplish this purpose, the Project will institutionally strengthen VIDA, and through that institution, Honduran NGOs.

Achievement of this purpose will directly contribute to the Agency, Bureau and Mission goals of encouraging preservation and sustainable use of the national resource base. The Project directly contributes to the Mission's Strategic Objective of improved management – aimed at long-term sustainability – of selected natural resources.

The Life of Project (LOP) will be seven years, with a total estimated funding level of \$17,396,389: \$10,000,000 in USAID funding; the local currency equivalent of \$6,228,889 in GOH counterpart contribution; \$668,000 from the United Nations Development Program; and, \$500,000 from VIDA.

The Project is composed of two phases. The initial phase will conclude with a major evaluation at the end of the third year of the Project. The results of the evaluation will be used by the Mission to assess overall Project performance to date, based on benchmarks and indicators mutually agreed upon with VIDA. As such, the evaluation will serve as the basis for a decision to continue with the second four-year phase of the Project.

As a result of Project activities, ten to twenty technically capable, widely supported Honduran NGOs will be engaged in the design and implementation of well executed environmental projects. Major outputs at the end of the Project will be: (a) the completion of 10–20 well executed projects addressing environmental protection and natural resource management issues; (b) development of Fundación VIDA into a strong and widely respected institution capable of effectively managing the FOPMA, evidenced by its ability to attract continued funding for the FOPMA from the GOH and/or international donors; and, (c) an increase in public awareness concerning the issues of environmental protection and more sustainable natural resource management.

The strategy for accomplishing the Project purpose is to provide capital resources to finance sound environmental protection projects (subprojects) undertaken by NGOs. The Project will provide resources for technical assistance and training to strengthen the capacity of VIDA to evaluate environmental subproject proposals against established criteria and to monitor and oversee the implementation of subprojects it has approved. Technical assistance and training will also be provided through VIDA to Honduran NGOs to strengthen their capacity to design and execute effective environmental protection and management activities.

As noted above, the Project will support the design and implementation of environmental projects and in the process strengthen the institutional capacity of VIDA and individual Honduran NGOs engaged in environmental activities. The primary focus of this integrated strategy will be to support the execution of subprojects that will have a demonstrable impact on the environmental degradation and mis-use of natural resources Honduras is currently experiencing. The completion of successful projects will in itself provide evidence that the capacity of the implementing NGOs has been sufficiently strengthened. Furthermore, there is nothing like success to draw additional resources, both human and financial, and even influence and improve public consciousness concerning the environment. All of these results will combine to ensure that the efforts of NGOs in Honduras to address environmental problems continue.

The Project's primary implementing institutions will be non-profit, non-governmental organizations, with the key project implementation responsibilities falling to VIDA. The extensive analysis that accompanied the design of this project confirms that without the active participation of such groups, the environmental challenges facing Honduras will not have a real chance of being adequately addressed. However, it is also true that the involvement of certain public sector institutions is important, and thus such partnerships will be encouraged where appropriate. In order to ensure that the impacts of the projects implemented by these NGOs are of the highest possible quality, the Project will support a number of subproject co-ventures undertaken by partnerships of U.S. and Honduran NGOs. Both the subprojects and the Honduran partners will benefit from the significant experience U.S. NGOs have gained in their years of work in LDCs involving similar environmental issues.

A Bilateral Project Agreement will be signed with the Ministry of Finance and Public Credit (MFPC) on behalf of the GOH. This agreement will designate VIDA as the Project implementing institution. VIDA has already been designated the GOH's agent for the management of the FOPMA, and through a cooperative agreement with USAID it will utilize USAID Project resources earmarked for environmental subprojects.

In addition to USAID funding used for the co-venture projects, funding will be used to procure technical assistance and training related activities in support of VIDA. In addition, USAID will fund limited commodities consisting of project vehicles for use by VIDA in overseeing subproject implementation, and office equipment also required for VIDA to meet its Project responsibilities. USAID funds will also finance costs of Mission project management and support, as well as Project monitoring and evaluations, and as needed, audits. Local currency counterpart will finance the additional cost of to VIDA of implementing the Project, and will provide funding to VIDA to offer technical assistance and training to Honduran NGOs. Additional local currency will also be contributed to the FOPMA. FOPMA funding will provide at least fifteen (15) per cent of the total cost of implementing the co-venture projects over the LOP.

B. Project Design Issues

One-half, or \$5,000,000, of the USAID financing for the Project is programmed for the support of co-venture subprojects to be implemented by partnerships of U.S. and Honduran NGOs. This figure was arrived at initially by project design consultants largely based on an analysis of the absorptive capacity of Honduran NGOs. However, an equally important question is the interest and capacity of U.S. NGOs to undertake work in Honduras. Early discussions with representatives of several of the major U.S. environmental NGOs revealed that Honduras is often considered a lower priority country in Latin America for such work (see report by RNorris in Project files). Several representatives noted that the overall resources of their institutions for international efforts are stretched thin given the interest of many donors, including USAID, to support environmental projects.

A subsequent demand analysis conducted by the project design team (see Annex I, Section 1 - Technical Analysis) uncovered greater interest among U.S. NGOs, particularly when told that the normal 25 per cent matching contribution requirement could be relaxed. The analysis concluded that between \$4.25 million and \$6.375 million will be required for co-ventures over the LOP. The analysis estimated that the \$2.5-\$3.0 million should be made available for co-ventures during the first three years of the Project. The final figure for funding is of course an open question, but what is clear is that as knowledge of the Project and successful initial co-ventures grows among the U.S. NGO community, the demand for support will grow.

The design issue was whether to authorize the Project at the originally estimated level of \$10.0 million, or to lower the authorization figure due to the uncertain demand for co-venture funding. The specific option was to base a lower authorization level on the estimated demand for co-venture funding over the first three or four years of the Project, and if then required add additional funding. Based on the demand analysis and in particular its discussion of the recently increasing interest expressed by a range of U.S. NGOs, the original authorization level of \$10.0 million was maintained.

A second issue related to a concern about unforeseeable changes in VIDA's management and/or the GOH's commitment to environmental protection initiatives over the seven year LOP. Given that VIDA's Board of Directors is up for re-election on an annual basis, and that a new Presidential administration will take office in the first year of the Project, the potential for change is certainly present. Once again, the design issue was whether to authorize the Project at the originally estimated level of \$10.0 million, or to lower the authorization figure due to these inherent uncertainties. A decision was made to authorize at the original level, but to design the Project in two phases. A major mid-term evaluation will be conducted at the end of the Project's third year which will provide the basis for deciding whether or not to proceed into the second phase. In addition, a covenant in the bilateral Project Agreement and a clause in the Cooperative Agreement with VIDA will permit USAID to take appropriate steps if VIDA's management becomes unacceptable.

Another issue regards the availability of PL-480 Title III funding, which is the source of \$2,062,222 of the GOH's total counterpart contribution. The current Title III program runs through the end of CY94, at which time only \$603,000 of the \$2,062,222 is estimated to have been required. The remaining funding will be placed by the GOH into the FOPMA, from which VIDA will access it in accordance with provisions contained in the Cooperative Agreement and FOPMA *reglamentos*.

A final issue related to whether funding should be granted to VIDA under a project sub-agreement between the GOH, USAID and VIDA, or a Handbook 13 Cooperative Agreement. The Project Review Committee felt a Cooperative Agreement was preferable since it is a method of implementation well covered in A.I.D. Handbooks, whereas a trilateral sub-agreement has a much more limited foundation. A direct agreement between USAID and VIDA was also more desirable from VIDA's perspective. Because USAID funds cannot be committed for more than five (5) years at a time, the Mission plans to extend the Agreement an additional two years to coincide with the LOP if warranted by the midterm evaluation of the Project.

C. Recommendation

The Honduran Environmental Protection Fund project directly contributes to USAID Honduras' goals and objectives. The Project is consonant with Agency and Bureau policies and strategies. Anticipated outputs will both result in actual mitigation of environmental degradation and abuse of selected natural resources during the LOP, and likely effective continuation of such efforts. The Government of Honduras, the non-profit, non-governmental sector, and other donors support the objectives and planned implementation procedures for the Project.

The project design team and Project Review Committee which prepared and reviewed the Project Paper have concluded that the Project has the sound financial, institutional, technical, and social bases to be successful. This conclusion is based on the various project analyses, institutional reviews, and studies completed by both outside consultants and USAID staff who assisted in the design. However, this conclusion is contingent on VIDA's adoption under the Cooperative Agreement of adequate and appropriate guidelines concerning the financial, institutional, technical viability, and, social soundness of approved subprojects. Prior to disbursement of Project funding to VIDA for co-venture grants, guidelines in these areas covering the design, implementation and evaluation of subprojects must be adopted by VIDA's Board of Directors for use with all subprojects receiving funding from the FOPMA.

Due to the potential of negative environmental impacts resulting from improperly designed and/or implemented subprojects, the LAC Bureau Environmental Officer decided on a positive determination in terms of the Project's environmental threshold decision. As a result, environmental guidelines for the design, implementation and evaluation of subprojects were developed by the Mission's Environmental Officer and reviewed by VIDA prior to their submission to AID/W. Prior to disbursement of Project funding to VIDA for co-venture

grants, these environmental guidelines, as approved by the LAC Bureau's Environmental Officer, must be adopted by VIDA's Board of Directors for use with all subprojects receiving funding from the FOPMA.

D. Project Design Team

The Mission Project Design Team was composed of:

Vincent Cusumano	Office of Agriculture and Rural Development
Margaret Harritt	Office of Agriculture and Rural Development
Richard Whelden	Office of Development Finance
Thomas Johnson	Office of Development Finance
Carmen Zambrana	Office of Development Programs
Donald Harrison	Office of Economic Programs and Analysis
Marco Zavala	Office of the Controller
Mauricio Montes	Office of the Controller
Michael Snyder	Office of Contract Management
Clifford Brown	Regional Legal Advisor

II. BACKGROUND

A. Country Setting

Central America is located in the zone of transition between the major flora and fauna of the North and South American continents. As such, there is a high degree of biological diversity represented by many groups of organisms in the array of unique habitats. Honduras is located precisely in the region where species have met and overlapped over millions of years of evolution. The significant diversity of habitats is represented in Honduras today by many types of forests which cover 75% of the land surface: lowland broadleaf, cloud forests, pine, oak-pine, semi-arid and scrub forests, and pine savannahs. In addition, Honduras has significant areas of riverine systems, wetlands, and coral reefs. All of these habitats are host to a wide variety of wildlife vegetation, which has adapted to the range of conditions of the region.

Honduras is the most mountainous country in Central America. The country has 75% of its surface in slopes greater than 30%, particularly the central and western regions. The eastern quarter of the country, the Mosquitia, is primarily flat and covered with lowland broadleaf forests and pine savannahs. The south of Honduras, with the country's only Pacific shoreline on the Gulf of Fonseca, is composed of important wetland and mangrove habitats. Off the north coast of Honduras lie the Bay Islands with their unique marine habitats. The three main islands and countless small cays form the southeastern limit of a barrier reef starting off the coast of Belize which is second in size only to the Great Barrier Reef off of Australia.

Honduras is one of the poorest countries in Latin America, with a per capita GNP in 1990 of only \$590. Life expectancy is 65 years and some 27 per cent of the adult population is illiterate. The population growth rate between 1890-1990 was 3.4 per cent, but is projected to fall to 2.8-2.9 per cent during the last decade of the century. Even so, the current population of around 5.1 million is projected to double by the year 2025.

Of Honduras' total land area of 112,000 km², about 25% (28,000 km²) is considered appropriate for agriculture, and 70% (78,400 km²) is considered appropriate mainly for forestry. Nevertheless, the actual land use in Honduras is 47% (52,990 km²) in agricultural uses, and 46% (50,000 km²) is in forest cover (including mangroves). Annual deforestation is estimated to be 800 km² (80,000 ha), but reliable long-term estimates have yet to be established.

There are presently 104 protected areas (declared and proposed), of which 54 have physically defined areas (the other 50 have not been determined yet). The total of the 54 areas is 14,015 km², which represents 12.5% of the total land area of Honduras. This is more than twice the average figure in 1990 of 5.8% for all low and middle income countries in Latin America and the Caribbean. Costa Rica's protected areas totaled 12.2 %, those of Guatemala 7.7 % - the Dominican Republic has a surprising 19.8 % of its land area in protected status.

B. Description of the Problem

The principal causes of environmental deterioration in Honduras are classic ones: poverty, land use and distribution inequalities, high rate of population growth, loss of soil through poor agricultural practices, etc. The degradation of the environment clearly threatens economic development and the quality of life for Hondurans. Principal constraints to abating the trend toward this loss of natural resources include insufficient human and financial resources, insufficient policy framework, lack of technical baseline data, low level of public awareness, lack of strong institutions and political will to enforce environmental policies, and a weak NGO community structure.

The loss of forest resources is considered the major environmental problem in Honduras, evidenced by high deforestation rates (estimated annual loss of 80,000 ha) and subsequent damage to watersheds. Deforestation is a complex socio-economic problem, and requires more than simple or short-term solutions to adequately address. Non-sustainable forestry and agricultural practices, forest fires, fuelwood gathering, commercial cattle ranching and agricultural activities all play a role in causing deforestation. Since there is no system in Honduras of assessing land-use capability, and in response to pressures from a fast-growing population, lands which are unsuitable for agriculture and grazing are put under cultivation (52,990 km² are presently in agricultural use - twice the area designated as appropriate for agricultural uses). The over-use of lands for agriculture has been accompanied by diminishing forest resources. The highest biodiversity in the world is found in tropical lowland broadleaf forests, and these forests have been diminishing at a rapid rate in Honduras, as indicated by the table on the next page.

AREA IN FOREST COVER 1964 - 1986
(km²)

FOREST TYPE	1964 ^a	1986 ^b
Pine	27,388	23,967
Broadleaf	40,722	26,543
TOTAL	68,110	50,510

a FAO/COHDEFOR. 1964. Inventario Nacional.

b COHDEFOR. 1986. Inventarios parciales.

The table shows that the pine forest cover has remained relatively stable from 1964 to 1986, while broadleaf forests were reduced by 65% in the 22 year period. This is due partly to the fact that the less diverse pine forest regenerate easily, unlike hardwood forests. With the relatively stable proportion of pine and the decrease in hardwood forest cover, the overall effect is that the composition of Honduran forests are converting to pine relative to total forest cover. In 1964, pine forests represented 40% of total forest cover, and in 1986 they represented 47% of forest cover (excluding mangroves). COHDEFOR has estimated that by the year 2000, forests will cover only 18% of the total area of Honduras if the present deforestation rates continue. What is not obvious from the forest cover data is that the density and quality of pine forests has been declining, which represents an economic loss. While the cover of pine forests remains stable, the quality timber has been high-graded (removing only the best trees), resulting in genetic erosion that leaves poor quality trees to supply seed for the next generations.

Coastal forest resources have suffered as a result of development as well. There have been significant losses (22%) of mangroves in the Gulf of Fonseca area just in the past 20 years. There are virtually no areas left of the tropical dry forests once found in southern Honduras. These areas will be increasingly threatened in the future as development proceeds unregulated.

The serious rate of loss of broadleaf forests has significant repercussions in the loss of biodiversity, wildlife, soil and water resources. These resources are needed for sustaining current populations as well as fueling the economic growth of the country. With the high population growth rate of Honduras (2.8%), there is considerable migration from regions already exhausted of their natural resources to the still pristine areas of the Mosquitia. The most dramatic example is the migration from the south (Choluteca region) to Olancho and the Mosquitia in the east. There is rapid deforestation occurring at the colonization front of the Mosquitia with no effective controls in place to slow it down. There are other environmental problems, such as the contamination of rivers and lakes from agricultural and industrial activities, as well as urban pollution (no waste treatment, air pollution, etc.).

Recent overflights of the parks and biological reserves of Honduras confirm the alarming rate of invasion and deforestation of supposedly "protected" areas, known as "paper parks". Honduran government agencies have done little until recent years to effectively protect its natural resources, evidenced in the above data. Laws exist under which environmental issues are addressed, but in effect, the laws are never enforced. This is a situation common to virtually all developing countries, but is changing both in response to political and economic forces. Most government agencies are underfunded and are inefficient organizations, with little political incentive until recently to pay attention to environmental issues. Most donor agencies including USAID have mandates to work under conditions that do not reduce biodiversity and destroy natural resources of host countries. Honduras is responding to recent policy changes under the Agriculture Modernization Law and the new Environmental Law, but it is too early to tell whether the government will fulfill its role.

The two broad environmental priority areas that will be addressed by the Project, conservation of ecosystems and protection of biodiversity, and, sustainable management of watershed resources, are closely related to deforestation and ineffective management of protected areas. Honduras' richest ecosystems – those with the highest biodiversity – are for the most part those associated with the country's broadleaf forests. Other important ecosystems, such as mangrove forests and coral reefs, are highly threatened in spite of being included within the protected area system.

As noted above, constraints to dealing with these environmental problems include insufficient human and financial resources and a lack of strong institutions. There is a need to increase the role of the private sector, especially non-profit organizations, in environmental protection and the management of natural resources. The non-profit private sector is often able to respond more quickly, generate revenue, and be more flexible in many cases than the public sector. What is needed is a partnership between such groups and responsible public sector institutions involving the management of the remaining natural resources such as significant watersheds, forests, and parks and reserves. Indeed, the recently created National System of Protected Areas creates such a partnership, with leading government agencies, business leaders, and environmental NGOs as members. However, at the present time there are few Honduran NGOs with the capability to implement large conservation and sustainable development projects.

III. PROGRAM FACTORS

A. Relationship to Agency Policy and Objectives

1) Agency Environmental Strategy

The goal of the Agency's Environmental Strategy is to promote environmentally sustainable development. This is accomplished by: (1) assuring that all USAID activities are environmentally sound through appropriate environmental reviews; (2) integrating environmental concerns into USAID-supported sectors and programs; and (3) supporting activities which are designed to protect and improve the management of the environment and promote the wise use of natural resources.

As guidelines to be used in setting up interventions, emphasis is placed on working with root causes and preventive actions. The guidelines include support for local empowerment and public participation.

The approaches suggested for implementing the Strategy consist of three categories of development program activities: strengthening human and institutional capacity and building public awareness, reforming economic and environmental policies and procedures, and encouraging private sector involvement.

2) AID/LAC - Environmental Strategy for Latin America and the Caribbean

The Project will contribute to the LAC Bureau's objective of supporting the achievement of broadly-based, sustainable economic growth, through responding to the Bureau's sub-objective of encouraging the preservation and sustainable use of (a country's) natural resource base. The Project strategy of working through the non-profit, non-governmental sector also is consonant with Agency and Bureau positions.

The LAC Bureau has established guidelines for a strategy for agriculture and natural resources (1991), which include a major component to improve the management of forests, watersheds, and coastal areas. According to the LAC Environmental Strategy (1993), the five major environmental problem areas for the Latin America and Caribbean region are the same as the overall Agency Strategy. The three designated for Honduras as priorities are:

- (1) tropical forests/biodiversity conservation;
- (2) sustainable agriculture; and
- (3) improved management/protection of watersheds and coastal resources.

B. Relationship to Mission Strategies

1) USAID/HONDURAS Mission Action Plan

Three major approaches to development in Honduras are outlined in the current Action Plan as policy, institutional development, and projects. The Project will address policy by providing critical baseline data necessary for making environmental policy decisions. The

Project will provide *institutional development* directly to Fundación VIDA and Honduran NGOs through various *environmental sub-projects*.

The Action Plan includes Strategic Objective #3 which is directly related to the environment and natural resources: Improved Management – Toward Long-Term Sustainability – of Selected Natural Resources. The HEPF project will directly contribute to the Mission's program fund outputs of increased private sector activity in improving natural resource management.

C. Conformity with GOH Strategy

The GOH has demonstrated an interest in the environment in recent years through a series of actions: the creation of the Fondo de Protección del Medio Ambiente (FOPMA), the draft of the Environmental Law creating a Ministry of the Environment, and proposed changes in government institutions such as COHDEFOR to reflect greater emphasis on conservation. Although the GOH lacks a crystallized environmental strategy *per se*, several documents exist which indicate the major environmental problems and potential solutions. With a version in 1982 and an update in 1989, the Environmental Profile provides the best compilation of the state of the environment in Honduras. Based on these documents, the Environmental Agenda was prepared by CONAMA for the UN Earth Summit in Rio de Janeiro in 1992. Currently the World Bank and GOH are preparing an Environmental Action Plan, to be completed by June 1993.

The role of Fundación VIDA in these activities is complementary and will strengthen government efforts. Along with CONAMA, VIDA will serve as a monitoring agent for progress in Honduran environmental affairs. The establishment of the FOPMA itself indicates that the GOH acknowledges the role of the private sector, and will likely seek complementary projects to which both government and NGOs can contribute.

Certain GOH institutions such as SANAA and COHDEFOR are increasing their involvement in conservation work, and VIDA will strengthen their activities through NGO collaboration. In sustainable agriculture, ongoing projects of the Ministry of Natural Resources will be potential collaborators with NGO projects, some of which could be supported through the HEPF project.

D. Relationship to Other Donor Activities

There are several international donors working in the environmental area, particularly in forest management. The Canadians (CIDA) have the primary work in hardwood forests, located along the north coast. This is a social forestry project involving small management units with participation in technical aspects by the local communities. CIDA also supports some individual projects for reforestation. The Germans (GTZ) have a social forestry project which is working in pine forests, particularly with resin tapper cooperatives, and another component for strengthening ESNACIFOR (Escuela Nacional Forestal), the forestry technician school. The Dutch have a project also based at ESNACIFOR, a social forestry project with resin

tappers in pine forests. There is project from Finland in pine forest management with emphasis on harvesting. The British have a project with ESNACIFOR on conservation of native tree species which includes inventories of a network of cloud forests and other ecosystems. The Swiss (COSUDE) will be funding a social forestry project in 1993, but are still in planning. UNDP has been active in supporting environmental groups such as VIDA and CONAMA in operational expenses, as well as support for the formulation of the Environmental Agenda and the Environmental Law, Fundación VIDA, and numerous other environmental projects.

The Project will complement these donor activities as well as lead the way for collaboration in the broader structure of priorities put forth by Fundación VIDA. VIDA will be coordinating donations from many donors, and the institutional strengthening provided by the Project will be of benefit to all.

E. Relationship to Other USAID Activities

1) Relationship to Natural Resources and Environment Activities

USAID/HONDURAS has a number of projects that have positive impacts on the environment. The principal ones in Natural Resources and the Environment are briefly described below.

The Forestry Development Project (FDP) has as its objective to improve the sustainable management of commercial pine forests and the efficiency of industrial conversion and marketing of wood products. The project can complement the activities of FDP by supporting projects in sustainable forestry practices under the model system. The Land Use Productivity and Enhancement Project (LUPE) has the objective to improve hillside agricultural production and productivity on a sustainable basis, including the management and protection of natural resources. The Project's likely support of subprojects involving sustainable hillside agriculture will directly complement, and at times utilize the expertise gained under LUPE. has a priority area for sustainable agriculture which can take advantage of the expertise of LUPE. The objective of the Policy Analysis and Implementation Project is to strengthen both private and public sector capacity to analyze policy issues and to formulate and implement economic policies and administrative reforms to stimulate agricultural growth. A new amendment to the project will address environmental and natural resources management policy. Project activities will help to operationalize some of these policies.

2) Relationship to Other Sectoral Activities

It is likely that the Project will finance activities that complement and/or will benefit from the following Mission projects.

The Health Sector II Project involves the improvement of rural water and sanitation. The Central American and Honduras Peace Scholarships (CAPS/HOPS) provide short and long-term training in environmental areas (among others) for Hondurans, including completion of bachelor's degrees and master's level training. Returning HOPS scholars have created an

NGO for environmental education in Honduras, PACOH. The types of training related to the environment also include sustainable agriculture technologies, natural resource management, communication technology for environmental education, hydrology, etc. The Municipal Development Project was developed in response to the Municipal Law of 1990, which transferred increased responsibility for natural resource management to local governments. The project includes activities which strengthen municipalities' skills in this area. Other project activities include working with local NGOs in areas such as environmental protection.

IV. PROJECT RATIONALE AND STRATEGY

A. Rationale

The problem which the Project will address was discussed above in Section II. The rationale for the Project leads directly from this assessment. Like many developing countries, Honduras has been dependent on its land, forest and water resources for much of its economic growth. The agricultural sector alone accounts for 30 per cent of the GDP and 55 per cent of the nation's employment. Forest and mineral resources along with agricultural commodities are the principal exports, contributing foreign exchange to needed to support continued development. In spite of the greater significance today of manufacturing and services in the economy, Honduras' natural resources will continue to play a vital role in continued economic development.

It is therefore of paramount importance that Honduras' land, forest and water resources be to used to generate economic growth in a sustainable manner. These resources, unlike others such as minerals, are after all considered "renewable" in the sense that their exploitation need not lead, *a priori*, to their exhaustion or degradation to the point of uselessness. Unfortunately, this is all too often the case today in Honduras where many private individuals have acquired considerable wealth by 'harvesting' natural resources below their scarcity value.

Environmental degradation is often the result of not utilizing natural resources in a sustainable manner. Such degradation not only has direct economic impacts – economic losses from soil erosion in just region of Central Honduras have been estimated in the millions of dollars per year – but also less tangible consequences such as loss of biodiversity, and social disruptions caused for example by migration brought about by soil depletion or erosion.

Unless the twin problems of misuse of renewable natural resources and environmental degradation are addressed, development in Honduras cannot be assured. As the World Bank's 1992 World Development Report well states, "Economic growth and sound environmental management are complementary aspects of the same agenda. Without adequate environmental protection, development will be undermined; without development, environmental protection will fail." It is important to note that environmental improvements will often benefit the poor, since they are less able than the rich to "buy out of" environmental problems. This is especially true in a country like Honduras where the great poverty is found in rural areas where environmental degradation often impacts the sole economic means of the poor. It is

critical to understand that the poor are both the victims and agents of environmental damage, and that alleviating poverty is a prerequisite for environmental sustainability. Sustainable development, that is, development that lasts, is clearly linked to environmental sustainability. Economic development activities, be they peasant farming or commercial forestry are not sustainable if they compromise the ability of future generations to improve their well being.

B. Strategy

The strategy of the Project is to rely on the efforts of the non-profit, non-governmental sector to promote sound environmental management *and* development. The strategy is based on the natural initiative found in the private sector, and more specifically, the interests of local citizens to improve their well being. This strategy does not signify a belief that the public sector is either unconcerned with the problem or unable to effectively act upon it, but rather that in a developing country such as Honduras the government's means of addressing environmental issues is limited, and must be complemented through private, local actions based on a sense of shared interest and responsibility if truly effective measures are to be taken.

The Project strategy of working largely at the local level through Honduran NGOs responds to a stark fact in Honduras and other developing countries: the poor often lack the resources to avoid degrading their environment. Often they are forced to live in environmentally fragile lands, eg., hillsides, forested areas, semiarid zones which due to their inherent unproductiveness for agriculture trap the very poor, preoccupied with day-to-day survival, at the edge of subsistence. An important objective of the Project strategy will be to break this vicious cycle by raising the level of understanding concerning environmental problems and demonstrating ways that sustainable development can take place in environmentally fragile lands. Needless to say, such efforts will not be successful if opportunities for income generation are not provided.

C. Selection of Participating Institutions

As noted above, the project strategy calls for the key implementation responsibilities to fall on non-profit, non-governmental institutions - in particular, Fundación VIDA. VIDA's participation in the Project is critical given both its designation by the GOH as the administrator of the FOPMA and the national character of its membership. VIDA will be designated by the GOH and USAID as the Project implementing institution.

The other NGOs participating in the Project will implement environmental activities funded by USAID and/or the FOPMA. These institutions will be selected on the basis of the proposals they submit to VIDA. U.S. and Honduran NGOs who have a demonstrated capacity to manage and implement environmental projects will be eligible to submit proposals.

In addition to the MFPC, in its role as the Project's GOH counterpart institution, other GOH institutions may participate in the Project under certain conditions. Honduran NGOs may include GOH entities as subproject partners, but the NGO must be the participating institution of record. Importantly, no funding from either USAID or the FOPMA will be permitted to flow to GOH institutions unless it was assured that such funding would not replace appropriated GOH budget allocations. GOH funds associated with staff salaries and other subproject costs would form a portion of the implementing institutions' counterpart contribution. Municipalities may participate in the Project as subproject partners, again with a NGO in the lead.

V. PROJECT OBJECTIVES

A. **Goal:** The goal of the Project is to improve environmental protection and the management of selected natural resources in Honduras. The measurement of goal achievement will be that the rate of deforestation, soil depletion, and degradation of water quality have been slowed in areas covered by subprojects addressing these problems.

B. **Purpose:** The Project purpose is to strengthen and expand environmental protection and natural resource management activities carried out by non-governmental organizations (NGOs) in Honduras.

C. **End of Project Status:** A substantial majority, estimated at 8 to 16, of the subprojects funded under the Project have had a measurable positive impact upon the environment.

D. **Outputs:** The Project's activities will result in:

- the completion of an estimated 10 to 20 well executed projects addressing environmental protection and natural resource management issues;
- development of Fundación VIDA into a strong and widely respected institution capable of effectively managing the FOPMA, evidenced by its ability to attract continued funding for the FOPMA from the GOH and/or international donors; and,
- an increase in public awareness concerning the issues of environmental protection and more sustainable natural resource management.

VI. PROJECT DESCRIPTION

A. Environmental Subprojects

The Project programs \$5.0 million in USAID funding for subgrants to Honduran NGOs to be used for the execution of environmental subprojects. Initially, partnerships with U.S. NGOs experienced in the design and execution of environmental activities will be required. Such

"co-ventures" will provide Honduran NGOs with the opportunity to share in the knowledge gained by U.S. NGOs from years of working in Latin American and elsewhere in the developing world. If the initial co-ventures are successful in this respect, some subgrants may be awarded during the latter half of the Project that do not involve the participation of U.S. NGOs.

VIDA will administer this Project component and thus be responsible for appraising and approving co-venture proposals, monitoring subprojects, and overseeing the evaluation of the results. The same selection criteria and implementation standards will be applied to USAID-funded co-ventures as to subprojects funded entirely by the FOPMA. The USAID financed subgrants will cover both lempira and dollar (if any) costs. Over the seven (7) year LOP, fifteen percent of the total cost of the co-venture subprojects will be funded from the HEPF. At the official project exchange rate (L7.20=\$1.00) this would require approximately L5,400,000. However, under the Project the GOH has agreed to contribute an additional L5,153,300 to the FOPMA above and beyond its original contribution of L30,000,000.

All Project co-ventures will respond to the following two broad environmental priority areas identified by VIDA and USAID:

- Conservation of Ecosystems and Protection of Biodiversity

Examples:

- National Park guide/guard training programs
- Ecotourism development
- Preservation of significant wildlife habitats, eg., estuaries, cloud forests, coral reefs

- Sustainable Management of Watershed Resources

Examples:

- Training in sustainable agriculture practices
- Community forestry and reforestation

Within these broad areas, co-ventures may involve aspects of other priority concerns identified by VIDA as long as the primary purpose is to address one or both of the proceeding. For example, subprojects involving the preservation and/or protection of cultural/archeological sites may be funded if such efforts are one part of a larger effort to manage or preserve legally designated protected areas, or are in conjunction with ecotourism development - for example, in the Copán valley - which will result in the improved management and protection of the ecosystem in which the site(s) is located. Another example might involve efforts of municipalities and local NGOs to improve the collection and treatment of sanitary wastes, if part of a comprehensive effort to improve the management of a watershed.

Out of all the subprojects anticipated by VIDA to be executed over the first five years of their administration of the FOPMA, ten to fifteen are expected to involve the participation of U.S. NGOs. Such arrangements may be one-on-one, or with several Honduran partner NGOs.

The co-ventures may be focused on a geographic region or on a particular topical area, and could involve U.S. NGOs working on either a residential or intermittent basis. The cost of these co-ventures is estimated to be in the range of \$300,000 to \$500,000 each.

The dollar costs that will be covered by the subgrants involving U.S. NGOs could include: personnel and travel/per diem for long- and short-term advisors; project vehicles and machinery; computer hardware and software; and, specialized equipment such as pollution monitoring devices. The U.S. NGOs will be expected to contribute to the co-ventures by covering costs associated with initial project development (prior to any subgrant award by VIDA), and general overhead and administrative costs over the term of the undertaking.

These co-ventures could be arranged in several ways. In some cases, Honduran NGOs have existing relationships with U.S. NGOs, such as those developed under the on-going Parks in Peril and Paseo Pantera projects, and may suggest joint efforts at the conclusion of these activities. In other cases, a Honduran NGO may develop the conceptual design for a co-venture and approach VIDA to facilitate a partnership with a U.S. NGO.

The following process is envisioned for initiation, award and execution of co-venture subgrants:

1) The U.S. and Honduran NGOs formalize their co-venture partnership and develop an initial project profile. During the initial year of the Project, a small pre-design grant will be available to Honduran NGOs to help cover costs associated with the preparation of the profile. These grants, which will be available as well to those NGOs not participating in a co-venture, will not exceed \$25,000. Funding will come from the FOPMA. The completed profile will be submitted to VIDA.

2) VIDA's staff will review the co-venture profile and prepare an appraisal report with two related purposes in mind:

a) to ensure that the purpose of the proposed subproject relates to one of the Project environmental priority areas, and that the submittal contains all the required information set out in the profile preparation guidelines;

If the profile is approved by VIDA's Selection Committee, which will include a USAID representative as a non-voting member, then:

b) a package is prepared by VIDA, and/or consultants contracted by VIDA, describing the specific requirements of the full proposal in terms of the supporting analyses; for example, what factors the environmental assessment and social soundness analysis must address; and,

c) an assessment by VIDA of the technical assistance/training needs of the Honduran NGO within the context of the proposed subproject. The Honduran NGOs involved in the co-ventures will need to demonstrate their capacity in general financial and managerial areas.

During the initial two (2) years of the Project, design grants will be available to cover a portion of the dollar and lempira costs of the full proposal preparation. The proposing NGOs will submit a design budget to VIDA for review. In no case should the design budget exceed ten (10) per cent of the estimated cost of the subproject itself, unless otherwise approved by VIDA. A grant for seventy-five (75) per cent of the approved budget's dollar costs will be made from USAID Project resources contained in the Cooperative Agreement with VIDA. For non-co-venture proposals and co-venture lempira costs, design grant resources will come from the FOPMA.

3) The NGO co-venture partners respond to comments on the initial submittal and resubmit a final project proposal, including the required analyses, for consideration by the Selection Committee. The Committee will utilize the services of technical specialists, including expatriate experts funded by the Project, to conduct the technical review of the proposal. Approval of the full proposal by VIDA's Board of Directors will result in the award of a co-venture grant to the NGO partners, 15 per cent of which will come from non-USG contributions to the FOPMA.

4) VIDA monitors subproject implementation, and evaluates the results in the same manner as with all of the FOPMA-funded subprojects in its portfolio. VIDA will conduct periodic program evaluations to assess the degree to which program goals are being accomplished.

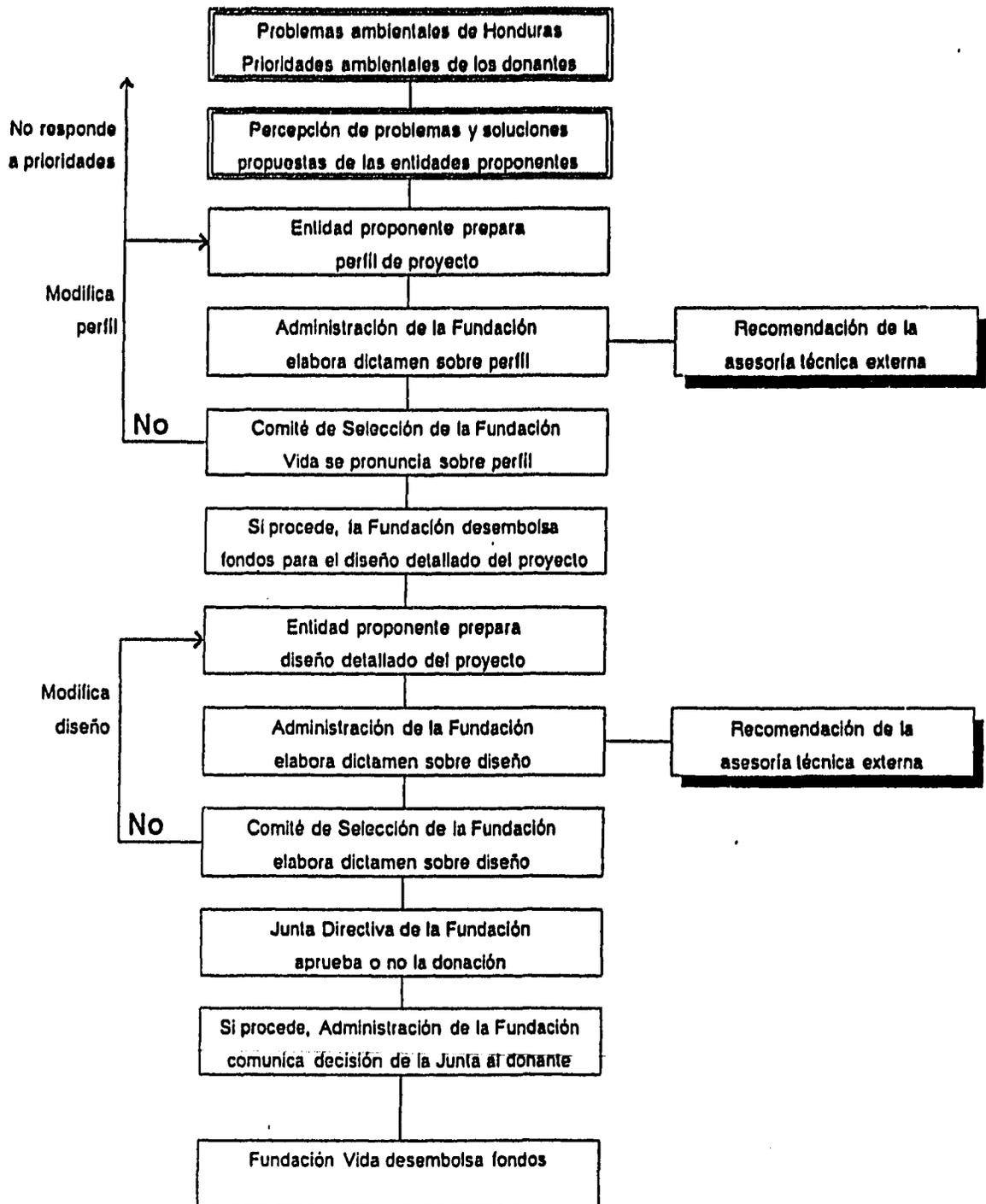
(Please refer to the diagram on the following page which illustrates this process.)

In the Technical Analysis conducted for the Project (see ANNEX I) the demand for funding to conduct co-ventures is assessed. The assessment conservatively estimates that between \$4.25 million and \$6.375 million will be required for co-venture funding over the LOP. During the first three years of the Project an estimated five multi-year co-ventures will be begun, requiring an estimated \$3.0 million in USAID Project funding. The Technical Analysis also contains a number of possible co-venture vignettes describing implementation and expected results.

Before these co-ventures can take place, VIDA will be certified by USAID to award U.S. dollar subgrants. Final certification is expected by the Fall of 1993, and will depend on VIDA's ability to retain the additional qualified staff required to efficiently undertake the work associated with negotiating and managing the subgrants. VIDA will either need to hire or contract out for these services. The GOH will provide funding under the Project for this purpose. Provisional certification is expected by the time of Project Authorization at the beginning of July, 1993, under which VIDA will be able to receive limited Project funds for an initial co-venture grant.

VIDA's project selection procedures will include a policy pertaining to the disclosure of possible conflicts of interest (See Annex L - Conditions and Covenants), and of full disclosure of all Selection Committee meeting minutes and other information to interested parties.

FUNDACION VIDA PROCESO DE SELECCION DE PROYECTOS



A.1) Possible Initial Co-Ventures

The ideal criteria for the initial one or two co-venture projects include the following:

- o addresses a visible environmental priority area of both VIDA and USAID
- o is capable of producing tangible results in 18 months or less (even if the project will last longer)
- o makes use of an existing relationship between U.S. and Honduran NGOs
- o is located in a relatively accessible area to promote maximum visibility to the Honduran public and visitors from the U.S.

Possible co-ventures meeting most if not all of these criteria include:

1) Environmental protection and management/ecotourism development in the Bay Islands

Wildlife Conservation International and APRODIB and/or BICA

Remarks: All three groups have been involved with USAID's regional Pasco Pantera project which has just ended. The co-venture would involve a follow-on. The IDB is supporting similar activities. The subproject would cover a visible priority area in an accessible location.

2) Protected area/watershed management in the Cusuco-Merendón

The Nature Conservancy and Fundación Hector Rodrigo Pastor Fasquelle

Remarks: Both groups currently involved with the USAID Parks in Peril (PACA) project. Co-venture would be an add-on. Strong partners - the Fundación is already managing at least \$85,000 per year in funding. Accessible location.

3) Sustainable Agriculture Training Center in San Pedro Sula

Katalysis Foundation and ODEF

Remarks: Important topic. Subproject profile already submitted to VIDA. Strong partners with good track record. Fast start-up - construction of facilities and training courses will begin during year one. Accessible location.

4) Community Forestry/watershed management in Joya Grande (btwn. Teg., Zamarano and Santa Lucia)

Zamarano and Aldea Global

Remarks: Interest of parties not know, but Zamarano already involved with community forestry in the area. Aldea Global, headquartered in Santa Lucia, would bring experience from their successful work near Lake Yojoa. Accessible location.

Vignettes of possible co-ventures were prepared as part of the Technical Analysis (see Project files).

B. Institutional Strengthening

1) Technical Assistance

Under the Project, technical assistance will be provided to VIDA through two means: (1) Expatriate technical assistance will be provided by a U.S. institutional contractor. Under this procurement two long-term resident advisors will be placed in VIDA, one for two years and the other for six years. Another 35 person months of short-term specialized TA will also be associated with this contract. The primary purpose of this TA will be to strengthen VIDA's capacity to manage the FOPMA, which includes the strengthening of Honduran NGOs.

Both resident advisors will have had received at least Master's degrees in ecology, biology or another environmental science, or a related field, and have experience working with environmental NGOs in Latin America, particularly as it relates to institutional development of NGOs. The advisor staying for two years will have responsibility for assisting VIDA with policy and procedural matters; for example, refining the subproject proposal appraisal and selection criteria, and procedures for assessing and offering training and technical assistance to Honduran NGOs. The second advisor will have more field-oriented responsibilities, including subproject monitoring and evaluation, and conducting environmental impact assessments.

The short-term TA will be requested by VIDA on an as-needed basis. The subjects of this work are expected to range from broad categories, eg., promotion of community participation in the design and implementation of subprojects, to very specific topics such as assisting VIDA in the review of a proposal involving a captive breeding program for an endangered Honduran species.

Expatriate TA is also initially being provided through an add-on to the USAID/W Biodiversity Support Program (BSP) Cooperative Agreement. The purpose of this TA is to provide initial support to VIDA during the approximately eight-twelve month period before the institutional TA contractor can be selected and placed in-country. This TA, for example, will assist VIDA in further assessing the TA and training needs of local NGOs, which in turn will be offered largely by local providers (see next section). Another important output of this work will be the development of VIDA's subproject monitoring and evaluation system.

An important result of all expatriate TA will be the transfer of knowledge to VIDA staff and consultants which will allow them to offer a greater range of technical assistance and training during the course, and after the completion, of the Project.

Under the Project technical assistance will be offered through VIDA to local Honduran NGOs. Local technical assistance for this will be funded by a portion of the GOH

counterpart contribution to the Project, and will be utilized to directly build Honduran NGO capacity. This TA will be contracted directly by VIDA and will cover such general areas as accounting, internal controls, project management, monitoring and evaluation, as well as topics more directly related to Project activities, eg., conducting environmental impact assessments. An estimated 100 person months of TA will be available through VIDA to all Honduran NGOs eligible to receive funding from the FOPMA. In the case of local NGOs which are involved in co-ventures with U.S. NGOs, project-specific TA will also be provided by the U.S. partner.

An estimated 50 person months of local TA will also be contracted by VIDA to assist with the technical review of subproject profiles and proposals.

2) Training

International short-term, technical training and observational tours will be offered both to VIDA staff and Board members, and to the staff of Honduran NGOs eligible to receive FOPMA funding. The majority of the training will be offered in Honduras utilizing U.S. providers, while most observational tours will be conducted within the Latin American region. Attendance at selected international meetings and conferences will also be supported. Examples of the short-term technical training include environmental impact assessment, watershed planning, integrated pest management techniques, ecological management, etc. Observational tours are anticipated to selected countries in Latin America containing, for example, successful protected area management programs involving local NGOs. All international training/travel, which will be managed by the institutional contractor, will require adherence to USAID policies.

GOH counterpart will be made available to VIDA for the purpose of conducting seminars, workshops and technical meetings for Honduran NGOs. On occasion these events will also involve environmental NGOs throughout the region. Examples of the type of training to be offered are proposal writing, project monitoring and evaluation, and project analysis.

3) Commodities

The Project will fund a limited amount of office equipment/computers and a number of vehicles considered essential to VIDA's effective operation. These items will be procured directly by USAID and transferred to VIDA for its use under the Project.

ANNEX E - DETAILED COST ESTIMATE AND FINANCIAL PLAN

I. PROJECT ELEMENTS

This section presents the elements planned under the project. The financial plan which follows provides information on the level and timing of the required funding.

A. Environmental Subprojects

Between ten and fifteen environmental subprojects will be implemented utilizing USAID funding of \$5,000,000. Most, if not all, will be designed and implemented by partnerships consisting of U.S. and Honduran NGOs. The average cost per "co-venture" is estimated to be in the range of \$300,000 to \$500,000. Both U.S. dollar and local (lempira) costs will be covered. Fifteen percent of the total budget for subprojects will be covered by non-USG FOPMA funds.

USAID co-venture funding will be awarded and disbursed to implementing NGOs by VIDA under the Cooperative Agreement between VIDA and USAID. These subgrants may cover dollar and lempira costs associated with project implementation. Upon the approval by VIDA of a co-venture project profile, funds may be made available to the partners to cover a portion of the costs associated with the preparation of the full project proposal. Upon approval of the final proposal, implementation grants will be tranced in accordance with the subproject agreement between VIDA and the NGOs. Project funds will be advanced to VIDA under the Cooperative Agreement in accordance with an estimated annual budget based on subproject needs.

The GOH will contribute an additional amount of approximately \$715,735 in local currency for environmental subprojects, bringing the GOH's total FOPMA contribution to approximately \$4,882,400 at the official project exchange rate of L7.20=\$1.00.

B. Technical Assistance

Technical assistance will be provided under the Project to both VIDA, and through it, to Honduran NGOs involved with the design and implementation of environmental activities. The TA to VIDA will be delivered by a U.S. provider and involve both long-term advisors and short-term consultants. The Mission will directly contract these services, estimated to cost \$1,995,000. VIDA will manage a TA program directed at Honduran NGOs funded by GOH counterpart funding equivalent to approximately \$266,650 in local currency. The U.S. NGOs participating in the co-venture program (see above) will offer project-specific TA to their local partners, the cost of which will be included within the co-venture budget.

C. Training and Observational Tours

Training and observational tours will be funded using both \$700,000 in DA dollar resources and GOH counterpart funding equivalent to approximately \$177,800 in local currency. The TA provider will manage the former, while VIDA will manage the latter, which will involve

the production of local seminars and workshops. Significant on-the-job training will occur under the co-venture subprojects.

D. Commodities

Office equipment and vehicles required for the Project will be procured by USAID. \$125,000 is budgeted for this purpose. Small amounts of additional commodities will likely be included in the subprojects and funded under the co-venture grants awarded by VIDA.

E. Project Management

The project will be managed by a USPSC/PASA, assisted by the Mission's Environmental Advisor and a full-time FSNPSC Project Liason Officer. All costs for project management and office support will be funded, pro-rated as appropriate, from the Project. The overall estimated cost for this project element is \$1,058,000.

Reimbursement of costs borne by VIDA associated with co-venture administration will be provided by GOH counterpart contribution funding equivalent to approximately \$902,000. (See Table III.1 which follows.)

F. Evaluations and Monitoring

The cost, estimated at \$410,000, of Project evaluations, special appraisals and monitoring will be funded directly by USAID. The costs for these activities associated with co-ventures will be covered by the subgrants awarded by VIDA.

G. Audits (See next section)

II. FINANCIAL PLAN

A. Financial Costs

The estimated total cost of the Honduran Environmental Protection Fund Project is \$17,396,389, consisting of \$10,000,000 in USAID financing and the local currency equivalent of the remainder in GOH, UNDP and VIDA counterpart contributions. The previous section on project elements describes the use of USAID dollars and GOH counterpart funds. GOH counterpart will be made available from the GOH national budget. Should the source of the funding be PL-480 Title III generations, it will be managed in accordance with procedures for that program. VIDA's counterpart contribution will consist of donations received from other non-USG sources, or the FOPMA.

The tables that are attached provide cost estimates and anticipated budgetary requirements over the seven year LOP. Table I presents USAID, GOH, UNDP and VIDA expenditures by

project element. Table II projects USAID expenditures by fiscal year, while Table III presents required annual local currency requirements.

B. Methods of Financing and Disbursement

Approximately one-half of USAID Project funding, an estimated \$5,125,000 will be disbursed under a Handbook 13 Cooperative Agreement with VIDA. Of these funds, \$5,000,000 will be sub-granted by VIDA to U.S. NGOs for the purpose of designing and implementing co-ventures with Honduran NGO partners. The capability of VIDA to financially manage these sub-grants must be certified by the Mission Controller's Office prior to their award. The Cooperative Agreement will also contain funding of \$125,000 to cover the cost to VIDA of contracting annual recipient audits.

All funding contained on the Cooperative Agreement will be disbursed to VIDA based on periodic advances covering up to ninety (90) day period, although VIDA will present monthly liquidation reports. The amount contained in each advance will be based on VIDA's estimated financing needs for sub-grants and once a year, audits, over the period. Sub-grants will also be disbursed by VIDA to implementing NGOs on the same basis.

USAID funded TA and training will be obligated through a direct institutional contract to a U.S. provider. The contractor will be responsible for the provision of long- and short-term TA, and administration of international training and observational tours. The Mission will directly procure commodities, and contract for project management and support staff, evaluations, and audits. The methods of financing and implementation are detailed in Table IV.

Section 635 (h) of the FAA states that USG foreign assistance funds cannot be committed any longer than five (5) years from the date of obligation. Since this clause applies to both contracts and assistance instruments, neither the Cooperative Agreement with VIDA nor institutional contract will exceed five years in duration. The Mission anticipates extending the Agreement for an additional two years to coincide with the LOP. The decision to extend will be made after the Project's mid-term evaluation and be contingent on the evaluation results.

C. Audits

The Project has budgeted \$125,000 for independent, recipient audits to be directly contracted by VIDA under the Cooperative Agreement with USAID. Agency contracted, non-federal audits of project activities are not anticipated to be needed. If required, however, the Audit Section of the Regional Inspector General's Office will supervise these audits, and may make its own periodic audits of the use of project funds. Because this project will be executed under a Handbook 3 Bilateral Grant Agreement with the Government of Honduras, the Controller General of the Republic may also audit the project.

Francis Cooper
Controller

6/30/93
Date

TABLE I - ESTIMATED COSTS BY PROJECT ELEMENT (\$000)

	<u>USAID</u>	<u>GOH</u>	<u>UNDP</u>	<u>VIDA</u>	<u>TOTAL</u>
<u>PROJECT ELEMENTS</u>					
I. ENVIRONMENTAL SUBPROJECTS					
A) Grants to NGOs	5,000	4,882			9,882
B) Project Administration*		902	668	500	2,070
Subtotal	5,000	5,784	668	500	11,952
II. INSTITUTIONAL DEVELOPMENT					
A) Technical Assistance					
-Resident Advisors 8 person years	1,495				
-ST Expat. Consultants 35 person months	500				
-ST Local Consultants 150 person months @ \$2/mn.		266			
Subtotal	1,995	266			2,261
B) Training					
-Int'l. Tech. Trng.	500				
-Study Tours/Exchanges	100				
-Int'l. Mtgs.	100				
-Local Seminars & Workshops		178			
Subtotal	700	178			878
C) Office Equipment and Vehicles					
-Office/Computer Equipment	50				
-Vehicles (4)	75				
Subtotal	125				125

* See Table III.1 for detailed breakdown.

NOTE: GOH and VIDA expenditures will be in Lempiras, the U.S. Dollar value of which are indicated in this table based on the official project exchange rate of L7.20=\$1.00.

<u>PROJECT ELEMENTS</u>	<u>USAID</u>	<u>GOH</u>	<u>UNDP</u>	<u>VIDA</u>	<u>TOTAL</u>
III. USAID PROJECT MANAGEMENT					
A) USPSC Environmental Advisor	330				
B) USPSC/PASA Natural Resources Advisor	300				
C) FSNPSC Project Liasion Officer	310				
D) Support Costs	118				
Subtotal	1,058				1,058
IV. EVALUATION AND MONITORING					
A) Mid-Term and Final Eval.	210				
B) Special Assessments (4)	100				
C) Project Output Monitoring	100				
Subtotal	410				410
V. AUDITS					
A) Annual Recipient Audits	125				
Subtotal	125				125
SUBTOTAL	9,413	6,228	668	500	16,809
Contingencies	587				587
TOTAL	10,000	6,228	668	500	17,396

TABLE II- SUMMARY USAID PROJECT COSTS BY INPUT BY YEAR
Calendar Years
US\$ (000)

Description	93	94	95	96	97	98	99	00	TOTAL
1) Environmental Sub-Projects	500	1,250	1,250	1,250	750	0	0	0	5,000
2) Institutional Development*	75.0	638.5	569.5	355.5	365.5	370.5	347.5	98.0	2,820.0
3) Project Management	100	202	202	202	202	100	25	25	1,058
4) Project Monitoring and Evaluation	50	35	35	100	10	35	35	110	410
5) Audits	0	25	25	25	25	25	0	0	125
6) Contingencies									587
TOTAL	725	2,151	2,082	1,933	1,353	531	408	233	10,000

* Includes technical assistance, training, and commodities.

TABLE II.1 - ESTIMATED COST OF INSTITUTIONAL CONTRACT (\$000)
Calendar Years

Description	93	94	95	96	97	98	99	00	TOTAL
1) Resident Advisors	0	335	324	160	170	175	180	0	1,344
2) Short-term Technical Assistance	0	115	57	57	57	57	29	29	401
3) Training	0	100	150	100	100	100	100	50	700
4) Management and Overhead	0	38.5	38.5	38.5	38.5	38.5	38.5	19.0	250.0
TOTAL	0	588.5	569.5	355.5	365.5	370.5	347.5	98.0	2,695.0

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TABLE III - LOCAL CURRENCY REQUIREMENTS (000 LPs)
Calendar Years

Description	93	94	95	96	97	98	99	00	TOTAL
1) Contribution to the FOPMA	480	1,200	1,200	1,200	72	1,001.3	0.0		5,153.3
	\$66.6	\$166.7	\$166.7	\$166.7	\$10.0	\$139.0	\$0.0		\$715.7
2) Project Administration	902.4	1,088.6	1,264.7	1,275.5	1,257.6	348.2	357.7		6,494.7
	\$125.3	\$151.2	\$175.7	\$177.2	\$174.7	\$48.4	\$49.6		\$902.1
3) Training and Technical Assistance	288	384	448	544	512	512	512		3,200
	\$40.0	\$53.3	\$62.2	\$75.6	\$71.1	\$71.1	\$71.1		\$444.4
TOTAL	1,670	2,673	2,913	3,020	1,842	1,862	870		14,848
	\$231.9	\$371.2	\$404.6	\$419.5	\$255.8	\$258.5	\$120.7		\$2,062.2

NOTE: HEPF contributions shown in this table do not include the GOH's pledged L30,000,000 which will be disbursed through 1997 at the annual rate of L5,000,000.

Lempira figures based on official project exchange rate of L7.20=\$1.00.

TABLE III.1 - ESTIMATED VIDA PROJECT ADMINISTRATION BUDGET

	(\$000)							USAID	NON-USAID	TOTAL
	ANO 1	ANO 2	ANO 3	ANO 4	ANO 5	ANO 6	ANO 7			
PERSONAL										
Expertos Tecnicos	25	35	40	45	45	40	36	0		266
Consultores Hondurenos	9	9	9	9	9	0	0	0		45
Subtotal	34	44	49	54	54	40	36	0		311
Personal Profesional										
Directora Ejecutiva	27.7	27.7	27.7	27.7	27.7	27.7	27.7	0		193.9
Director Financiero	20.3	20.3	20.3	20.3	20.3	20.3	20.3	0		142.1
Director Tecnico	20.3	20.3	20.3	20.3	20.3	20.3	20.3	0		142.1
Oficial de Proyectos*	25.9	38.6	51.8	51.8	51.8	51.8	51.8	0		323.5
Oficial de Informacion	9.3	9.3	9.3	9.3	9.3	9.3	9.3	0		65.1
Oficial Financiero	12.9	12.9	12.9	12.9	12.9	12.9	12.9	0		90.3
Oficial de Evaluaciones	0	18	18	18	18	18	18	0		108
Oficial de Contratos	18	18	18	18	18	18	18	0		126
Auditor Interno	0	17.0	17.0	17.0	17.0	17.0	17.0	0		102
Subtotal	134.4	182.1	195.3	195.3	195.3	195.3	195.3	0		1,293.0
Personal de Apoyo										
Oficial Administrativo	9	9	9	9	9	9	9	0		63
Contador*	9.2	9.2	13.7	13.7	13.7	13.7	13.7	0		86.9
Secretaria	9.2	9.2	13.7	13.7	13.7	13.7	13.7	0		86.9
Motorista	2.2	2.2	4.5	4.5	4.5	4.5	4.5	0		26.9
Aseadora	1.3	1.3	1.3	1.3	1.3	1.3	1.3	0		9.1
Conserje	1.4	1.4	1.4	1.4	1.4	1.4	1.4	0		9.8
Subtotal	32.3	32.3	43.6	43.6	43.6	43.6	43.6	0		282.6
Viajes	13.5	13.5	14.4	15.3	16.2	16.2	16.2	0		105.3
TOTAL PERSONAL	214.2	271.9	302.3	308.2	309.1	295.1	291.1	0		1,991.9
SUBCONTRATOS										
Expertos Tecnicos	2.7	3.6	3.6	3.6	3.6	3.6	3.6	0		24.3
Servicios Publicitarios	4.5	4.5	2.7	1.8	1.8	0	0	0		15.3

	ANO 1	ANO 2	ANO 3	ANO 4	ANO 5	ANO 6	ANO 7	USAID	NON-USAID	TOTAL
Subtotal	7.2	8.1	6.3	5.4	5.4	3.6	3.6	0		39.6
CAPACITACION										
Capacitacion en servicio	13.5	13.5	13.5	13.5	13.5	0	0	0		67.5
Seminarios/Talleres	20	25	30	30	28	25	20	0		178
Subtotal	33.5	38.5	43.5	43.5	41.5	25	20	0		245.5
EQUIPO										
Utiles de Oficina	2.4	2.7	3.1	3.1	3.1	3.1	3.1	0		20.6
Equipo de Oficina	30.8	26.5	10	0	0	0	0	50		67.3
Moto	2	0	0	0	0	0	0	2		2
Vehiculos	21	48	25	0	0	0	0	73		94
Gas/Mantenimiento	0.4	1.3	1.8	1.8	1.8	1.8	1.8	0		10.7
Subtotal	56.6	78.5	39.9	4.9	4.9	4.9	4.9	125		194.6
VARIOS										
Espacio Extra de Oficina	0	9.3	9.3	10.8	10.8	10.8	10.8	0		61.8
Subtotal	0	9.3	9.3	10.8	10.8	10.8	10.8	0		61.8
TOTAL	311.5	406.3	401.3	372.8	371.7	339.4	330.4	125		2,533.4

SOURCES OF FUNDING FOR VIDA PROJECT ADMINISTRATION (EXCLUDING USAID FUNDING OF \$125,000)
(\$000)

PNUD	668	(L.4,809,600)
VIDA	500	(L.3,600,000)
GdeH/USAID (PL-480)	<u>1,346</u>	(L.9,691,200)
TOTAL	2,514	(18,100,800)

NOTES: 1) Project administration expenses will be in lempira, indicated in this table based on the official project exchange rate of L.7.20 = \$1.00.

2) USAID funds shown in this table will be used by USAID to directly procure the indicated vehicles and equipment for transfer to VIDA.

3) GdeH/USAID (PL-480) funding level includes \$266,000 for local technical assistance and \$178,000 for local training.

4) VIDA funding will be necessary in project years 6 & 7. It will be obtained from donors and/or the POPMA.

* One project manager and one accountant funded by the PNUD will be exclusively responsible for VIDA's "micro-proyectos" program.

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TABLE IV: METHODS OF FINANCING AND IMPLEMENTATION

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approximate Amount</u>
I. Environmental Projects		
Grants (Granted by VIDA)	Direct Payment Bank L/Comm.	<u>5,000,000</u>
II. Institutional Development Technical Assistance & Training		
Institutional Contractor (Possible AID/W Cooperative Agreement Add-on)	Direct Payment	2,695,000
Commodities (Procured by USAID)	Direct Payment	<u>125,000</u>
III. USAID Project Management		
Personal Services Contracts (USAID Contracted)	Direct Payment	940,000
Misc. Support Costs (Communications, secretarial, office supplies, etc.)	Direct Payment	<u>118,000</u>
IV. Evaluation and Monitoring		
Evaluations IOC (AID/W)	Direct Payment	210,000
Special Assessments Purchase Orders (USAID Contracted)	Direct Payment	100,000
Monitoring Purchase Orders (USAID Contracted)	Direct Payment	<u>100,000</u>
V. Audits		
Purchase Orders (VIDA contracted)	Direct Payment	<u>125,000</u>
VI. Contingencies		<u>587,000</u>
TOTAL PROJECT		10,000,000

ANNEX F - IMPLEMENTATION PLAN AND SCHEDULE

I. Project Elements

There are five general project elements under the HEPF project:

1. Environmental Subprojects
2. Institutional Development
3. Project Management
4. Project Monitoring and Evaluation
5. Audits

Each element is discussed below, followed by a presentation of key implementation steps over the first twelve months of the Project. An illustrative implementation schedule covering the entire LOP follows.

A. Environmental Subprojects

An estimated 10 - 15 environmental subprojects will be designed and implemented utilizing USAID funding over the LOP. Most are expected to be undertaken by partnerships of U.S. and Honduran NGOs. VIDA will be responsible for approving proposals and monitoring subproject implementation. Funding for the subprojects will be contained in a Handbook 13 Cooperative Agreement signed between USAID and VIDA, and will subsequently be sub-granted by VIDA to NGOs with approved proposals.

Key aspects of the Cooperative Agreement follow:

a) The receipt by VIDA of the assistance instrument on a non-competitive basis will be justified as allowed under Chapter 2, Section 2B in Handbook 13;

b) VIDA will over the period of the agreement contribute from non-U.S. sources a minimum of 25 per cent of the total expenditures under the program supported by the agreement. Such contributions may be in cash;

c) Prior to signing of the agreement VIDA will be provisionally certified by the Mission Controller's Office as being capable of administering U.S. dollar subgrants;

d) The agreement will involve substantial involvement by USAID in the supported program, including but not necessarily limited to:

- participation of a USAID representative as a non-voting member of the Selection Committee
- approval of annual work plans and operating budgets

- initial, and thereafter periodic determination of the staffing sufficiency to adequately fulfill program responsibilities
- periodic determination of the appropriate use of sub-project appraisal and selection criteria, particularly those relating to environmental soundness
- approval of the findings of annual recipient audits

e) The Agreement will initially be executed for five years with the intention, based on a favorable midterm evaluation of the Project, that the Agreement will be extended up to an additional two years.

B. Institutional Development

This project element consists of long and short-term technical assistance, training and study tours, and a limited amount of office equipment and vehicles. The technical assistance and training will be provided under a competitively bid institutional contract. In order for VIDA and other Honduran NGOs to benefit from the technical assistance as soon as possible the Mission will need to develop the SOW and issue a RFP within a short period after project authorization. Vehicles and office equipment will be procured directly by USAID and transferred to VIDA for its use during the Project.

C. Project Management

Project management will be performed by existing Mission staff located in ARDO. No competition will be required to fill these positions. The Project Officer, a PASA, will supervise a USPSC Environmental Advisor, while a Project Liaison Officer will oversee daily project management.

The management of environmental subprojects funded under the Project will be the responsibility of the staff associated with the implementing NGOs. VIDA staff will be responsible for monitoring all subprojects.

D. Project Monitoring and Evaluation

Monitoring will take place at both the Project and subproject levels utilizing information gathered and analyzed by three participants:

- a. by the NGOs implementing subprojects.
- b. by VIDA under its responsibility as administrator of the FOMA and recipient of USAID funding; and,
- c. by the Mission in order to account for the use of USG funds and measure indicators relating to the project's contribution to Mission Strategic Objectives.

A midterm and final evaluation of the project will be conducted by the Mission in close collaboration with VIDA, the implementing NGOs and interested GOH officials. In addition, all NGOs receiving funds from both the Project and/or the FOMA will be required to conduct a final evaluation of their sub-project's impact.

E. Audits

Independent, non-federal audits may be performed of project activities. The Audit Section of the Regional Inspector General's (RIG) office will supervise these audits if conducted, and may also perform its own periodic audits of the use of project funds. Annual independent financial audits will also be contracted by VIDA and examine not only its administration and use of USG funding under the Cooperative Agreement, but its entire program.

II. Implementation Actions and Schedule

Key implementation actions for the first twelve months of the project are outlined below based on Project Elements. Absence of a particular Project Element in the period indicates that no additional key actions are required. The table that follows indicates key implementation actions over the LOP.

Schedule assumes Project Authorization, Project Agreement, and Cooperative Agreement with VIDA are signed by 7/2/93.

Project Month 1 - July '93 (4th qtr. FY93)

1) Environmental Projects

- a) FARS staff work with VIDA to meet requirements of USAID provisional certification prerequisite for expenditure of USAID funds.
- b) VIDA and Mission Project management continues pre-Project efforts to identify U.S. NGOs interested in and capable of participating in Project co-venture subprojects.
- c) VIDA completes review of initial co-venture profile and approves funding for initial FOMA subprojects.

2) Institutional Development

- a) VIDA receives TA under the pre-Project add-on to the BSP cooperative agreement.
- b) Mission Project management completes, with VIDA participation, first draft of SOW for long- and short-term technical assistance and training provider and distributes for comments.
- c) GOH makes available Project counterpart funding for remainder of GOH fiscal year (Lps. 712,000 thru 12/31/93) for VIDA operational expenses. VIDA begins the process of identifying and selecting required staff.

3) Project Management

- a) PIO/Ts completed by ARDO and contracts modified by OCM to fund project management staff from the Project.
- b) Mission project management staff and VIDA prepare FY94 budget for GOH counterpart resources.

4) Project Monitoring and Evaluation

- a) With the assistance of BSP staff, VIDA begins development of its sub-project monitoring/information system, including the establishment of monitoring requirements for subgrant recipient NGOs, and, the identification and collection of baseline information.
- b) Mission project managers will begin collection of any required baseline information for overall program monitoring, eg, attitudinal surveys.

5) Audits

- a) VIDA will develop and adopt an annual audit plan with assistance from FARS.

**Project Month 2 - August '93
(4th qtr. FY93)**

1) Environmental Projects

- a) VIDA meets FARS requirements and is provisionally certified.
- b) Two-three additional U.S. NGOs have submitted Project co-venture profiles which are reviewed by VIDA.
- c) GOH makes available Project counterpart funding for remainder of GOH fiscal year (Lps. 300,000 thru 12/31/93) for the FOMA.

2) Institutional Development

- a) GOH makes available Project counterpart funding for remainder of GOH fiscal year (Lps. 288,000 thru 12/31/93) for local TA and training.
- b) VIDA begins provision of TA and training to Honduran NGOs using local providers funded by Project counterpart resources.
- c) BSP TA to VIDA continues.
- d) Mission issues RFP for TA and training institutional contract.
- e) VIDA continues process of identifying and selecting required Project staff.

4) Project Monitoring and Evaluation

- a) VIDA completes development of its subproject monitoring/information system. Collection of baseline information is completed. Subproject monitoring commences.
- b) Arrangements completed to conduct attitudinal survey.

**Project Month 3 - September '93
(4th qtr. FY93)**

1) Environmental Projects

- a) Initial co-venture subproject proposal is reviewed and approved, and funding is awarded.

b) U.S. NGOs continue to be identified for possible co-venture participation.

2) Institutional Development

a) With assistance from the BSP resident advisor, VIDA completes assessment of TA and training needs of Honduran NGOs and plan for its provision.

b) VIDA continues provision of TA and training to Honduran NGOs using local providers funded by Project counterpart resources.

c) BSP TA to VIDA continues.

d) VIDA completes process of identifying and selecting required Project staff.

4) Project Monitoring and Evaluation

a) VIDA continues subproject monitoring.

b) Mission monitoring of Project co-ventures commences.

Project Month 4 - October '93
(1st qtr. FY94)

1) Environmental Projects

a) U.S. NGOs continue to be identified for possible co-venture participation.

2) Institutional Development

a) FARS updates financial review and if conditions have been met, awards final certification.

b) Mission review of submitted proposals under RFP.

Project Month 5 - November '93
(1st qtr. FY94)

2) Institutional Development

a) OCM and ARDO continue negotiations with potential TA contractors.

Project Month 6 - December '93
(1st qtr. FY94)

Project Month 7 - January '94
(2nd qtr. FY94)

4) Project Monitoring and Evaluation

- a) VIDA submits first semi-annual report based on the Project information system to USAID.

Project Month 8 - February '94
(2nd qtr. FY94)

2) Institutional Development

- a) TA contractor selection, and contract signing.

Project Months 9-12 (March-June '94)
(2nd-3rd qtrs. FY94)

1) Environmental Projects

- a) Second co-venture subproject is selected by VIDA.

2) Institutional Development

- a) Placement of long-term advisors. (April)

3) Project Management

- a) With assistance of long-term advisors, VIDA completes 1994 Operating Plan and Budget which is reviewed by Mission project managers.

4) Project Monitoring and Evaluation

- a) VIDA submits second semi-annual report (in June).
- b) Mission project management staff completes first annual measurement of performance and program indicators based on VIDA's semi-annual reports.

5) Audits

- a) VIDA contracts for first annual audit.

Date Last Revised: 30 June 1993
UA..PROJECTS\0385\ANNEXF

ANNEX G - PROCUREMENT PLAN

I. AUTHORIZED SOURCE/ORIGIN

The authorized source/origin for procurement under the Project is the United States. Procurement will follow the rules and guidelines of the relevant USAID Handbooks, including Handbook 1B, Procurement Policies; Handbook 15, Commodities; Handbook 10, Training; and Handbook 14, USAID Acquisition Regulations, and the Federal Acquisition Regulations (FAR) as applicable. Local procurement will be carried out in accordance with the procedures of Handbook 1B. In addition, the Project will comply with the Agency's Gray Amendment rules and procedures.

II. NON-U.S. PROCUREMENT

The Project has been designed in accordance with Handbook 1, Sup. B, Chap. 18. U.S. procurement is required whenever practicable. Local procurement for the Project is planned only for those goods or services for which Handbook 1, Sup. B, Chap. 18 provides a specific exemption. The attached table presents the Procurement Plan and indicates the "buy America" implications of each type of procurement funded under the Project. All procurements will require U.S. source, origin and nationality except for the following which are permissible without waiver under the cited sections of Handbook 1, Sup. B, Chap. 18:

1) The Project plans to fund short-term technical training, study tours, and attendance at selected international meetings, all outside Honduras. The recipients of these events will include the staff and Board members of VIDA, and the staff of Honduran NGOs implementing environmental sub-projects. A portion of these activities will be conducted, ie., procured, outside of the United States. Section 19 of the Buy America guidance provided that the source policy on participant training set forth in Handbook 10 remains unchanged by the Buy America policy. Handbook 10 authorizes Third Country training under "appropriate circumstances." The non-U.S. training procurement envisioned under the Project is appropriate for the following reasons:

a) The technical training needs of the intended participants is a function of both their responsibilities and the environmental issues being addressed by their institutions. Many of these issues are unique to developing countries. Environmental training developed and offered in such countries is at times more appropriate than that available in the U.S.;

b) The great majority of training participants will not have English language skills sufficient to benefit from much of the technical training conducted in the U.S. Such training, to the degree it is available in other Latin American countries, is therefore more appropriate; and,

c) The use of Third Country training is likely to be more cost-effective. Not only are travel and per diem costs likely to be lower, but the actual cost of the training should allow a greater number of participants to benefit.

2) The Project will procure non-federal audits to be conducted under the direction of the Audit Section of the Regional Inspector General's Office. It is highly likely that the only

locally-appropriate and cost-effective audit firms will be Host Country. Handbook 1 provides that the guidance does not apply to professional services contracts under \$250,000.

3) The Assistant Project Manager and Project Secretary will both be PSCs with Host Country nationality. The estimated LOP cost of each (one-half time) position is \$140,000 for the Manager, and \$28,000 for the Secretary. Handbook 1 provides that the guidance does not apply to professional services contracts under \$250,000.

4) The Project budget includes funding for several separate studies and assessments relating to Project evaluation and monitoring. No single procurement from a U.S. or Host Country firm is estimate to cost more than \$50,000. Handbook 1 provides that the guidance does not apply to professional services contracts under \$250,000.

5) Procurement by VIDA under the cooperative agreement with USAID, and by sub-grantees financed by the agreement, will be required to conform to Handbook 1, Sup. B, Chapter 18 regulations, as modified by the standard provisions of Handbook 13 cooperative agreements.

If during project implementation a procurement is proposed that requires a waiver under Handbook 1, Sup. B, Chap. 18, such a waiver will be obtained before proceeding with the procurement.

In those transactions for which local procurement is authorized, local sources will be utilized in accordance with Handbook 3, Appendix 5D, and the LAC Central American Strategy to encourage effective regional cooperation.

III. GRAY AMENDMENT PROCUREMENT

The Project will comply with the Agency's rules and procedures for Gray Amendment procurement. Ten per cent of the U.S. technical assistance will be sub-contracted to a Gray Amendment eligible firm. In addition, the PSC for the expected Project Manager qualifies for inclusion under the Gray Amendment.

TABLE VI - PROCUREMENT PLAN

Commodity Service	Description	Estimated Cost	Source	Origin	Type of Procurement	First Delivery Date (months)	Purchase Agent
Environmental Projects	Cooperative Agreement Sub-Grants to U.S. & Honduran NGOs	5,000,000	000	000	Competitive Sub-Grants	4	USAID/H VIDA
Technical Assistance	Institutional Contractor	1,995,000	000	000	Competitive and/or AID/W Add-on	8	USAID/H
Commodities	AID Direct Contract	125,000	000	000	Competitive	2	USAID/H
Training	Technical Training and Study Tours	700,000	000/941 000/941	000/941 000/941	Competitive N/A	8	Institutional Contractor
Project Management	PSC(s)	1,058,000	000	000	Non-Competitive	0	USAID/H
Studies	AID Direct Contract	200,000	000	000	Competitive	Various Various	USAID/H AID/W VIDA
Evaluation	IQC Contract	210,000	000	000	Competitive		
Audits	Recipient	125,000	000	000	Competitive		
Total		9,413,000					
Total U.S.		6,285,000					
Total Non U.S.		3,128,000					

ANNEX H MONITORING AND EVALUATION PLAN

I. PROJECT MONITORING

The HEPF Project monitoring will provide a basis for measuring progress towards achieving Project objectives, and thus informed management decisionmaking. It will also serve as the basis for a decision to conduct special rapid assessments of specific implementation issues. Finally, Project monitoring will result in important information to be used during project evaluations.

In the course of monitoring, data will be gathered into an integrated Project information system. The information system will be designed to generate monthly, quarterly and semi-annual reports that will be used primarily by VIDA and USAID to guide management decisionmaking. System data will be gender-disaggregated to the maximum extent possible. Based upon the parameters listed below, technical assistance to VIDA will be provided by BSP consultants in order to gather baseline information, and develop and implement the monitoring plan and associated information system. One of the two long-term resident advisors provided under the Project will bring specialized experience in the monitoring and evaluation of environmental activities.

H) Levels of Required Information

Information from Project monitoring will be gathered and analyzed at three levels: by the NGOs implementing sub-projects; by VIDA under its responsibility as administrator of the EPF and recipient of USAID funding; and, by the Mission in order to account for the use of USG funds and to measure indicators relating to the Project's contribution to Mission Strategic Objectives.

1) Sub-project Level: NGOs implementing specific sub-projects will be responsible for implementing this information system. Gender-disaggregated general information will include, *inter alia*, the following:

- Project participants
- Level and type of community participation in project design and implementation
- Project beneficiaries

The same categories of General Information will be required regardless of the type of sub-project.

Sub-project specific data pertaining to selected indicators will also be gathered and will provide the basis for measuring sub-project progress and impact on the beneficiaries and the environment. This data will of course vary depending on the type of sub-project and its objectives. Upon approval of the sub-project profile, VIDA staff and consultants will assist the NGO identify what indicators should be used to measure sub-project impact. The selection of indicators will be based on the following criteria:

- indicators should provide tangible, easily measurable data about expected impacts;
- data collection should not be too difficult, costly, or time consuming;
- indicators should primarily address sub-project-level impacts, rather than wider regional or countrywide concerns (unless the latter comprise the sub-project area); and,
- where feasible, local residents should be able to assist in data collection. As a result, indicators should focus on practical measures, be straightforward and deal with issues meaningful to residents of the sub-project area.

For example, a sub-project involving watershed management might include monitoring of the composition and density of vegetation within the watershed, and data collection concerning stream flow, water tables, natural storage and drainage patterns.

A detailed monitoring (and evaluation) plan will be required in all full proposals submitted to VIDA. The monitoring and evaluation plan will contain baseline information pertaining to each of the sub-project indicators. Technical assistance and training, managed by VIDA and funded under the HEPF Project, will be provided to Honduran NGOs in order to develop and implement thorough monitoring and evaluation programs. Funding from design grants, available upon approval of sub-project profiles, may be used for the collection of baseline data. U.S. NGO co-venture partners will also take responsibility for this work.

The application of environmental guidelines in association with each sub-project will be an integral part of the monitoring program.

2) EPF Program Level: As well as ensuring that individual sub-projects are adequately monitored, VIDA will also be responsible for assembling program-level information. The information collected for this effort will cover all sub-projects funded by the EPF and will be provided by the implementing NGOs in periodic reports as outlined in their approved monitoring and evaluation plans. As noted earlier, BSP consultants will assist VIDA in developing this system, which will collect, *inter alia*, data pertaining to:

- Dates of project initiation and completion
- Type, location, participants and beneficiaries of sub-projects
- Level and source(s) of funding
- Project objectives
- Measurable impacts on the environment and the beneficiary population

In addition, VIDA will collect data on the training and technical assistance activities it provides to Honduran NGOs, including disaggregated participant information and an assessment of its effectiveness.

The program level information database developed by VIDA will permit the production of reports containing disaggregated information concerning sub-projects, training and technical assistance funded by individual donors including USAID.

3) Mission Level: Mission level monitoring will involve the assembly and appraisal of financial information which will permit project managers to assess how and at what rate project funding is being expended, and the correlation with planned project outputs. All Mission level information will be assembled on a semi-annual basis in the standard project status report.

Monitoring at this level will also be associated with measuring progress towards the Mission Strategic Objective, of "improved management - toward long-term sustainability - of selected natural resources." The project is expected to contribute to two of this objective's performance indicators and two program indicators as noted below.

- Performance Indicators

- Forest Reserves/Protected Area Under Long Term Management Plans

- Unit of Measure: Number of Reserve, Parks and Protected Areas Managed in a Sustainable, Enforceable Manner

- Increased Number of Households Practicing One or More Environmentally Sound Cultivation Practices

- Unit of Measure: Cumulative Number of Families

- Program Output No. 3.2 - Increased Environmental Awareness and Technology Transfer

- Program Indicator: Increased Positive Attitudes Among Children and Adults Toward Environmentally Sound Practices with Respect to Pine and Hardwood Forests

- Unit of Measure: Average Improvement in Scores on Environmental Attitude Interviews

- Program Output No. 3.3 - Increased Private Sector Activity in Improving Natural Resources Management

-Program Indicator: Increased Effective Environmental Activities

Unit of Measure: Number of Effective Environmental Activities Carried out by Discrete NGOs

This final program output is the most explicitly linked to the HEPF project, although the Mission's LUPE project (522-0292) will also contribute to it. The baseline for the unit of measure established in 1992 is one (1), while the target for 1997 is ten (10) activities. The Mission is interested not only in the number of activities, but also in their location, since a sub-objective is to encourage geographic dispersion of projects.

B) Measuring Performance and Program Indicators

The two performance and two program indicators that the HEPF project will contribute towards all involve other existing Mission efforts as well. Therefore, the indicators and units of measurement have already been defined. The characteristics of a forest reserve/protected area which is managed in a "sustainable, enforceable manner" have been defined, as have the "practice of environmentally sound cultivation practices, improved attitudes toward environmentally sound practices with respect to pine and hardwood forests, and effective environmental activities." It should be noted that the final indicator will subsume those preceding it; that is, sub-project which result, for example, in the practice of environmentally sound cultivation will be counted against both targets. Sub-projects involving other types of activities, i.e., reforestation, will have impact indicators developed as part of the proposing NGO's monitoring and evaluation plan.

Responsibility for this monitoring will rest with Mission project managers using data supplied by VIDA. VIDA's program level information system, using information from the NGOs implementing the sub-projects, will be capable of disaggregating these units of measure based on the Mission's definitions, and reporting to USAID on a semi-annual basis.

C) Information Exchange and Feedback

The success of the overall project information system is dependent both on accurate monitoring performed by different parties and on consistent exchange of the information thus gathered. Each party - implementing NGOs, VIDA, and USAID - must understand and agree to the requirements inherent in the overall system, since the quality of the information used by one party depends upon the data given to it by another.

The flow of information is not just one way, i.e., from NGO to VIDA, and VIDA to USAID, but rather should involve appropriate feedback based on an analysis of the information. For example, NGO monitoring of an activity's environmental impacts could require VIDA to ask that project interventions be modified. Likewise, program level information generated by VIDA could result in USAID requesting that, for example, the breadth of beneficiaries be expanded to include more female-headed households. Such feedback may take place through written responses to periodic submittals (see below) and periodic meetings to discuss sub-project and HEPF project progress.

D) Timing of Information Exchange

The agreement between VIDA and implementing NGOs will not only specify what information is to be collected, but how often it is to be submitted. This interval will be decided under the development of VIDA's monitoring and evaluation plan, but will likely be on a quarterly basis. VIDA will submit program level information to USAID on a semi-annual basis.

II. EVALUATIONS

A) USAID Evaluations

The mid-term and final evaluations to be conducted under the Project by USAID will assess whether planned results are being, or have been achieved, and what impact, intended or otherwise, the Project is having with respect to its environment. In addition to these two evaluations, the Mission will also conduct, as needed, rapid, low-cost assessment of specific issues or implementation problems in order to offer timely analysis and the basis for informed decisionmaking. All evaluative efforts will be designed as collaborative exercises involving VIDA, implementing NGOs, and interested GOH officials.

1) Mid-Term Evaluation The mid-term evaluation will be conducted at the end of the third year of the Project, which corresponds to the end of the Project's first phase. It will be used by USAID project managers to assess overall project performance to date, and as such will serve as the basis for deciding whether to proceed with the second phase of the Project, and if so, any required modifications to the project design and/or project funding levels. Given the importance of assessing performance to date in improving project implementation over the remaining years of the project, all formal recommendations resulting from the evaluation will be acted upon within the ensuing ninety (90) day period.

2) Final Evaluation The final evaluation will assess project results, including whether the Project purpose was achieved, as well as the Project's overall contribution to the Mission's Strategic Objectives. The evaluation will identify all significant Project impacts, and any follow-up activities which could help to sustain the positive effects of the effort. It will specifically address "lesson's learned" that may be applicable to related USAID efforts. The final evaluation will be conducted at the beginning of the last planned year of the Project.

B) Sub-Project Evaluations

All NGOs receiving funds from the FPF will be required to conduct a final evaluation of the sub-project's impact. Complex, multi-year sub-projects will also be required to conduct a mid-term evaluation ~~prior to disbursement of additional funding by VIDA~~. As noted above, all sub-project proposals will contain an evaluation plan, schedule and budget which will be reviewed by VIDA's technical staff and/or a monitoring and evaluation specialist contracted for that purpose. VIDA will, with the help of BSP consultants and TA available under the NEPF project, develop guidelines for the preparation and conduct of sub-project evaluations by NGOs. Specific training and TA will also be offered to Honduran NGOs to increase their evaluative skills.

ANNEX I - Project Analyses Summary

TECHNICAL ANALYSIS

The purpose of the technical analysis is to examine the technical feasibility of the proposed Project by examining the three main areas of intervention:

- * sub-grants with U.S. NGOs to undertake co-ventures in partnership with Honduran NGOs;
- * technical assistance to Fundacion VIDA and the NGO community; and
- * training in relevant environmental issues

A) Co-ventures between U.S. and Honduran NGOs

The primary intervention of the Project will be the environmental sub-projects executed under the management of Fundacion VIDA. Initial sub-projects will be undertaken as a co-venture between one or several U.S. NGOs and one or several Honduran NGOs. Such co-ventures will provide Honduran NGOs the opportunity to benefit from substantial experience of U.S. groups, and develop their own expertise to later carry out sub-projects alone. This approach will assure the success of initial projects, since the extensive experience of U.S. NGOs in executing projects in the U.S., Latin America and worldwide will be shared directly with the staff of VIDA and the implementing NGOs. Some groups such as The Nature Conservancy (TNC) have an extensive network to draw upon since they have an office in all 50 states of the U.S. They also have a policy of not opening offices in host countries, but work through the local NGOs. Many of the large groups also have experience working on USAID projects, and are already familiar with the procedures required for project execution, monitoring, and auditing.

Another benefit of working with U.S. NGOs is that most make a long-term commitment to strengthening the local groups. For example, the three cornerstones of any TNC program are on-site management, institutional strengthening, and long-term conservation financing. They often continue working with the local NGO after the formal projects are over to assure long-term success. After an initial set of successful co-ventures are underway, sub-grants may be given by VIDA directly to Honduran NGOs without U.S. NGO involvement. It is expected that 10-15 co-ventures will be executed during the life of the Project.

The U.S. NGO community has been reluctant in the recent past to undertake new projects in countries that they have no or few existing activities. This is due to the fact that many NGOs have grown rapidly in the last decade and staffs are already stretched to their limits. Their budgets also do not allow matching funds of the size that most large USAID projects require, so they have had to be very selective in choosing priority sites. Some smaller U.S. groups find it difficult to fund initial proposal development trips, when there is no guarantee that the project will be funded. The major barrier to working in Honduras for these NGOs was the amount of matching funds required to work with USAID. When it was stated that the amount of matching funds would be lower than the usual 25%, interest immediately picked up and the NGOs have begun proposal development as described below. For some U.S. NGOs there are

currently no natural counterpart institutions in Honduras. Often these groups are involved with areas, eg., environmental law or environmental impact assessment, that do not have the necessary knowledge base in Honduras for a local NGO to have emerged. Groups, such as the Environmental Law Institute, have expressed interest in conducting seminars for VIDA as a means to raise interest and knowledge in their fields.

Despite these limitations, several of the larger U.S. NGOs have come forward with interest in working in Honduras. The World Wildlife Fund (WWF) is currently developing a draft co-venture proposal with a Honduran NGO, MOPAWI, to work in community forest management in the Mosquitia (which will be submitted to VIDA in June 1993). The Mosquitia has become a key target area for WWF's strategy for forest management. WWF is also interested in developing additional projects in other areas such as wildlands and coastal management.

The Nature Conservancy is currently doing strategic planning for its activities worldwide, and has expressed strong interest in increasing activities in Honduras. They are drafting sub-project profiles to support two or three key Honduran NGOs in institutional development and conservation training, and also the development of a strategy for conservation management in the Mosquitia (Plapawans Reserve). They plan to have profile drafts prepared by July 1993 for some of these activities.

Conservation International has expressed interest in potential work in the Mosquitia, and is looking at ways to fit this into their existing strategy and budget. Katalysis, a U.S. NGO dedicated to working with low-income people in Central America, has submitted a co-venture profile to VIDA jointly with ODEF, a Honduran development NGO working for the advancement of Honduran women. The project proposes to create an integrated agricultural training center with a total budget of almost \$750,000 for over 3 years. The center would train campesino families in integrated farming systems, soil conservation, animal husbandry, fisheries, agroforestry, etc.

1) Estimated Demand for Project Co-Venture Funding

The Mission has assessed the effective demand for project co-venture funding over the LOP. The assessment provides the basis for the project funding programmed for sub-grants to U.S. NGOs to be made by VIDA.

The estimate is based on a variety of information, including:

- o The absorptive capacity of Honduran "partner" NGOs;
- o Comparative funding of environmental projects in other countries in the region by the major U.S. environmental NGOs;
- o Expressions of interest from Honduran NGOs received by VIDA;

- o Expressions of interest solicited by the Mission (see attached letter); and,
- o Actual project proposals involving U.S. NGOs submitted to VIDA.

A study was conducted by a BSP consultant of the capacity of Honduran NGOs to absorb funding from the EPF. The study included projection of project funding over five years at three levels of effort – conservative, moderate and ambitious. The conservative projection estimated 104 projects and research activities at a cost of \$2,965,000. Assuming that fifteen of the larger, longer and more costly projects involve U.S. NGOs, the amount required for the sub-grants would be in the range of \$3,000,000. Using the same assumption, the figure under the moderate scenario is \$5,250,000. The ambitious projection was not thought to be realistic. This study found only five or six Honduran NGOs currently capable of managing projects involving up to \$100,000 per year. The HEPF project will assist in developing another three to five local NGOs to this level.

Some data on project funding levels involving U.S. NGOs working in other countries in the region is available. For example, in the Dominican Republic a NGO similar to VIDA is responsible for administering a EPF-like fund. Four pilot projects involving TNC cost \$1.5 million, of which 40 percent was provided by the fund and the remainder from TNC and its local partners. The InterAmerica Foundation (IAF) generally funds local NGO projects in Central America for three- to five-years at an average of \$65,000 per year.

As of the end of 1992, VIDA had received expressions of interest amounting to a total cost of some \$8.33 million, including a single \$4.0 million proposal dealing with sustainable management of the Lake Yojoa watershed. It is important to note that these expressions of interest were received even before VIDA made an effort to solicit project proposals.

The Mission has received written expressions of interest (in Project Files) from four U.S. universities in response to the letter of solicitation. The Harry Reid Center for Environmental Studies at the University of Nevada, Las Vegas noted their past work in Honduras involving Lake Yojoa, and stated their interest in a number of areas. They offered no concrete sense of specific project size nor duration, although they stated their plans to continue work in the Yojoa basin with the Honduran NGO, ECO-LAGO. Another response was received from the Center for Regenerative Study of the College of Environmental Design, California State Polytechnic University, Pomona. Their interest is in ecologically based planning for large areas of land, eg., a watershed, similar to work they completed a few years ago in Costa Rica. They stated the University has no funds itself to contribute to any such project, but that support from the World Conservation Union may be possible. In a separate communication, the Director of the Center stated that the type of effort envisioned would require on the order of \$500,000 over a three year period.

The third response was from Harvard University's Graduate School of Design (GSD). The GSD proposed either a faculty research contract or a graduate studio involving the planning of development and conservation on Roaton, at an estimated cost of \$100,000. The GSD has been involved with similar efforts including a planned project with USAID/Ghana involving

local NGOs. The GSD will be in contact with the two main NGOs operating in the Bay Islands, BICA and APRODIB, to further explore co-venture opportunities. The final response was from North Carolina State University and involves watershed planning and management work outside of La Ceiba. Their co-venture partner would likely be Fundacion Cuero y Salado (FUCSA).

It appears that the major U.S. environmental NGOs involved with international work, eg., WWF, TNC, WRI and CI, view activities in Honduras as a lower priority compared with other countries in Latin America. What interest is expressed is conditioned on little or no counterpart on their part, and project opportunities involving their geographic and programmatic priorities. These groups have expressed interest in La Mosquitia, the Gulf of Fonseca, and particular protected areas such as the Cusuco-Merendon where they have already been active. Programmatic interest includes protected area management, community forestry, and ecotourism development.

Among these groups, WWF has shown the most interest. WWF has stated that it is investigating the development of a project proposal to be submitted to VIDA involving the preparation of management plans for the Plapawans Biosphere Reserve in La Mosquitia, at an estimated cost of \$300,000 over two years. Once the plan is completed WWF feels that it could be involved with two or three multi-year efforts in the region, for example, community forestry, costing up to \$1.5 million.

CI and TNC also verbally indicated their interest in projects involving La Mosquitia, protection of biodiversity, and protected area management. Both indicated that such projects would cost in the range of \$1.0 million apiece, with the total funding estimated for both in the range of \$5.0 million. The Environmental Law Institute also expressed verbal interest in providing training and TA involving environmental policy analysis and legislation to CONAMA at an estimated cost of \$.5 million. As noted earlier, one U.S. NGO has responded to the Mission's inquiry by completing a project profile and submitting it to VIDA.

Over the seven-year LOP, an estimated 10-15 co-venture projects will be undertaken. The pilot projects in the DR cost an average of \$375,000, and the LAF figure is \$325,000 for five years. Yet projects such as that proposed by the Katalysis Foundation, CI and TNC may be significantly higher, thus an average for the HEPF project of \$500,000 seems reasonable. Given that over the LOP 15 percent of the co-venture project costs will be covered by funding from the EPF itself, a per project sub-grant of \$425,000 is estimated. Such a sum would, according to BSP study, cover the cost of a five-year national park (100,000 hectares or larger) management planning and implementation project. Thus, between \$4.25 million and \$6.375 million will be required for sub-grants over the LOP.

During the first three years of the Project an estimated five multi-year co-ventures will be begun. To cover the cost of these an estimated \$3.0 million will be required.

The following table estimates the demand for funding within the parameters of the \$5.0 million programmed for sub-projects under the Project:

TOTAL	PROJECT YEARS						
	1	2	3	4	5	6	7
NO. OF PROJECTS/	2	1	3	2	2	1	0
COST (\$M)	1.3	.4	1.3	1.0	1.5	.5	-
Total Funding	\$5.0M						

The potential demand for co-venture funding is likely greater, taking into account just the responses from the U.S. NGO community received to date, as illustrated in the following table:

ENV PRJTS	WWF	CI	TNC	ELI	KAT	NC	GSD	CAL	UNV
avg prjt size (million \$)	0.5	1.0	1.0	0.25	0.75	0.5	.125	.5	1.0(?)
max # prts	3	2	3	2	2	1	2	1	1
max total (million \$)	1.5	2.0	3.0	0.5	1.5	0.5	0.25	0.5	1.0
Potential Total Demand for Funding	\$10.75M								

- * WWF - World Wildlife Fund
- CI - Conservation International
- TNC - The Nature Conservancy
- ELI - Environmental Law Institute
- KAT - Katalysis
- NC - North Carolina State
- GSD - Harvard University
- CAL - California Polytechnic University, Pomona
- UNV - University of Nevada, Las Vegas

2) Absorptive capacity of Honduran NGOs

A study of the ability of Honduran NGOs to absorb financing from the EPF was conducted in 1992 by BSP. The analysis showed three different financing levels of environmental projects: minimum, moderate and ambitious. The recommendations indicated that projects up to two million dollars in about 40 grants could be supported in the first few years under the conservation projections. Under the moderate estimate, close to three million dollars could be supported in 75 grants. In any event, the analysis emphasized that there must be investment in training, technical assistance, and monitoring for the NGOs to assure the long-term success of VIDA and the environmental projects.

B) Technical assistance and training

Strengthening of Fundacion VIDA and Honduran NGOs will involve a commitment to technical assistance and training. Technical assistance will be provided to VIDA, and to NGOs from VIDA, for institutional development as described below. Specific training will be needed in technical areas for VIDA and NGOs, such as environmental assessment, gender analysis, and community participation. Additional technical training needed will vary with projects, but will likely include conservation financing, park management, and sustainable agriculture. Fundacion VIDA is being assisted at this time by BSP to define the areas and needs for future technical assistance to both affiliated NGOs and VIDA itself.

Fundacion VIDA

The following are priority areas for technical assistance and training for the institutional development of Fundacion VIDA: staff needs and development, accounting and financial management, and project management including monitoring and evaluation. Technical assistance will be provided to VIDA through the Project institutional contractor, and additional training will be supplemented both from U.S. and local sources.

NGO community

Since many members of the Honduran NGO community are relatively inexperienced, assistance will be provided by Fundacion VIDA in basic institutional development such as financial management and accounting, fund-raising, proposal writing, and project management. Some of the assistance and training can be provided locally, such as financial management and accounting. Other topics, such as fund-raising, proposal writing, and project may be offered the institutional contractor. Honduran NGOs will receive considerable on-the-job training from their U.S. NGO co-venture partners.

ADMINISTRATIVE ANALYSIS

The purposes of this analysis are to examine the means by which the major institutional participants of the HEPF project – USAID, VIDA and subproject NGOs – can meet the implementation responsibilities required of them, and to examine the major administrative alternatives possible under the Project. In undertaking the analysis the management, staffing and organizational experience of the intended participants will be assessed in the context of the project's principle implementation functions and responsibilities. The analysis will begin with an overview of the project participants.

D) Institutional Participants of the Project

A. USAID

The USAID Mission's Office of Agriculture and Rural Development (ARDO) will manage the HEPF project. Assistance will be available, as needed, from Mission support offices. The Project will be managed by a USPSC under the direction of a USDH Project Officer.

B. Fundación VIDA

Fundación VIDA, a private, non-profit foundation, received its Personería Jurídica with approval of its By-Laws by Presidential Resolution on June 10, 1992. VIDA is comprised of an Assembly of more than 160 individual members, 17 private firms, and 26 NGOs. Its membership is open. It is governed by a nine-member Board of Directors elected by the Assembly. VIDA's By-Laws also have a provision for an independent oversight committee.

Day-to-day management of VIDA is the responsibility of its Executive Director, who is appointed by the Board. This individual hires and directs the work of the professional staff, which is comprised at this time of a Financial Director, Technical Director, accountant, and professional biologist.

VIDA was named by the GOH as the manager of the Environmental Protection Fund (FOPMA), created in August 1992 by Legislative Decree. The FOPMA consists of 30 million lempiras to be provided by the GOH in six annual tranches to fund environmental activities implemented by Honduran NGOs. The *Reglamentos* governing VIDA's management of the FOPMA, under development by the GOH, will allow up to 10 percent of the FOPMA to be used to cover VIDA's operating expenses.

VIDA and the UNDP have entered into an agreement under which the UNDP will provide core operating expenses over a five-year period. Under this agreement GOH disbursements to the FOPMA are transferred to the UNDP, which converts them into dollars and deposits the funds in the UN Bank on behalf of VIDA. Disbursements from the UN Bank are made at the sole discretion of VIDA.

(Further information on VIDA's legal status, management structure and operating plans, and UN Agreement is available in the project files.)

C. Implementing NGOs

VIDA will not itself design nor implement any subprojects using FOPMA resources, but rather select and monitor projects submitted by Honduran NGOs for funding. There are between 200 and 250 "developmental" NGOs in Honduras, of which 70-80 focus primarily on broadly defined environmental activities. Any NGO may propose an environmental subproject for funding since it is the nature of the activity and not past experience with environmental projects which is important.

Under the Project, U.S. NGOs will also be responsible for project design and implementation, conducted in collaboration with Honduran NGO partners. It is anticipated that the project will involve no more than 10 U.S. NGOs, working with between 10-15 Honduran NGOs.

D. Government of Honduras

The GOH counterpart for the HEPF project will be the Ministry of Finance and Public Credit (MFCP). The Minister will sign the bilateral Project agreement with USAID on behalf of the GOH, and will concur with USAID disbursements made for project activities. MFCP is also responsible on behalf of the GOH for insuring the proper management of the FOPMA, and as such is drafting the *Reglamentos* covering VIDA's administration of it.

II) Assessment of Capabilities

A. USAID

Given its mandate to contain staffing levels, the Mission will be required to utilize existing ARDO staff to manage the Project. A USPSC in ARDO will be the project manager. Another ARDO Project will be ending later this year, freeing additional staff to assist with project management duties.

Mission support offices are capable of meeting their responsibilities, although this assessment is contingent upon the implementation arrangements discussed in Section III, below.

B. VIDA

An assessment of VIDA's staffing requirements conducted by USAID consultants (see the DESFIL report in the Project Files) concluded that the core professional staff (see previous section) was sufficient for the initial phase of FOPMA administration. With the implementation responsibilities associated with the Project, additional professionals will be required: technical specialists to help appraise project proposals, support staff, and field officers to take responsibility for monitoring project progress.

These positions are presented below in the context of the anticipated principal implementation functions:

a) **Project Management:** Experience in Honduras indicates that one field-oriented project manager is required for every fifteen (15) NGO projects. Given the growth scenario considered most likely, four or five managers will be required by the fifth year of VIDA's operation. Taking into account the size and complexity of likely co-ventures, two (2) project managers will be required for the 10-15 co-ventures anticipated under the Project.

b) **Financial Management:** USAID has provided TA to VIDA to develop procedures in several operational areas, including financial management. One result of this work was a proposal for an Internal Auditor reporting directly to the Executive Director.

Strength in financial management is also critical to the proposed project implementation arrangements since VIDA must be certified by the Mission's Controller's Office to administer U.S. dollar procurement. (For further information on financial management see the Financial Analysis in this annex.) Certification, which is expected during mid-1993, will indicate adequate capability. In terms of staffing, VIDA will need to add two (2) additional accountants and/or voucher examiners to handle the extra work load associated with the subprojects, TA and training funded under the Project. A Chief Accountant should supervise this work, with reporting to VIDA's Financial Director.

c) **Contracting:** VIDA currently does not have sufficient staff capability in this area, although the recently completed operational manuals provide a strong procedural basis for the work. Under the Project, one (1) full-time contract/grant professional will be required to negotiate, award and manage both TA and training contracts, and the subgrants awarded by VIDA to U.S. NGOs participating in co-ventures. The FOPMA grants to Honduran NGOs will be awarded and managed by the existing staff as set forth in the manuals and other procedural standards.

d) **Monitoring and Evaluation:** VIDA will be receiving TA in this area from BSP consultants in order to develop plans and procedures to establish the required capability. One (1) full-time monitoring and evaluation specialist is required to oversee the M&E program and to assist project managers with their monitoring responsibilities.

e) **Support Staff:** Other support staff will be required under the Project.

Table III.1 in Annex D illustrates the budget for the entire VIDA professional and support staff over the LOP.

C) **Implementing NGOs**

Nearly all the potential Honduran implementing NGOs lack capability in one or more functional area. The greatest problem is thought to be in the area of financial management, but significant TA will also be required in project design, management, monitoring and evaluation. Both the Mission and VIDA are well aware of these deficiencies, and for that reason the Project will offer significant TA and training to build local NGO capability. Over

the next few months BSP consultants will assist VIDA in conducting a thorough assessment of NGO TA and training needs, followed by the development of a plan to offer these services. No NGO will be awarded subgrant funding until it is assessed to be capable of effectively utilizing it.

D) Government of Honduras

The Ministry of Finance and Public Credit is fully capable of performing the responsibilities required of it under the Project. However, a Project Covenant will require timely disbursement of the annual tranches into the FOPMA, as well as the additional Project counterpart contribution utilizing PL-480 generations.

III) Administrative Alternatives

The key administrative alternatives examined by the project design team involve funding to U.S. NGOs participating in co-venture subprojects with Honduran NGOs. The two alternatives are:

- A) USAID award and administration of grants to U.S. NGOS
- B) USAID award and administration of a grant to VIDA, and VIDA award and administration of subgrants to U.S. NGOs.

Consideration of direct USAID grants examined the following *pros and cons*:

Pros

Cons

- | | |
|---|--|
| -Relieve VIDA of admin. burden of multiple grants | -Admin. burden for USAID |
| -More control over selection of grantees | -Reduced VIDA ownership of co-venture subprojects |
| -More control over subproject results | -VIDA does not establish the same level of relationship with U.S. NGOs |
| -VIDA not viewed as giving away large amounts of resources to U.S. (vs. local) NGOs | -Grant to VIDA will be helpful to them in fund raising efforts |
| -At least initial grant awards perhaps viewed as higher priority by USAID | |
| -VIDA certification not required
(The alternative of VIDA awarding subgrants merely reverses these.) | |

Administration of the 10-15 separate grants to U.S. NGOs anticipated over the LOP will involve some burden to whichever party is responsible. This is especially so for VIDA in its first year of operation when it is under intense pressure to set up its standard operating procedures and award grants to Honduran NGOs for both micro-projects and standard environmental activities. Given these objectives, VIDA may view co-venture grants as a lower initial priority than does USAID. This seems especially true given the potential for criticism of VIDA from some sides if they appear to be investing substantial resources in programs involving foreign NGOs at the expense of Honduran groups.

For this reason, a compromise alternative was considered under which USAID would directly award the initial one or two grants to U.S. NGOs. Such grants would be limited to no more than twelve months even if the co-venture was a multi-year effort. After the first year, VIDA would award new grants to these initial recipients to complete the co-venture, as well as take responsibility for the award and administration of all remaining subgrants. Certification would wait for 6-8 months, allowing VIDA to utilize the management systems developed with USAID assistance.

After considering these alternatives, Mission management and the project design team felt that it was of the utmost importance for VIDA to take ownership of the co-venture program as early as possible in the Project. Funding for co-ventures will be contained in a Cooperative Agreement between VIDA and USAID. GOH counterpart funding will be made immediately available upon signing of the Project Agreement to hire sufficient staff to effectively administer the co-venture subprojects.

ECONOMIC ANALYSIS

Clearly, the subject project will yield economic benefits. The question that arises is whether these benefits are sufficient to warrant the project's proposed investment of money. To ascertain that, normally cost/benefit analysis is employed. Under cost/benefit analysis economic benefits are projected, and these projections together with the proposed project costs are utilized to calculate an internal rate of return. That internal rate of return is subsequently compared to some benchmark rate of return, an interest rate that approximates the opportunity cost of capital -- today something in the neighborhood of between 5 and 7 percent -- to assess the economic viability of the proposed project.

However, in the case of this project, projection of benefits is exceedingly problematic. Projection of benefits for environmental initiatives traditionally is a complex undertaking, and to make matters worse, sub-projects cannot be identified at this point with a degree of specificity necessary to cost-out benefits. The nature of this project's implementation mechanism weakens the nexus between project investments and consequent benefits.

Nevertheless, a rough assessment of project viability can be made. The value of the economic benefits that would be needed to justify the Project's proposal investment can be calculated. Such benefits would have to amount to very roughly \$800,000 annually, assuming (a) the timing of estimated annual expenditures given in Table II, Annex E, of the DESFIL report (see Project files) in the assessment for the Environmental Protection Fund, (b) the commencement of benefits in year three of the project and a 20 year benefit stream, and (c) a discount rate of 6 percent.

Is it reasonable to assure that the project can generate \$800,000 annually in benefits? We believe so. Honduras's environmental needs are considerable. Selected examples of costs of environmental degradation are suggestive of the benefits that this program could generate.

- The depletion of other than pine forests is an estimated 64,500 hectares per annum; for the pine forests, around 15,500. In one year only, more than 260 million table feet of pines were harvested for wood. This destruction is all the more distressing, given the almost total absence of replanting within the country.
- Symptomatic of forest depletion, the production of sawn wood is only 68 percent of what it was a decade earlier. Similarly, the exportation of sawn wood and derivatives in table feet went down 18 percent over a three year period.
- A legacy of its slash-and-burn mentality, the Honduran people continue to set fires at an alarming rate. In one year, in addition to that forest land harvested for timber products, more than 54,000 hectares of pine forests were burned, producing a loss estimated at \$44 million.
- Various studies confirm wastage rates of 25 percent or more in harvesting the forests.

- Authorized concessions for shrimp farms in the south of the country total roughly 28 million hectares. However, the ecological equilibrium may be only 20 million hectares. As for the small scale artisanal fishing industry, it is declining, owing to over-harvesting. For example, shrimp harvested by small-scale operators fell more than 45 percent in a seven year period.

- The coverage of solid waste disposal services is around 60 percent in the urban areas; almost non-existent in the rural zones. This means that 924 metric tons of wastes go untreated daily.

- The country is encountering hydrological imbalances. For instance, in 1983 for the Choluteca River which provides water for Tegucigalpa, there was a deficit equivalent to 36 percent of requirements, and, if nothing is done about the situation, the deficit may double in the near future. The situation would be worse if everyone had access to potable water. However, only 48 percent of the homes in Tegucigalpa have access to potable water. Today real demand for water outstrips supply in Tegucigalpa by more than a two-to-one margin. In other words, if it were not for supply restrictions, water supply usage would be double what it is.

- Imports of fungicides, herbicides, and insecticides, which are probably already excessive, are growing rapidly, increasing 66 percent in a five year period. Of the more than 102,000 metric tons of agro-chemicals imported in a selected year, 89,000 metric tons were fungicides and 1,200 metric tons were herbicides. Use of many of these products, such as DDT, Lindane, 2-4-D, and Nuvan, is restricted or prohibited in other countries, owing to health risks. Also symptomatic of overuse, more than 360 brands of insecticides are registered in Honduras. In only one year, the department in the GOH responsible for controlling mosquitoes and other vectors used 1.2 million kilograms of fenitrothion -- an insecticide -- in its dust form and 91,000 liters in liquid form.

- The consumption of vegetation fouled by the use of insecticides is the third leading cause of deaths among the country's cattle.

- In a case study of 23 patients with a plastic anemia/cancer in Tegucigalpa's Hospital School, 83% came from rural areas and had high concentrations of insecticides in their systems. Furthermore, selected departments in Honduras report concentrations for DDT in milk of a large portion of nursing mothers.

- Honduras is losing wildlife resources at an alarming rate. In one year only, but two registered exporters took from the country 18,370 birds, 230,414 reptiles and amphibians and 798 mammals. These data are all the more disturbing, given that they do not include specimens smuggled out.

- Of the 811 industries classified in the departments where Tegucigalpa -- the country's capital and largest city -- and San Pedro Sula -- the country's second largest city -- are located, 443 are generating wastes that are dangerous for the environment. A more concrete example of such problems is a shellfish packing plant in Roatán -- an island reputed for its natural beauty -- which is contaminating the waters with liquid refrigerants and more than 200 pounds daily of other waste materials. In addition, the fish in Lake Yojoa -- the country's largest -- have extremely high concentrations of lead from mining operations within the watershed.

- The economic losses from soil erosion per year in just one region could be as high as \$93 million.

Policy makers in both developed and developing countries have been slow to respond to the policy challenges of renewable resource management and have failed to adequately comprehend the relationship between inadequate management and a reduction of benefits. Generally speaking, the poorer the country the more likely it is that it has not made sufficient levels of investment in the management of its renewable resources and the greater the probability that it is experiencing a reduction in these benefits. The Perfil Ambiental de Honduras (1989) -- Environmental Profile of Honduras -- notes that "deterioration of natural resources and the ecological damage caused by their misuse -- two closely related problems -- have contributed to the low level of socioeconomic welfare of most Hondurans." USAID's Biodiversity Support Program has estimated that Honduras has invested considerably less (\$38 per hectare) than its neighbors Costa Rica (\$1,212 per hectare) and Guatemala (\$114 per hectare). Levels of investment in watershed management, reforestation, coastal zone and fisheries management, and sustainable agriculture have been insufficient when compared to the benefits they provide to the society. Finally, there is little GOH commitment to deal with the country's environmental problems; only 3% of the GOH budget goes for conservation of natural resources.

The unsustainable exploitation of Honduras' natural capital is also a function of policy failures. For instance, with timber resources the property of the government, COHDEFOR, the agency most responsible for policy implementation, had focussed its activities on assisting sawmill owners with extraction, processing and marketing without regard to the true scarcity value of the resource. Since COHDEFOR had a minimum 51 percent stake in these companies, the obvious incentive was to cut as fast as possible. The system of establishing and implementing forest fees or charges and the selective cutting system for hardwoods also had a negative impact on resource management.

The GOH is in the process of designing and implementing policy changes which it hopes will encourage long-term management of its forest resources, including significant rationalization of COHDEFOR. The GOH is changing the incentives facing COHDEFOR to encourage it to protect, rather than exploit, the forests. Within the context of policy reform and the establishment of incentives to stimulate investment, similar efforts must be undertaken in water resources and coastal zone management.

Economic Viability of Specific Interventions

While we noted difficulties in doing an "ex ante" economic cost-benefit analysis for the project, something can be done at the time that Fundación VIDA is considering funding a specific intervention. For all proposals exceeding \$50,000 in value, formal cost-benefit analyses will have to be prepared by the proposal's proponent, including demonstration of the benefits of the project. Internal rates of return exceeding 6 percent will be required in order to justify financing of a proposed initiative. A member of Fundación VIDA staff or a contractor hired by VIDA will cross-check calculations made in each proposal to ensure their validity. For initiatives under \$50,000, a formal cost-benefit analysis will not be required. Nonetheless, any such proposal should demonstrate persuasively economic, environmental, and social value. In the cases where the economic/environmental benefits are difficult to measure, they, nevertheless, should be identified and incorporated into the analysis. Where appropriate economic/environmental justification has not been provided both in the cases of projects under and over \$50,000, VIDA can assist through various training and institutional strengthening mechanisms. Interventions, however, that do not demonstrate economic/environmental viability should be redesigned or rejected.

Cost-Effectiveness

Using Fundación VIDA as the implementing mechanism is the most cost-effective way of undertaking this project. Utilization of Fundación VIDA means that the costs incurred by USAID to support this program will most certainly be less than other institutional options, such as directly funding grassroots NGOs or establishing its own project grant facility.

Fundación VIDA will be responsible for all costs related to the development, financing, management and evaluation of sub-project grants to the Honduran environment community. AID will not provide any financial support to meet salary and other overhead costs. Other organizations including the GOH will cover these costs. Estimates of annual core management costs including overhead range between US\$200-290,000 for years 1993-1997.

Costs to USAID to operate a similar program of sub-projects would be substantially higher, owing to the labor intensive nature of small grants programs and the non-salary benefits and overhead USAID would be required to pay. The proposed program with VIDA will cost substantially less than using a US-based contractor or a GOH agency: both of these alternatives are likely to be less efficient in the delivery of the product and raise implementation costs substantially. Since Fundación VIDA will deal directly with the local environmental NGOs and since it will eventually do its own sub-contracting, transaction costs are also likely to be lower. At the same time, there is a growing consensus that NGOs are the most cost effective way to deliver these type of programs. Similar experiences in Costa Rica, Guatemala, and the Dominican Republic point to the cost effectiveness of this funding modality.

The total estimated cost over the LOP of appraising, selecting, monitoring and evaluating the total portfolio of sub-projects under the Project is \$2,798,000, or 25 per cent of the funding available for environmental activities.

FINANCIAL ANALYSIS

The FARS Section of the Mission Controller's Office analyzed the Project's funding and cash flow and concluded that the financial resources required to implement the project would be available, and on a timely basis. This analysis also included a financial review of VIDA (Financial Report No. 93-05) which examined the institution's financial management and internal control capabilities. The report, which is in the Project files, concluded that VIDA would be able to fulfill its financial responsibilities with limited additional effort. In order to be allowed to award dollar sub-grants under the Project, VIDA will need to be certified by the Controller's Office. The review estimated that final certification was possible by Fall 1993.

The analysis noted that VIDA will assess and strengthen, as needed, the financial management capabilities of NGOs proposing sub-projects prior to the award of Project resources. FARS will assist VIDA's Financial Director to develop criteria to use in such an assessment, and procedures for VIDA to certify an institution's financial capabilities. These steps are a pre-qualification for provisional certification.

Normally a financial analysis conducted for a Project Paper assesses the financial soundness of the proposed project, often using a cost-benefit analysis. Since the HEPF project will both result in benefits - environmental improvements and strengthened institutions - that are very difficult to quantify, and will provide funding for yet to be identified sub-projects, such a cost benefit analysis is not possible. Instead, a financial analysis will be conducted of all proposed sub-projects. This analysis will be conducted by the proposing NGO and included in the sub-project proposal. VIDA will review the financial analysis along with the other technical analyses. A methodology for conducting the analysis is suggested below.

Methodology for the Evaluation of Sub-Project Proposals

The sub-projects to be funded by Fundación VIDA will result in environmental benefits which normally will be difficult, if not impossible, to quantify in dollar terms. Examples include sustainable agricultural practices, increased environmental awareness, management of protected areas such as National Parks, and a reduction in the rate of deforestation. As such, these type of projects do not lend themselves to traditional financial analysis techniques.

To evaluate the financial merits of proposed sub-projects, the proposing NGOs and VIDA should utilize a cost effectiveness (least cost) form of financial analysis. Such an analysis is discussed in AID Handbook 3 as an approach to be used to evaluate projects with outputs that are difficult to quantify.

The cost effectiveness analysis (CEA) is a technique in which costs and benefits can be identified, but in which only the costs must be quantified. The objective of this approach is to minimize costs for an identified level of benefits. Basically, the sub-project design team must identify the objective of the sub-project and then examine alternative means of achieving that goal. Each alternative will have a different cost associated with it. With the

aid of financial discounting techniques (e.g. Net Present Value), the analyst can evaluate each alternative. The project design team can then consider the results of the financial analysis along with other factors to reach a decision on the best way to implement the project. The following example illustrates the methodology.

Assume that the goal of the sub-project is to clear a deforested area of 200,000 hectares and prepare it for a community reforestation effort. The two alternative means of achieving that goal are manual clearing of the 200,000 hectares at the rate of 40,000 hectares per year, and mechanical clearing of the entire area which would require just one year. Table 1 and table 2 present the projected expenses during a five year time period. The major difference between the two approaches is that with manual clearing wage costs constitute the bulk of the total costs, while with mechanical clearing the purchase of the required equipment is the major cost element. The undiscounted cost of the mechanical alternative is lower than the manual alternative. However, when the totals are discounted, the cost of the manual alternative becomes more attractive.

TABLE 1 Manual Clearing Alternative

Year	wages	other costs	total costs	NPV(15%)
1	44,050	3,800	47,850	41,608.70
2	44,050	3,800	47,850	36,250.00
3	44,050	3,800	47,850	31,480.26
4	44,050	3,800	47,850	27,342.86
5	44,050	3,800	47,850	23,805.97
Total	220,050	19,000	239,850	160,487.79

TABLE 2 Mechanical Clearing Alternative

Year	Equip-ment	oper. & maint.	total costs	NPV(15%)
1	150,000	50,000	200,000	173,913.04
2	0	0	0	0
3	0	0	0	0
4	0	0	0	0
4	0	0	0	0
5	0	0	0	0
Total	150,000	50,000	200,000	173,913.04

For example, the mechanical alternative offers the advantage of clearing the land in just one year as opposed to five, thus allowing the actual reforestation to begin four years earlier. On the other hand, there is a value to be attributed to creating employment and utilizing surplus labor in the community. If a multiplier is applied to the total wage figure, then the benefits associated with this alternative add to its attractiveness.

In conclusion, while the manual alternative is clearly the most cost effective approach, the environmental benefits would be realized more quickly with the mechanical alternative. Still, the considerable benefits of employment generation and the multiplier effect of wages on the local economy from the former alternative may make it the preferred choice. The final decision on the approach must therefore combine the results of the environmental, financial and social soundness analyses applying a "delphi" model of analysis.* by members of Fundacion VIDA Selection Committee. The final decision should certainly also take into consideration the preferences of the sub-project beneficiaries.

* Delphi is a technique for structuring "group communication process" for the joint resolution of a complex problem. While quantitative approaches are used to a certain point, but because accurate and specific data is unavailable (or very expensive to obtain), the evaluation model makes use of non-quantitative inputs by combining the expert opinion of selected individuals. Although the methodology used here is not meant to be a true application of the Delphi technique, it clearly applies some of its main principles.

As with other analyses conducted in the course of project development, social soundness must be applied both to the HEPF Project itself, and to the actual sub-projects which will be supported. It is at the sub-project level that social soundness must be assessed: after all, the social soundness of the Project is but a reflection of the sub-projects. It is for this reason that during project design the emphasis was put on developing procedures under which NGOs proposing sub-projects could undertake an effective social soundness analysis.

This information, developed by a Mission social science consultant, will also be used by VIDA to determine what type of social soundness analysis must be conducted by a proposing NGO, and then to appraise the results. This consultant has also developed guidelines for conducting a baseline survey of selected socio-economic indicators that will be used by NGOs to measure the socio-economic impact of their sub-projects. Finally, the consultant will train VIDA's technical staff in the application of social soundness appraisal criteria and techniques.

I. Socio-Cultural Context

Because the HEPF Project is providing funding for the design and implementation of environmental sub-projects, the socio-cultural context of the Project as a whole will depend on the specific sub-project areas and focus. However, since the Project will be implemented through NGOs, it can be said at this point that the context will include a wide range of the public who feel that the environmental problems facing Honduras demand a personal response. Whether the NGO is comprised of well educated, economically successful individuals - as VIDA largely is - or simple campesinos desiring an end to environmental degradation in their midst, the membership is willing to volunteer their time and effort to make a difference.

II. Beneficiaries

The most immediate beneficiaries will be the membership of the NGOs receiving technical assistance, training and capital support for sub-projects under the Project. As noted above, this is likely to be a diverse group, the exact composition of which will depend on those who approach VIDA for resources under the Project. VIDA has stated that it hopes this group will be as wide as possible.

At the sub-project level, Project beneficiaries will include both the membership of the NGO undertaking the sub-project, and to the extent that others who are not members benefit, a larger population as well. For example, a sub-project involving the management of a protected area by a local NGO will benefit not only local residents, many of whom hopefully will be members of the NGO, but also indirectly, all the residents of Honduras. Sub-project social soundness criteria will require that beneficiaries be as wide a group as possible and include, to the maximum degree possible, local residents.

III. Gender Issues

Gender is a socioeconomic variable that distinguishes roles, responsibilities, constraints, and opportunities of both the men and the women involved in a development effort. As with any well conceived development effort, gender issues will form an integral part of a sub-project's social soundness analysis, as well as an assessment of its technical feasibility. The basic question that a project designer must ask is how can gender considerations be incorporated in a sub-project design to improve the effort's success.

Gender analysis examines the socio-economic roles of both men and women, where they coincide and where they diverge, and thus how an effort can be better planned to account for them. For example, in most agriculture and natural resource projects, the "household" is taken as the basic unit of analysis. Males are assumed to be heads-of-households and thus the principal decision makers and sources of information. The roles and responsibilities of other household members are frequently overlooked, even though in many rural areas the number of female-headed households is increasing - some estimates are as high as 25 per cent.

In recognition of the importance of incorporating gender considerations into the design of sub-projects, and understanding how sub-projects impact on both genders, the Project will:

- Offer training and technical assistance to the staff of both VIDA and Honduran NGOs on how to conduct gender analysis as part of a sub-project proposal's social soundness analysis (see Section VII, below);
- Offer assistance to VIDA in order to incorporate the consideration of gender issues into other forms of training and technical assistance, eg., promotion of participatory planning and implementation; and,
- Disaggregate by gender all general information, eg., sub-project participants and beneficiaries, as well as specific impact indicators, eg., households adopting practicing one or more environmentally sustainable cultivation practices.

IV. Participation

This is an issue that will cut across the Project. Participation will take place at three levels: (1) at an institutional level in terms of NGO membership in VIDA; (2) at the level of the local NGO membership; and, (3) on the part of the general population of the sub-project area, many of whom may not be involved with the implementing NGO, or even a direct sub-project beneficiary.

Meaningful participation at all these levels will contribute to the institutional sustainability of VIDA and local NGOs, as well as to actual sub-project undertakings. Although the relationship between participatory planning and implementation, and greater "ownership" of the results is well documented, all too many NGOs still give the concept more lip service than actual support.

However, there are a few excellent examples in Honduras of this approach and the Project assist in widening its use as follows:

- VIDA staff will be trained and given technical assistance in participatory planning and implementation in order to both increase their awareness about its benefits, and allow them to apply participation as an important component of sub-project appraisal and selection (see Section VII, below); and,

- The Honduran NGO community will be offered training and TA on how to integrate participatory planning and implementation into their proposed sub-projects.

V. Socio-Cultural Feasibility

The population of the sub-project areas may be a part of the problem, but they are also an essential part of the solution. Only with their full participation can a project have success. And because rural residents do not have the luxury to save forests as an avocation, environmental projects must also be designed as economic development projects. A project must be seen by local residents -- both female and male -- as being in their best economic interest.

a. Opportunities

- Involving local residents means involving the people who actually use and manage the land.
- Residents have considerable knowledge about the resource base.
- Their participation is a relatively cheap input.
- Project success in providing alternative forms of income can reduce current inroads on forest areas, such as expansion of small-scale coffee production.
- Residents are accustomed to organizing small-scale, flexible, production units on the basis of family and, in some cases, tying these units into producers associations.
- The population is more sophisticated about a variety of economic and cultural systems than it might seem at first glance because of migration experiences.
- Project success can reduce outmigration rates. This can benefit both project area (keeping brains and youth at home) and the cities, which are suffering from the impacts of high rural migration. It can also reduce the

migration of colonists to fragile land areas in search of more land for slash-and-burn agriculture.

b. Constraints

- Local residents have few resources to give projects. Even labor is limited because of other demands on time. (In project design, essential to include the labor cycle differences between men and women -- daily and seasonally -- and the amount of time they are able to contribute to a project.)
- Participant population has low levels of formal education and training.
- Most do not possess land title. This has a number of effects, including who -- with new forestry policies -- owns the trees that local see as "theirs".
- Because fall-back systems of local households are almost non-existent, most subsistence agriculturalists are very leery of risk-taking. This will affect commitment to project activities. Participation questionable if project is not seen as being in their best interest.

c. Strategies to Overcome Constraints

- Plan projects around human needs as well as around environmental needs. Projects must be seen by local residents as being in their best interests, as well as in the interest of outsiders who are concerned about the environment.
- Goals of environmental projects must include additional or alternative income sources for local residents, both women and men. Economic objectives for women must include agricultural and forestry activities in addition to "domestic" ones.
- Base projects on socioeconomic knowledge of local residents and their needs, information gained from such sources as experience, studies, and focus groups.

d. Local Institutions: Community Leaders, Local NGOs, and Municipalities

Local institutions such as community leaders, local NGOs, and municipalities (which have a new and substantial role in natural resource management) have local knowledge, organizational capacities, and the ability to act as communication channels between grassroots

and national-level institutions. As Norris writes, with good leadership, local groups have had good results. "It's the new groups that are doing the most in Honduras." However, these groups lack the capacities for managing projects of any size; for example, project preparation, financial management, biological monitoring, or infrastructure development. They are also confronted by environmental problems that may be beyond their technical capacities and beyond their financial resources.

In its educational and networking roles, the Foundation can play a part in linking this level of institution with others that may be able to offer them the technical and financial abilities which they lack. These institutions should be included in the outreach plans of the Foundation.

An additional way to reach local communities is through the regional-level networks of NGOs which are being developed, for example, by Peace Corps.

VI. Impact

The socio-economic impact of sub-projects will be assessed as part of the overall monitoring and evaluation effort. Impacts will be measured against baseline data collected during sub-project design and presented in the final proposal. Three types of indicators selected during the design phase will form the basis for the baseline data collection and subsequent evaluation efforts.

- Context indicators are related to the setting in which the sub-project will be implemented. Examples: migration trends; land ownership; educational levels; income levels and distribution; number and type of community organizations
- Process indicators are few in number but measure intermediate impacts obtained through mechanisms or procedures which the sub-project is using to achieve its expected environmental impacts. Examples: sub-project implementation participation levels; resources mobilized and committed
- Impact indicators will measure the final socio-economic impacts associated with the sub-project's environmental impacts. Often Impact and Context indicators will be the same measures. Examples: (env. impact: reduction of soil erosion) increased income levels; (env. impact: reduction of surface water contamination) decreased morbidity rates; (env. impact: effective NGO management of protected area) increased self-esteem.

VII. Social Soundness Appraisal and Selection Criteria for Sub-Project Proposals

The material on social soundness that is attached to this analysis will be offered by VIDA as guidance to NGOs in preparing the required social soundness analysis as part of their sub-project proposals. Upon approval of a sub-project profile, VIDA staff and consultants will decide what

• Norris, Ruth. Analysis of Honduran NGO Capability To Absorb Financing from the Environmental Protection Fund (FOPMA). Prepared for USAID/Honduras. Washington, D.C.: Biodiversity Support Program, November 1992.

specific criteria the analysis must address, and so inform the NGO. These criteria will also be used by VIDA to appraise proposals in terms of their social soundness.

The basic social soundness questions that VIDA will be asking are as follows. Implicit in all of these factors are participatory planning and implementation and an analysis of gender considerations.

- Does the design of the proposed sub-project adequately consider the community context?
- Does the proposal identify the principal actors? How are their concerns and roles addressed?
- Is the sub-project implementation strategy sensitive to the community context and the roles and concerns of the principal actors?

With the answers to all of the preceding taken into account, the key question to be answered as a result of the social soundness analysis is the following:

- What is the degree – negative, minimal, or significant – of social development possible under the proposed sub-project?

Social soundness is but one of several criteria by which sub-project proposals will be appraised and funding ultimately awarded. If a review of the social soundness analysis by VIDA indicates that the proposed sub-project could have a negative impact on social development, then it would be rejected unless the proposing NGO chose to, and was capable of, adequately modifying it. If such a review indicates either of the two other possibilities, a minimal or significant degree of social development, then that finding will be added to the results of other types of proposal appraisals.

With all this information in hand VIDA's Selection Committee will have the means to decide which proposals warrant funding. The hope, of course, is that the proposals funded will have both strongly positive environmental impacts, as well as contribute to significant social development. After all, without sub-project social soundness, the sustainability of such impacts could well be questioned.

**ENVIRONMENTAL GUIDELINES
HEPF PROJECT - FUNDACION VIDA**

**GUIDELINES FOR "ROLLING" ENVIRONMENTAL EVALUATION
HONDURAN ENVIRONMENTAL PROTECTION FUND PROJECT (522-0385)
(FUNDACION VIDA/USAID/HONDURAS)**

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**ENVIRONMENTAL GUIDELINES FOR "ROLLING" ENVIRONMENTAL ASSESSMENT
HONDURAN ENVIRONMENTAL PROTECTION FUND PROJECT (522-0385)
(FUNDACION VIDA/USAID/HONDURAS)**

I. INTRODUCTION

A. SUMMARY

These Environmental Guidelines were developed for two main audiences, Fundacion VIDA and the Non-Governmental Organizations (NGOs)/Private Voluntary Organizations (PVOs). The Guidelines are designed as a guide/assistance mechanism for the NGO community to use in designing their co-venture projects for submission to Fundacion VIDA for funding. They may also serve as a framework for the evaluation of non-USAID grant proposals by VIDA.

B. PURPOSE

The purpose of the following guidelines, which have been approved by the LAC Bureau Environmental Officer, are to:

- * assist NGOs designing, implementing and evaluating sub-projects to fully understand the environmental context of their proposed undertaking as a basis for identifying possible positive and negative impacts and to take effective steps to accentuate the former and minimize the latter; and,
- * provide Fundacion VIDA with the basis for appraising and approving proposed sub-projects based on their environmental impacts.

The Mission's Honduran Environmental Protection Fund (HEPF) Project will finance co-venture projects presented by Honduran NGOs/PVOs to Fundacion VIDA. It is anticipated that most projects will involve initiatives in environmental areas such as protected areas, environmental education, sustainable agriculture, watershed management, agroforestry, and other related environmental protection topics. It is expected that many of the projects will be directed at the watersheds of Honduras, and on already degraded or deteriorating land, with some additional projects related to the protection of fragile ecosystems.

The HEPF Project will adopt a proactive approach to responsible environmental management and protection. In lieu of conducting a Supplemental IEE (SIEE) and Environmental Assessment (EA) for each subproject, these Environmental Guidelines will be delivered to Honduran NGOs through Fundacion VIDA prior to project design/development. They will be expected to integrate pertinent portions into their proposed subproject. This proactive approach will provide a learning opportunity to the NGO community and place responsibility for environmental stewardship directly upon them. A SIEE will be required only in subprojects which involve timber harvesting, purchase or use of pesticides, or for any project that the Mission Environmental Officer or Regional Environmental Officer determines may result in significant environmental impact even after the tailored guidelines are applied.

For USAID technical assistance and VIDA staff members, the guidelines will serve as a yardstick to measure the concerns for the environment that have gone into each subproject. It is expected that some, or all, of these elements may be incorporated into grant proposals. A full range of environmental guidelines are presented here. *It is unlikely that any single subproject will contain activities relevant to all of the guidelines contained herein.* The objective of this document is to provide a framework for identification and mitigation of the environmental impacts that could be associated with subprojects financed by the HEPF project. The Environmental Guidelines should be a thought process that the NGOs go through to assure themselves, VIDA, and USAID that the proposed subproject is environmentally sound.

C. INCORPORATION OF THE GUIDELINES

Following the approval of a subproject profile, the NGO will receive a customized copy of the Environmental Guidelines along with a handbook on how to prepare a Grant Application (project design). *For each subproject, a special set of tailored Environmental Guidelines will be developed by the technical staff of Fundcaion VIDA, their institutional contractor, and the NGO.* The tailored set of Environmental Guidelines will be reviewed for USAID concurrence, and passed on to the REgional Environmental Advisor, who will in turn submit them to the LAC Bureau.

During development of the Grant Application, the NGO will research the ecological conditions of the area of proposed work (watershed, protected area, etc.) and assess the potential impacts of their subproject strategies according to their tailored Environmental Guidelines. The technical staff of Fundcaion VIDA and the institutional contractor will be available to assist the NGOs in the application of the guidelines by recommending sources of technical information and assistance. VIDA will provide on a case-by-case basis, direct training or technical assistance to the NGO field staff.

The Grant Application will provide the NGO and VIDA with a complete picture of the impact of all facets of the subproject. All documentation called for in the Environmental Guidelines will be included in an environmental analysis section. The economic and social soundness analyses will also address potential environmental impacts that may be attributed to economic and social factors. The technical assistance contractor in addition to the VIDA technical staff will review all sections of the Grant Application that may affect the environment. Grant Applications that contain environmental issues not adequately addressed will be returned to the NGO for further development before being sent to the selection committee.

D. MONITORING, EVALUATION, AND REPORTING

NGOs will describe the environmental impact of their project activities as part of their quarterly report that is required by the HEPF project. In addition, they will designate a staff person to serve as the Environmental Officer, who will be responsible for collecting information with field staff and will assist VIDA technical staff in the development of training or provision of technical assistance concerning natural resource management. VIDA staff, consultants and as needed, USAID staff, will conduct site visits and evaluate the environmental impact of subprojects on a mid-term basis. This will assist NGO field staffs identify environmental problems and develop corrective strategies. As in the Grant Application process, the monitoring and evaluation of the environmental impacts should be

participatory and provide a learning opportunity for the staff of the NGOs.

E. PRINCIPLES FOR DESIGNING ENVIRONMENTALLY SOUND PROJECTS

- 1. Project activities can lead to unintended or ignored negative impacts on environmental quality, natural resources, and public health if not done correctly. This document provides guidelines on how to avoid, minimize, and mitigate these impacts.**
- 2. The impacts, and measures taken to reduce them, will be very different in rural as compared to urban areas. The increased population density in urban areas aggravates potential environmental problems and makes what would be a negligible environmental problem, a major one.**
- 3. Impacts arise from decisions and actions taken at different stages of a project: design, implementation, use and maintenance. Development of environmentally sound projects must consider potential impacts from all of these phases.**
- 4. Community involvement is an essential part of project design, as well as implementation. Projects with strong community involvement will be more environmentally sound. Communities can provide information that is critical to the design of a successful project and can help minimize environmental impacts through proper use and maintenance of the system.**
- 5. Training for individual users, operators and community interaction is essential to the success of an environmentally sound project. While designers of a project may make every effort to develop good designs, improper use or non-use of project components, and poor maintenance, can result in major environmental problems. Many of these problems can be avoided with strong training programs.**
- 6. Monitoring and follow up is essential to ensure that the project activities are executed properly, and that environmental impacts are kept to a minimum. A clear monitoring plan should be developed and the budget should cover the costs.**
- 7. The severity of potential environmental impacts must be weighed against the cost of measures to avoid them. Options must be analyzed on both financial and environmental grounds.**

F. ENVIRONMENTAL EVALUATION AND PROJECT DESIGN PROCESS

In general, these environmental guidelines describe the process for conducting an environmental evaluation for many types of projects. The environmental evaluation is only one part of the project design process. The basic steps of the project design process are outlined briefly below and illustrated in the diagram on the next page. The steps of the process that constitute the environmental evaluation are described in italics below and are shown in Figure 1. As can be appreciated, the first step is for the NGO to work with the community to define what objectives the project is intended to meet and to determine where the project will be located. The objectives should include the type of project activities, desired improvements, and the role of the community. The NGO then works with the community to identify, in general terms, the types of activities and facilities that will obtain the

desired results in a manner appropriate to the physical, social and economic conditions of the community. It is important to develop the conceptual model for each affected ecosystem, where each component of the system can be seen in relation to other components. It is usually the interactions between elements of the system that are impacted, and this is the step which helps to identify these interrelationships. Also, for each environmental assessment, the project area, the project impact area, and affected watershed(s) should be clearly defined.

As indicated, an environmental evaluation consists of the following interrelated steps:

- (1) Identify Potential Environmental Problems.** The first step of the environmental evaluation, also called **scoping**, is to identify potential "environmental problems," which include unintended negative impacts to environmental quality, natural resources, and public health. Each type of option identified in the preceding step may cause environmental problems; each option should be evaluated. Scoping also includes defining the boundaries of the project, both physically and conceptually. The participation of the community is critical to the scoping step.
- (2) Determine Data Requirements.** The NGO will need certain types of data and other information to understand the nature and extent of the environmental problems that may result from its project, and to design measures to avoid, minimize, and mitigate such problems. The second step of the environmental evaluation is to determine what types of data will be required to complete the environmental evaluation. The data will assist in determining the significance of the impacts of the problems, based on the following criteria: magnitude and extent of the impact, significance of the impact (will it cause irreversible damage?), cumulative or long-term effects, and special sensitivity (endangered species, etc.).
- (3) Collect and Evaluate Data, Determination of Significant Impacts.** The next step is to collect and evaluate each type of data needed. This step may require substantial time and effort, as the identification of significant impacts needs to be made along with alternative methods to accomplish the objectives. In this step is the description of the affected environment, which involves the development of a conceptual model of the system. For example, a model of an estuary will be quite different than a model of a lowland rain forest. Even if the project is only at the watershed level, the conceptual model should show the major components of the system, principal inputs and outputs (both ecological and economic), and the relationships between the components of the system.
- (4) Plan Measures to Address Problems.** The final step of the environmental evaluation is to plan specific measures that will be incorporated into the project design to avoid, minimize, or mitigate the project's potential negative impacts on environmental quality, natural resources, and public health. Such measure will include decisions regarding where projects will be located, specific types of equipment, construction and farming practices, operation and maintenance procedures, and training for project participants. If the alternative methods identified in the previous step are chosen, adjustments in the project have to be made (budget, etc.).
- (5) Identify Best Options and Estimate Cost.** In this step, the NGO must integrate the results of the environmental evaluation with the results from the technical, financial, social and institutional evaluations. The results of each evaluation are taken into account to identify the best option for each

component of the project. After identifying the best option for each component, together with the specific measures that will be included to address potential environmental problems, the cost of the full project can be estimated.

(6) **Finalize project design.** Estimating project costs and considering together all components of the project may cause the NGO to reconsider certain aspects of the project. After reaching final decisions on each component of the project, including specific measures to address potential environmental problems and monitoring and evaluation of costs, the last step of the process is to prepare a document describing the final Detailed Project Design.

II. DETAILED GUIDELINES

As indicated above, NGOs must incorporate proactive steps in the identification and mitigation of potential environmental impacts. To do so, each participating NGO must demonstrate the following:

1. Knowledge of the existing ecological conditions of the subproject area (watershed, etc.).
2. Identification of the potential effects, positive or negative, of subproject activities upon the subproject area.
3. Development of strategies for the mitigation and/or prevention of potential, negative impacts.

To facilitate this process, these Environmental Guidelines have been structured into two sections. The first section provides a list of physical and biological factors that will assist NGO project staff to assess watershed characteristics. The second section assists NGOs in the identification of the potential impacts of different development initiatives common in watersheds. Examples of mitigative measures are provided, and questions to ask about subprojects are included.

A. SECTION I: KEY PHYSICAL AND BIOLOGICAL FACTORS

The first part is designed to assist the NGO to understand the biophysical and ecological characteristics of the subproject impact area, which may include one or more watersheds. An inventory of the key physical and biological elements of the site will provide an understanding and help in the prediction of subproject impacts. The NGO will be expected to work with the best available data. The agencies listed in Annex I can be used as sources for data and general assistance.

1. PHYSICAL FACTORS

a. Climatic factors

- (1) Precipitation - average monthly rainfall amounts
- (2) Rainfall Intensity and Seasonality
- (3) Temperature - include mean annual temperature extremes & diurnal extremes
- (4) Windspeed and Gusts
- (5) Prevailing wind direction, east, northeast, etc., useful for planning shelterbelts.
- (6) Evapotranspiration rate (calculated from above data)

b. Watershed characteristics

- (1) Location of the project area within the watershed - **ONE MAP IS REQUIRED:** a detailed/accurate topographic map of the project area. A larger scale vicinity map may be necessary to identify adjacent/nearby streams and rivers and project infrastructure.
- (2) Size of the watershed - hectares above the project area, including the project area
- (3) Overall slope of the watershed
- (4) A brief discussion of any downstream factors that should be considered

c. Ground water hydrology

- (1) If ground water will be used for irrigation, a water analysis will be required, FHIA or DGRH is capable of doing the analysis
- (2) Well Inventory and prevailing depth of the aquifer, if planning to tap the aquifer
- (3) Ground water movement
- (4) Recharge rates
- (5) Known or potential contamination of the aquifer - heavy metals, agricultural chemicals
- (6) Planned disposition of any irrigation tailwaters

d. Surface water hydrology

- (1) If surface water will be used for irrigation, a water analysis will be required, FHIA or DGRH is capable of doing the analysis
- (2) Elevation difference between intake and discharge (for irrigation systems)
- (3) Stream discharge rates - liter/second - maximum, minimum, and average rates for EACH WEEK of the year, as available
- (4) Water borne pathogens (E. coli bacteria, salmonella schistosoma)
- (5) Flow pattern of the watershed
- (6) Planned disposition of any irrigation or drainage tailwater

e. Surface water quality

Physical attributes

- (1) Turbidity - amount of suspended sediments
- (2) Water temperature - average yearly temperature
- (3) Color of the water

Chemical attributes: Please include a general statement.

- (1) Salinity
- (2) pH - acid, neutral, or basic, use pH scale
- (3) Dissolved oxygen
- (4) Amounts of: nitrates, phosphorus, sulfates, & potassium
- (5) Carbon dioxide
- (6) Presence or absence of heavy metals
- (7) Biological oxygen demand (BOD)

f. Morphology of the area

- (1) Prevailing slopes in the area of the project, slope to be expressed in percentage

(ie - a 45 degree slope = 100%)

- (2) Slope Concavity or Convexity as an indicator of erodability
- (3) Aspect of the project area; (N, S, E, W etc) an indication of the quality of the site
- (4) Floodplain characteristics, the frequency of floods, depth of floods, etc., delineate the floodplains on the larger scale vicinity map
- (5) Stability of land forms - mass movement of soil in the vicinity of the project area?, are the soils prone to mass movement?
- (6) Water erosion of soil - the degree to which it is occurring presently, location of silt deposition as a result of the erosion

g. Soils

- (1) Taxonomic classification - from a soil scientist or government soil classification maps, include physical structure and depth to bedrock, include erosional propensity of the soil
- (2) Tillage impediments - rocks, slope, etc.
- (3) General statements about structure: moisture retention, friability, etc. according to local farmers
- (4) Soil flora - in the case of pine seedlings, the presence or absence of mycorrhizae
- (5) Compaction of soil from past cultural measures?
- (6) pH and general fertility test (FHIA can perform tests)

2. BIOLOGICAL FACTORS

a. Fauna

- (1) Threatened species - state of the population (COHDEFOR for information)
- (2) Endangered species - state of the population (COHDEFOR for information)
- (3) Commercially or artisanally exploited species - fish, reptiles, mammals, birds
- (4) Critical habitats for threatened, endangered, & commercially exploited species
- (5) Species diversity/Biodiversity, including endemic species, from available inventories (COHDEFOR, local NGOs)
- (6) Ecological classification - successional stage (pasture, farmland, forest - primary, secondary); see Honduras Environmental Profile
- (7) Keystone and limiting species - endemics, parasites, etc.

b. Flora

- (1) Threatened species - state of the population
- (2) Endangered species - state of the population
- (3) Commercial species - wood, nuts, latex, leaves, etc.
- (4) Existing vegetative cover- secondary forest, pasture, agricultural lands
- (5) Critical habitats of threatened and endangered species
- (6) Species diversity/Biodiversity (including endemic species), including aquatic flora
- (7) Traditionally utilized species - food, medicinal, etc.
- (8) Extent of harvesting for fuelwood

c. Biodiversity

A brief description of the following types of diversity should be included, using both field data and standard formulas:

- (1) **Genetic diversity** – If any information is available on the degree of genetic erosion of the species or ecosystem of the project, include a brief summary. Include genetic variation data within species for within and between populations if known.
- (2) **Species diversity** – This section should include one of the several standard methods for calculation of species diversity. This would include the number of species in the impact area (to the best level possible), taxonomic diversity, etc.
- (3) **Ecosystem diversity** – The major types of ecosystems in the project area should be described, as well as important communities within the ecosystems. Ecosystem structure and function should be included if data are available.

3. OTHER PHYSICAL OR BIOLOGICAL FACTORS

a. Protected zones

- (1) Areas near legislated or proposed national parks or protected belts – specially activities prohibited by Honduran law (COHDEFOR for information)
- (2) Areas near ecologically/biologically important areas, terrestrial and marine

b. Natural disasters and the possibility of man caused disasters

Please provide a description of trends in the project area with respect to the following:

By their very definition, natural/man-caused disasters are hard/impossible to predict. Nonetheless, it is wise to plan for disasters where possible. In the case of hurricanes, they generally follow a pattern or historic path of where they originate. In general, native vegetation is more adapted to hurricanes than exotic species. For example, if an exotic species were planted on the windward side of a mountain, it would be at increased risk of wind throw as compared to a native species on the same site. Earthquakes are very difficult to predict, but a check of a geologic map would indicate major fault lines. Such information would be useful when planning for long water supply lines associated with irrigation projects. In the case of forest fires, are uncontrolled ignitions a problem now?; if not, then not as much attention need be applied to their protection.

c. Contamination and pollution

For projects that address contamination and pollution issues, specialized technical assistance will be obtained by VIDA and the Project contractor. The technical assistance will be responsible for preparing specific guidelines for sub-projects to use in their environmental evaluation.

d. Other

Please list any other environmental factors that your field staff has identified that could be affected (positively or negatively) that your staff will need to monitor in the future.

B. SECTION II: ASSESSMENT OF DIFFERENT NGO INTERVENTIONS

This section will assist the NGO to determine the type of impact that can be expected for different types of subprojects. Other types of subprojects may have other guidelines that apply. VIDA will assist in the implementation of other guidelines. The NGO should review this section to identify the type of activity that pertains to their subproject. Some NGOs may have some projects that cross-cut several areas. The NGO needs to answer pertinent questions and respond in narrative form to the issues presented.

1. CROSS-CUTTING QUESTIONS

- (1) How does the project fit within the purpose and objectives of the HEPF Project?
- (2) What other possibilities have you considered for accomplishing your environmental objectives? Have all your alternatives been examined in detail? Are the alternatives adequate and well thought out?
- (3) Have the planned beneficiaries of the subproject been consulted in subproject development? Will the project exacerbate certain social conditions while solving environmental problems?
- (4) What forms of technical assistance, if any, do you need to fully implement your subproject?
- (5) Does the proposal incorporate appropriate technologies that are socially acceptable and economically feasible? Are existing/future markets able to support new processes and technologies?
- (6) How are the planned project actions environmentally sustainable?
- (7) What are the direct and indirect environmental impacts? Have all the negative environmental aspects of the project proposal been identified? Can some or all of those negative environmental effects be mitigated?
- (8) What is the overall stability and resistance of the ecosystem? Has a conceptual model of the affected ecosystem been developed? Explain your use of the model.
- (9) Are the project development plans in agreement with Honduran laws regarding the environmental sector?
- (10) Are there national, regional, or subregional watershed, soil conservation, agriculture, or forest management plans? Is your project proposal in general agreement with those plans? If project plans are not in agreement, can your project proceed and succeed regardless?

(11) Is the project area near an established or planned national park or protected area? Have critical sites been identified?

(12) Have critical habitats been identified?, for example – threatened and endangered species, subsistence or commercially hunted species, medicinal plants, etc.

2. REFORESTATION PROJECTS – FOREST MANAGEMENT GUIDELINES

Watershed protection should be a key component of all natural resource management projects. Other objectives may include wood (lumber, poles, posts, etc.) extraction, wildlife habitat improvement, and energy production (charcoal and firewood). In general, reforestation is to take place in the upper watersheds on lands unsuitable for intensive agriculture, those lands above farm fields and above the intakes for water systems. When the situation presents itself, as in the case with hillside irrigation projects, return steep/marginal hillside agricultural lands to forested lands. Sources of information on forest management include COHDEFOR, ESNACIFOR, CATIE/MADELENA, and local NGOs.

A useful concept in planning reforestation projects are the Holdridge life zones (from the Holdridge Classification of World Plant Formations, there are eight classifications for Honduras). A general idea is to use tried and proven species from previous reforestation projects within Honduras. Two species that do well on acidic soils are *Pinus caribea* (a lower elevation species) and *Pinus oocarpa* (grows well at high elevations). Planting densities per hectare can be varied for a given species and vary widely within species, once again it is best to use tried and true results from within Honduras.

Reforestation with native pine or exotic species (eucalyptus sp. for example) will improve site conditions several years after establishment and allow for native shrub and broad-leafed tree species to reintroduce themselves via animal and wind seed dispersion, in essence the biodiversity of the site will improve over time. Important issues to consider are the genetic quality and variability of the seed selected for reforestation projects. The seed bank at ESNACIFOR is a good source for seed and information.

The commercial harvest of forest products from forests designated as watershed protection forests (on steep slopes) is possible (intermediate harvests of forest products), but should be of a low-impact nature. No new roads or mechanized harvesting equipment (tractors, etc.) should be planned. Hand labor and animal transport of forest products to a road side collection point are recommended. A final harvest of the dominant and codominant trees should not be planned. Intermediate forest products usually consist of, but are not limited to poles, posts, charcoal and firewood. Harvest plans for forest management should conform to applicable Honduran laws.

Any subproject which involves management or harvesting in natural forests will be required to conduct an EA if the Supplemental IEE is positive. This will be reviewed by the Mission Environmental Advisor/RD, the REA/ROCAP, and the LAC/DR/E in Washington.

In addition to reforestation projects, this section deals with the "forestry" part of the word agroforestry. Primary purposes of reforestation projects within this project are for watershed protection, soil

conservation, wildlife habitat, and the creation of useable forest products. This is done to rehabilitate degraded soils/sites and to improve production on marginal lands. Forest plantations are almost always of one species, therefore it is very important to select the best species for the site. In many cases in the humid tropics exotic tree species are used. Use the best existing knowledge regarding exotic and native tree species when selecting tree species for contour hedge rows or forest plantations in the upper watersheds. The NGO community has done extensive work in this area.

Reforestation should be planned on degraded/abandoned agricultural lands or abandoned pastures. Sites with established secondary forests (with an adequate stocking of native species) are not to be selected for reforestation efforts. No conversion of established secondary forests to plantations, although species enrichment or line-planting technologies are both beneficial and desirable. A drawback to line planting enrichments is the fairly high level of maintenance required in the first several years after establishment.

Questions to ask about reforestation projects:

- (1) What is/are the objective(s) of the planned reforestation project?
- (2) Within reforested areas, will native species be allowed to establish themselves or will cleaning/weeding eliminate them?
- (3) Once a forest tree species is selected for a reforestation project, what is the origin of seed?
- (4) Seed from one individual with poor characteristics?, from a country with very different climatic conditions? If so, stop and reconsider your actions.
- (5) If exotic tree species are contemplated for reforestation efforts, are those the exotics that have proven successful in like sites within Honduras, or that have proven successful in species trials?
Has the selected reforestation site been selected with site quality and productivity as criteria?
- (6) Are farmers tilling their fields right to the edge of intermittent or perennial streams? If so, it would be preferable to leave a buffer strip of native woody vegetation to either side of the stream to act as a sediment filter.
- (7) Is it possible to incorporate within the reforested area agricultural crops to produce dollar returns in the years preceding commercial utilization of the forest species (alley cropping)?
- (8) What provisions are there for protection from livestock (fencing)?
- (9) Does the selected species require special maintenance requirements? (weeding, pruning, etc.), potential damage during alley cropping systems, and fire? Once a given area is reforested within the project, does the work end there?
- (10) Are the selected species the best, in terms of purpose, soils, climate, and other biological variables, adapted for the chosen site?

(11) In addition to the selected species to reforest, is it possible to do on-site species trials with 3 to 5 other promising species? This question poses an opportunity to take advantage of a project to do additional practical research.

(12) Does your proposed project involve the clearing of existing secondary forests for other uses? If so, carefully analyze the situation to see if the clearing is really necessary.

(13) How will the local community be incorporated into the project activities?

3. Agroforestry

The term agroforestry can be used for the mixture of trees (forest or fruit) with agriculture or pasture management systems. In general, agroforestry species are multiple-use trees, for which possible uses include: green manure, firewood and charcoal, fruit, soil improvement, lumber, and forage. Advantages of agroforestry systems: increase production in marginal lands, assist in mitigating environmental degradation, improve soil aeration and physical condition (tilth), recycle soil nutrients, fix nitrogen, maintain soil humidity, reduce soil erosion, and increase soil organic matter.

There have been many species trials of agroforestry species in the dry tropics. Trying to transfer those same research results to humid or moist tropical forests could produce varying results. Wherever possible rely on proven research and operational results with regards to forest tree species.

Field crops between the rows would aid in weed reduction and for reducing fuel loading with regards to preventing/reducing the intensity of forest fires. Incorporate agroforestry technologies utilizing where possible, short-term (vegetable crops) and long-term/perennial crops (fruit trees). For example, perennial crops, such as bananas, coffee etc. can be grown in deeper ravines of the farm in conjunction with check dams as part of a soil conservation/farming system.

Information on species for agroforestry can be obtained from COHDEFOR, ESNACIFOR, CATIE/MADELENA, FHIA, and local NGOs.

Questions to ask about agroforestry projects:

- (1) Do local species exist that farmers currently use or prefer and that would facilitate the project?
- (2) Have the farmers been consulted concerning their preferences for tree and fruit species?
- (3) Have the selected species been carefully studied for the chosen ecotype?
- (4) In lieu of establishing new agricultural systems, have improvements to traditional farming methods been evaluated? (especially in terms of agroforestry)
- (5) Have existing cropping systems been quantified? If so, what are they?

4. Soil Conservation

Soil conservation practices and structures are used for long-term maintenance of soil productivity. They are indicators of good soil husbandry and are needed with all agricultural enterprises. They are particularly important if intensified cropping practices are anticipated, such as changing from a rain-fed agriculture to an irrigated agriculture.

Suggested soil conservation measures include (* indicates priority practices):

- * - crop rotation; improved plant spacing and density in certain crops (maize, sorghum)
- * - green fertilizers (legume cover crops)
- weed control
- * - barriers against water wind erosion
 - live barriers (grass and other permanent vegetation), usually used on hilly fields and installed on the contour, emphasizing effective species such as vetiver grass
 - non-living barriers of crop residues, tree cuttings and other solid material, usually installed on hilly ground along the contour
 - contour hedgerows
 - tree and tall grass shelter belts
- * - use of contour furrows, contour plowing and planting, minimum to zero tillage, hillside water collection ditches and water diversion canals; these must be designed very carefully and installed very precisely, for if they fail during use, environmental damage is potentially greater than if they did not exist
- * - use of crop residues as mulch
- incorporation of crop residues (feasible mainly with mechanized agriculture, and thus limited to fields with slopes less than 25-30%)
- * - mini bench terraces for fruit trees and alley cropping with nitrogen-fixing trees (agroforestry)
- agro-silvo-pastoral systems

If irrigation is to be a component of a project, any required conservation measures should be installed prior to, or concurrent with, the irrigation system. Maintenance of live barriers is a necessity. In Honduras, vetiver grass has proven superior, with dwarf napier grass good where farmers want more forage production. Lemon grass is not recommended for live barriers because of its shorter life cycle. In contour hedgerows preference should be given to nitrogen-fixing tree species on slopes below 30%. Above 30% trees must be associated with ditches, rock walls or vetiver grass barriers.

Promote permanent soil cover through traditional multicropping agricultural systems, i.e. corn and beans. Stress traditional/diverse agricultural systems over agriculture monocultures.

Encourage annual crops on flat to moderately sloped land and perennial crops or trees on the steeper hillsides. A fundamental concept is the need to couple downstream agriculture with upstream soil conservation and reforestation efforts. Coastal/flat land agriculture is linked directly to upstream agriculture, siltation of irrigation canals in the flat land areas is but one example.

Suggested field slope characteristics for agricultural/irrigation enterprises:

0 - 5%	unrestricted to crop type & irrigation method, although irrigation method may control the type of crop and vice versa (i.e., no sprinklers with melons, etc.)
5 - 25%	unrestricted to crop type, but irrigation should be limited to sprinkler, drip, or micro-drip systems; irrigation system may control the crop type; slopes of 25% and up are not adapted to mechanized agriculture due to safety hazards
25 - 40%	unrestricted to crop type, irrigation limited to sprinkler, drip or micro-spray
40 - 55%	restricted use of field crops - encourage permanent crops such as fruit and timber trees, vine crops, berry crops, coffee, etc.; irrigation limited to low application rates from sprinklers, drip or micro-spray
> 55%	forest and fruit trees - drip and micro-spray irrigation systems

Possible contour hedgerow and soil conservation species are valeriana (vetiver grass), *Leucaena leucocephala*, *Acacia angustissima*, *Calliandra calothyrsus*, *Gliricidia sepium*, *Leucaena diversifolium*, and *Cassia saimera*.

In order to maintain buffer zones, agricultural fields should not be tilled within appreciable distance of intermittent or perennial water sources (a minimum of 50-100 feet is good conservation practice).

Uses of crop residues: use as mulch and/or incorporate directly into the soil to improve soil physical condition (tilth), water holding capacity, and fertility; compost piles; place behind contour hedgerows to act as sediment traps. Contour hedgerow clippings (grass or shrubs) can also be incorporated into the soil as green manure. NOTE: incorporation of crop residues has only a minimal effect on the water holding capacity of the root zone of the soil, as it is basically a surface phenomenon and lasts a short time. Organic matter in tropical and sub-tropical conditions decomposes rapidly and can be turned into mineral material in six to eight weeks.

Biodiversity is an issue with regards to the maintenance of local/native crop seeds. The production and storage of local seeds is encouraged.

Questions to ask about soil conservation projects:

- (1) What conservation and/or irrigation practices are in current use? Are they adequate?
- (2) What additional conservation practices are being considered?
- (3) Are animal, composts or chemical fertilizers needed to maintain soil fertility under intensive hillside agriculture/irrigation farming systems? (NOTE: composts and many manures are only feasible for small areas, since the volume required to increase fertility is extremely large)
- (4) What are the current crop yields with current farming systems?

(5) What is the expected increase in production due to planned soil conservation measures, and (if planned), irrigation improvements?

5. Irrigation Systems/Water Management

Most of the problems usually associated with irrigated agriculture are the result of a combination of inadequate design for a specific application and poor management. These problems include, but are not limited to, waterlogging and salinization of low-lying areas, erosion and deposition of soils on hilly fields, and degradation of both soil and water resources downstream from the project.

When the improvement of an existing system is being considered as part of a project, the existence of such problems needs to be investigated and, if found, mitigating measures to correct them, as well as strategies for avoiding them in the future, must be included in the project design. If the project includes a new irrigation system, the design must include appropriate measures to avoid the future occurrence of such problems.

The design of an irrigation system is a complex process for it must consider the interrelationship among the soil characteristics (texture, depth, water holding capacity, infiltration rates, hard pans, etc.), plant characteristics (evapotranspiration, root depth, susceptibility to water born or triggered disease, water stress tolerance, etc.), and the characteristics of the irrigation system (application rates, time of application, distribution equipment, pipe size, pressure requirements, drainage needs, management, etc.). It is therefore recommended that technical assistance of competent irrigation system designers be sought for ALL irrigation projects. PRORIEGO, Recursos Hidricos or FHIA could provide this service.

The natural course of streams should not be altered when extracting water from streams. Traditional/rain fed agriculture involves storing water in the soil profile whereas irrigation systems involve water management.

The formation of watershed users associations is a recommended social measure to develop hillside irrigation projects. Such associations would complement existing associations in the valleys, and could lead toward development of an integrated concept of water management from watershed level to sea level.

Questions to ask about irrigation projects:

- (1) How much water is available? Be specific. Use hydrographic records, where available, to indicate weekly maximum, minimum, and average flow rates. The minimum flow rate is the most critical.
- (2) How much water will the project require? Be specific. State the maximum required discharge for the most critical climatic conditions (the hottest, driest, windiest, and brightest day) and critical growth stage of the plant (mature, flowering plant).
- (3) What changes, if any, will the new irrigation system impose on farming practices and cropping patterns?

- (4) What source of technical expertise did you consult in arriving at your estimation? This can be a difficult process as, it depends on the crop, soil type, organic matter in the soil, slope, aspect, and other factors. If an NGO does not have the technical expertise to answer these questions, it is recommended that PRORIEGO, Recursos Hidricos, or FHIA provide technical assistance in planning irrigation projects.
- (5) Will hillside irrigation systems be installed into communities without potable water systems and will the irrigation water become the source of potable water? If so, then an irrigation system would have to be constructed to potable water standards.
- (6) Will the cropping systems being considered enhance soil and water conservation? (i.e., crop rotation, multi-cropping, inter-cropping, etc.)
- (7) Are there current or planned upstream water development projects that may affect the quantity or quality of water available for your project? Are there current or planned drainage networks to prevent waterlogging and soil degradation?
- (8) Will water diversion projects negatively affect aquatic life?
- (9) Do the soils in the project area have the capability to sustain intensive cropping as done with irrigation systems?

6. Farm Chemical Management

No purchase, promotion or use of pesticides (including insecticides, herbicides or fungicides) may be used in an A.I.D. funded project without prior approval from USAID. All such projects require an Initial Environmental Examination (IEE), to be conducted by USAID who will then issue an environmental threshold decision as to the necessity of an Environmental Assessment (EA) for the pesticide component.

The IEE must include the information listed in USAID environmental Regulations 22CFR Part 216.3 (b) Pesticide Procedures (1)(i) a-1. The IEE, threshold decision, and EA must refer to specific pesticides, and specific uses, and crops.

This section cross-cuts the above four main interventions by NGOs. Farm chemicals include, but are not limited to fertilizers, insecticides, fungicides, and herbicides. Over-use and improper use, storage, and handling can lead to environmental/human health problems. Those problems can include: alteration of the balance of insect species and animals, soil and water contamination, damage to crops, and short- and long-term harm to human health and unnecessary expenditures.

A great difference exists between traditional one-crop/year rainfed farming systems and 2 to 3-crops/year irrigated systems. There may be a need for more fertilizer, crop rotation (including the use of leguminous crops), increased levels of pesticides and introduction of herbicides, which highlights the need for integrated pest management (IPM). Zamorano specializes in IPM and can provide information. Also CATIE and Recursos Naturales can be consulted. Your institution should be aware of the effects of intensified crop production on the particular ecosystem.

VIDA may assist NGOs in contacting technically qualified professionals in the area of farm chemical management. Additional services include: information on EPA pesticides categories and registration status, and appropriate mitigative actions involving agricultural chemicals, including the adoption of IPM approaches.

Any given project that proposes the use, procurement, or promotion of agro-chemicals, will be subject to United States Environmental Protection Agency (EPA) pesticide use guidelines. The following EPA documents will be utilized to assist the NGO community: Pesticide Restricted Use File; the Suspended, Cancelled, and Restricted Pesticides publication; the Tolerance File by Commodity; and status of Pesticides in Pre-registration and Special Review.

Questions to Ask about Farm Chemical Management

- (1) Will increased agricultural activity intensify or increase the need for farm-chemicals?**
- (2) What are the principal types and brands of chemicals that would be utilized by project beneficiaries? Are they registered for the same or similar uses under United States Environmental Protection Agency Guidelines?**
- (3) How will your institution monitor chemical use and uncover side effects such as run-off or leaching into water sources.**
- (4) Do you have plans for reducing or eliminating dependency on farm chemicals? Please describe.**
- (5) Describe your plans for technical assistance and/or training to subproject beneficiaries in the following areas. (Please emphasize programs for these that cannot read labels)**
 - a. Pesticide safety**
 - b. Chemical selection**
 - c. Dosage and application**
 - d. Integrated Pest Management**

ANNEX 1: INSTITUTIONS

This list of contacts represents sources of data and technical expertise on various topics.

1. Corporación Hondureña de Desarrollo Forestal (COHDEFOR)

Apartado Postal No. 1378

Tegucigalpa, D.C., Honduras, C.A.

Tel. 22-7703, 22-8491, 22-4346, 22-3248, 22-8810

Fax. 22-2653

2. Escuela Agrícola Panamericana (EAP)

Apartado Postal No. 93

Tegucigalpa, D.C.

Tel. 32-2660, 31-5237, 31-5243

Fax. 32-8543

El Zamorano, F.M.

Tel. 76-6140, 76-6150

3. Fundación Hondureña para la Investigación Agrícola (FHIA)

Apartado Postal No. 2067

La Lima, Cortés

Tel. 56-2313, 56-2846, 56-2827, 56-2809

Fax. 68-2313

4. Servicio Autónomo Nacional de Acueductos y Alcantarillados (SANAA)

Departamento de Cuencas

Apartado Postal No. 3437

Tegucigalpa, D.C.

Tel. 34-0993, 33-1301, 34-0995

Fax. 37-9200

5. USAID/HONDURAS/RD

P.O. Box 3453

Avenida La Paz

Tegucigalpa, D.C.

Tel. 32-3120

Fax. 31-2776

ANNEX 1 (cont.)

6. Fundación Hondureña de Ambiente y Desarrollo (VIDA)

Boulevard Suyapa
Edificio Florencia 2do. Piso
No. 201-203
Tegucigalpa, D.C.

Apartado Postal No. 4252
Tegucigalpa, D.C.
Tel. 39-1646, 39-1644
Fax. 39-1645

7. Volunteers in Technical Assistance (VITA)

Publications
1815 North Lynn St., Suite #200
Arlington, VA 22209

ANNEX 2: REFERENCES

ASSET. 1993. Environmental Impact Assessment Coursebook .

ASSET. 1993. Environmental Impact Assessment Sourcebook.

Ffolliott, P.F. and J.L. Thames. 1983. Environmentally sound small-scale forestry projects. VITA.

Montagnini, F. 1992. Sistemas agroforestales. Principios y aplicaciones en los tropicos. San Jose, Costa Rica.

Tillman, G. Environmentally sound small-scale water projects. Guidelines for planning. VITA.

HONDURAS - 1993

ANNEX J
STATUTORY
CHECKLIST

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics Certification

(FAA Sec. 490): (This provision applies to assistance provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of non-agricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 542 of the FY 1993 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) has the President in the April 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (b) the vital national interests of the United States require the provision of such assistance?

Yes.

(2) with regard to a major illicit drug producing or drug-transit country for which the President has not certified on April 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.

Not applicable.

2. Indebtedness to U.S. citizens (FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

No.

3. Seizure of U.S. Property (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities

No.

beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

4. Communist countries (FAA Secs. 620(a), 620(f), 620D; FY 1993 Appropriations Act Secs. 512, 543): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

No, the recipient country is not a Communist country.

5. Mob Action (FAA Sec. 620(j)): Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

Honduras has fully compensated the U.S.G. for damages related to the April 1988 incident of mob action against U.S. property. Honduras has taken adequate measures to prevent recurrence of such incidents.

6. OPIC Investment Guaranty (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC?

No.

7. Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S.

No.

fishing vessel because of fishing activities in international waters?
(b) If so, has any deduction required by the Fishermen's Protective Act been made?

8. Loan Default (FAA Sec. 620(q); FY 1993 Appropriations Act Sec. 518 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds?

Yes. Honduras has been from time to time in default as defined by FAA Sec. 620(q) and the Brooke Amendment. However, Honduras has signed a bilateral rescheduling agreement including all USG loans subject to 620(q) and Brooke sanctions. This agreement will enter into effect on March 29, 1993.

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

Yes, taken into consideration by the Administrator at the time of approval of the 1993 OYB.

10. Diplomatic Relations with U.S. (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

11. U.N. Obligations (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?

Honduras is not in arrears on the payment of obligations to the U.N. to the extent described in Article 19 of the U.N. Charter. Other arrearages, in general were taken into

(Reference may be made to the "Taking into Consideration" memo.)

account by the Administrator at the time of approval of the FY 1993 OYB.

12. International Terrorism

a. Sanctuary and support (FY 1993 Appropriations Act Sec. 554; FAA Sec. 620A): No.
Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

b. Airport Security (ISDCA of 1985 Sec. 552(b)). No.
Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

13. Discrimination (FAA Sec. 666(b)): No.
Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

14. Nuclear Technology (FAA Secs. 669, 670): No.
Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive

Advice? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

15. Algiers Meeting (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

No, this item was taken into account at the time of approval of the FY 1993 OYB and its appropriation.

16. Military Coup (FY 1993 Appropriations Act Sec. 513): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

No.

17. Refugee Cooperation (FY 1993 Appropriations Act Sec. 538): Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin?

Yes.

18. Exploitation of Children (FAA Sec. 116(b)): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services?

No.

B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

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

No.

Abortions (FY 1993 Appropriations Act Sec. 534): Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No.

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

HUMAN RIGHTS VIOLATIONS (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest? No.

LAC/CEN:KBaier/Hon:lm:3/3/93:7-9555

Clearances:

LAC/CEN:TCWagner	_____	_____
LAC/SAM:AMcDonald	_____	_____
LAC/DR:JHradsky	_____	_____
LAC/DPP:EZallman	_____	_____
GC/LAC:RMeighan	_____	_____
ARA/CEN:JARndt	_____	_____
State/IOSB:THobgood	_____	_____
State/HA/BA:KLyons	_____	_____
State/RP/ENA:DKemp	_____	_____
State/INM:ECarroll	_____	_____

ASSISTANCE CHECKLIST
HONDURAN ENVIRONMENTAL PROTECTION FUND
(522-0385)

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations;
(d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

1. The project will neither encourage or discourage these efforts.

2. The project will neither encourage or discourage these efforts.

3. Congressional Notification

a. General requirement (FY 1993 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

b. Notice of new account obligation (FY 1993 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

c. Cash transfers and nonproject sector assistance (FY 1993 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

4. Engineering and Financial Plans (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

5. Legislative Action (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action

3.a. The Congressional Notification expired on May 5, 1993.

3.b. Funds are being obligated under the Development Assistance account as appropriated by Congress.

3.c. N/A

4.a. Yes.

4.b. Yes.

5. No legislative action is required.

will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources** (FAA Sec. 611(b); FY 1993 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

6. Appropriated funds will not be used for water or water-related land resource construction.

7. **Cash Transfer and Sector Assistance** (FY 199 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

7. N/A

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

8. N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

9. The project will neither encourage or discourage these efforts.

10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

10. The project will neither encourage or discourage these efforts.

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

11.a. The host country will contribute the local currency equivalent of approximately \$7.32 million to fund environmental projects, their management, and institutional strengthening.

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

11.b. No.

c. **Separate Account** (FY 1993 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

11.c.(1) N/A. Local currency will not be generated as a result of project.

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

11.c.(2) N/A

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

11.c.(3) N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

11.c.(4) N/A

12. Trade Restrictions

a. Surplus Commodities (FY 1993 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

12.a. N/A

b. Textiles (Lautenberg Amendment) (FY 1993 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of

12.b. N/A

textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. Tropical Forests (FY 1993 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

13.a. No.

13.b. No.

Likely project funded activities result in reduced loss of tropical forests.

14. PVO Assistance

a. Auditing and registration (FY 1993 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

14.a. The project will provide assistance to an "umbrella" non-governmental organization (NGO) that will make sub-grants to NGOs and PVOs. The umbrella NGO is not registered with USAID.

b. Funding sources (FY 1993 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

14.b. No direct assistance will be made to U.S. PVOs.

15. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). 15. N/A.

16. **Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy):** Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

17. **Women in Development (FY 1993 Appropriations Act, Title II, under heading "Women in Development"):** Will assistance be designed so that the percentage of women participants will be demonstrably increased?

18. **Regional and Multilateral Assistance (FAA Sec. 209):** Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

16. Metric measurements are standard in Honduras. Most procurements will not require measurements.

17. Yes. Project Social Soundness guidelines note the importance of participation of both genders in project activities.

18. No. The project will work through local NGOs/PVOs. Assistance of this type is not as effectively provided by regional or multilateral organizations.

19. Abortions (FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

19.a. No.

b. Will any funds be used to lobby for abortion?

19.b. No.

20. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

20. No.

21. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

21.a. There are no U.S. owned foreign currencies available for project costs.

b. Release of currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

21.b. No.

22. Procurement

a. Small business (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

22.a. Yes. Approved USAID procurement procedures and policy will be followed.

b. U.S. procurement (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

22.b. Yes.

c. **Marine insurance (FAA Sec. 604(d)):** If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? 22.c. Yes.

d. **Non-U.S. agricultural procurement (FAA Sec. 604(e)):** If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) 22.d. N/A. No non-U.S. procurement of agricultural commodity or product is envisioned.

e. **Construction or engineering services (FAA Sec. 604(g)):** Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) 22.e. No.

f. **Cargo preference shipping (FAA Sec. 603):** Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? 22.f. No.

g. **Technical assistance (FAA Sec. 621(a)):** If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the 22.g. Yes. The project does not now anticipate using facilities or resources of other federal agencies. If federal agencies, e.g., EPA, are used, they would not be in competition with private enterprise nor would they interfere with domestic programs.

facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

h. U.S. air carriers

(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

22.h. Yes.

i. Termination for convenience of U.S. Government (FY 1993 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

22.i. All contracts and grants executed under the project will have such a provision.

j. Consulting services

(FY 1993 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

22.j. Yes.

k. Metric conversion

(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest

22k. Metric measurements are standard in Honduras. Most procurements will not require measurement.

documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

22.1. Yes.

23. Construction

a. **Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

23.a. N/A. This is not a capital project.

b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

23.b. N/A

c. **Large projects, Congressional approval** (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

23.c. No such construction will be financed by the project.

24. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

24. Yes.

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

25. Yes.

26. Narcotics

a. **Cash reimbursements (FAA Sec. 483):** Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? 26.a. Yes.

b. **Assistance to narcotics traffickers (FAA Sec. 487):** Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? 26.b. Yes.

27. **Expropriation and Land Reform (FAA Sec. 620(g)):** Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? 27. Yes.

28. **Police and Prisons (FAA Sec. 660):** Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? 28. Yes.

29. **CIA Activities (FAA Sec. 662):** Will assistance preclude use of financing for CIA activities? 29. Yes.

30. **Motor Vehicles (FAA Sec. 636(i)):** Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? 30. Yes.

31. **Military Personnel (FY 1993 Appropriations Act Sec. 503):** Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? 31. Yes.
32. **Payment of U.N. Assessments (FY 1993 Appropriations Act Sec. 505):** Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? 32. Yes.
33. **Multilateral Organization Lending (FY 1993 Appropriations Act Sec. 506):** Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? 33. Yes.
34. **Export of Nuclear Resources (FY 1993 Appropriations Act Sec. 510):** Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? 34. Yes.
35. **Repression of Population (FY 1993 Appropriations Act Sec. 511):** Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? 35. Yes.
36. **Publicity or Propoganda (FY 1993 Appropriations Act Sec. 516):** Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? 36. No.

37. Marine Insurance (FY 1993 Appropriations Act Sec. 560): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? 37. Yes.

38. Exchange for Prohibited Act (FY 1993 Appropriations Act Sec. 565): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? 38. No.

39. Commitment of Funds (FAA Sec. 635 (h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? 39. No.

40. Impact on U.S. Jobs (FY 1993 Appropriations Act, Sec. 599):

(a) Will any financial incentive be provided to a business located in the U.S. for the purpose of introducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? 40.a. No.

(b) Will assistance be provided for the purposes of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.?

40.b. No.

(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country?

40.c. No.

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

1.1. No.

1.2. No.

2. **Tied Aid Credits (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"):** Will DA funds be used for tied aid credits?

2. No.

3. **Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

3. The project will emphasize appropriate technologies in the context of sub-projects addressing environmental problems.

4. **Indigenous Needs and Resources (FAA Sec. 281(b)):** Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

4. The Project working exclusively through non-profit, non-governmental organizations (NGOs), including private voluntary organizations (PVOs) to address environmental problems confronting the Host Country. The organizations will involve local citizens through participation in design and execution of environmental activities. The country's own intellectual and professional resources will be used to institutionally develop NGOs.

5. **Economic Development (FAA Sec. 101(a)):** Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

5. The Project recognizes the importance of the link between sustainable economic growth and environmental degradation. In addressing environmental problems the Host Country, productive capacities, particularly in poor rural areas, will frequently be increased. At the same time, the Project also recognizes the direct relationship between poverty and environmental degradation. Where possible, environmental activities will include income generation opportunities for the project beneficiaries.

6. **Special Development Emphases (FAA Secs. 102(b), 113, 281(a)):** Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

6. a. The NGOs implementing the project will involve the poor in the design and implementation of environmental activities. Criteria for sub-project financing will include use of meaningful community participation, labor intensive implementation techniques and appropriate technology.

b. The project will encourage, support and strengthen non-profit private sector organizations with democratically elected officers.

c. The project will support the host country's private sector self-help efforts.

d. Criteria for sub-project financing includes evidence that participation of both genders in both design and implementation of environmental activities will be promoted.

e. Regional cooperation will be encouraged through support of observational tours and regional meetings of NGOs involved with environmental activities.

12. **Biological Diversity (FAA Sec. 119(g):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

13. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):**

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

b. **Conservation:** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end ~~destructive slash-and-burn agriculture~~ by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions

12. a. Yes. Loss of Biological diversity is one of the priority areas that will be addressed by the Project.

b. No. However, the Project Agreement does require the recipient country to support an Environmental Protection Fund.

c. Yes. It is likely that some sub-projects financed by the Project will support the identification and surveying of ecosystems worthy of protection.

d. No. The Project will support efforts to improve the management of national parks and protected areas.

13.a. Yes.

b. Yes. While the Project does not deal exclusively with the conservation and management of tropical forests it will, through various sub-projects address the thirteen points listed

which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded

13.c. No.

forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

13.d. It is possible, but no like that the assistance will contribute towards a national program for sustainable forestry. However, some of the sub-projects supported under the Project will involve the development of management plans for forested areas.

13.e. The Agency's environmental threshold decision for the Project resulted in a positive determination because negative environmental impacts could result if sub-project activities were not designed and implemented according to rigorous environmental standards. As a result, environmental guidelines were developed for the design, implementation and evaluation of all sub-projects with a potential for negative environmental impacts. These guidelines will be adopted by the Project's implementing NGOs, and their use will be a condition of sub-project funding.

14. **Energy (FY 1991 Appropriations Act Sec. 533(c)):** If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

14. N/A

15. **Debt-for-Nature Exchange (FAA Sec. 463):** If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

15. N/A. The project does not contemplate a debt-for-nature exchange.

16. **Deobligation/Reobligation** (FY 1993 Appropriations Act Sec. 515): If deob/raob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

16. N/A. Use of deob-raob is not envisioned at this time.

17. **Loans**

a. **Repayment capacity** (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

17. a.-d. This is not a loan-financed project.

b. **Long-range plans** (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

c. **Interest rate** (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. **Exports to United States** (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

18. **Development Objectives** (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from

18.1, 3-5. See response to No. B6, above.

18.2 See response to No. A20, above

cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

19. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

19.a. Assistance will be provided for the promotion of sustainable small-scale agriculture as a means of improving the management and conservation of watersheds. An explicit objective of such activities will be to increase the long-term productivity and income of the rural poor.

19. b. Improving nutrition is not an explicit objective of the project. However, it is likely that certain types of sub-projects will have secondary impacts involving improved nutrition.

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

20. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

21. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

22. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

19.c. Improving food security is not an explicit objective of the project. However, given that environmental degradation can weaken food security, especially for the rural poor, the project will in fact help to improve food security.

20. Assistance is not being made available for population or health activities.

21.a. A portion of the assistance will be made available for human resource development, as it relates both to environmental education: increasing the skills necessary to design and implement effective environmental activities. The management capability of NGO and institutions will be strengthened, thus enabling the poor to participate in sustainable development.

21.b. Funding for advanced technical training in various environmental sciences and methodologies will be provided in order to improve the country's capabilities in planning and implementing environmental activities.

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

c. research into, and evaluation of, economic development processes and techniques;

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

23. Capital Projects (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

22.a. The assistance is not an "energy project." However, given that firewood collection is a significant factor in deforestation it is possible that the assistance will involve sub-projects promoting small scale, decentralized, environmentally acceptable energy sources for rural areas.

22.b. A key aspect of the assistance is the involvement of U.S. NGOs/PVOs in the design and implementation of environmental activities. These organizations will form partnerships with host country NGOs to execute environmental activities, and in the process provide technical assistance and training.

22.c. N/A

22.d. N/A

22.e. N/A

22.f. N/A

23. The assistance does not involve capital project funding.

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ANNEX R
ENVIRONMENTAL
THRESHOLD
DECISION

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AIDAC TECUCIGALPA FOR R. ROSARIO AND M. HARRITT.

OFFICE
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I.O. 12356: N/A

TAGS:

SUBJECT: ENVIRONMENTAL THRESHOLD DECISION FOR NATIONAL ENVIRONMENTAL PROTECTION FUND PROJECT (NEPF)

REF: HONDURAS FAX, HARRITT TO HESTER, 11/03/92

GUATEMALA FOR W. WILLIAMS

1. LAC CHIEF ENVIRONMENTAL OFFICER, JAMES HESTER, HAS REVIEWED THE MISSION REQUEST FOR A NEGATIVE DETERMINATION. HOWEVER, THE BUREAU HAS DECIDED ON A POSITIVE DETERMINATION DUE TO POTENTIAL NEGATIVE ENVIRONMENTAL IMPACTS RESULTING FROM PROJECT ACTIVITIES.

2. THE POSITIVE DETERMINATION WAS GIVEN BECAUSE NEGATIVE ENVIRONMENTAL IMPACTS COULD RESULT IF PROJECT ACTIVITIES ARE NOT DESIGNED AND IMPLEMENTED ACCORDING TO RIGOROUS ENVIRONMENTAL STANDARDS. THIS REQUIRES THE DEVELOPMENT OF ENVIRONMENTAL GUIDELINES FOR DESIGN, EVALUATION, AND IMPLEMENTATION OF SUBPROJECTS AND MISSION ENVIRONMENTAL REVIEW OF ALL SUBPROJECTS PRIOR TO THEIR APPROVAL.

3. A SCOPE OF WORK FOR THE DESIGN OF ENVIRONMENTAL GUIDELINES SHALL BE SUBMITTED TO THE BUREAU ENVIRONMENTAL OFFICER FOR REVIEW AND APPROVAL. IN ADDITION, THE ENVIRONMENTAL GUIDELINES MUST BE REVIEWED AND APPROVED BY THE BUREAU ENVIRONMENTAL OFFICER PRIOR TO IMPLEMENTATION.

4. IEE NUMBER IS LAC-IEE-92-65. COPY OF ENVIRONMENTAL THRESHOLD DECISION IS BEING SENT TO THE MISSION FOR INCLUSION IN PROJECT FILES. KANTER

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ANNEX L - CONDITIONS, COVENANTS and REQUIRED ACTIONS

Conditions Precedent prior to first disbursement of Project funding.

Prior to the first disbursement of the Grant, or the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as USAID may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID:

- 1) An opinion of the Attorney General of the Republic or of counsel acceptable to USAID that the bilateral Project Agreement between USAID and the GOH has been duly authorized and/or ratified by, and executed on behalf of the Grantee and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;**
- 2) A statement of the names of the persons authorized to act on behalf of the Grantee as specified in the Project Agreement, and a specimen signature(s) of each person specified in such statement; and,**
- 3) The *reglamentos* covering the administration of the FOPMA by VIDA have been issued by the Grantee and are consistent with the Project purpose and approach.**

Actions required prior to any disbursement of funds under the Cooperative Agreement with VIDA

1) VIDA's Board of Directors adopt and incorporate into the Foundation's operating manuals the following which are acceptable to USAID:

- o Operational Organizational Plan and Staffing Pattern required to carry out responsibilities associated with implementation of the Agreement program;**
- o a policy regarding disclosure of possible conflict of interest, and full disclosure of all Selection Committee meeting minutes and other information to interested parties;**
- o a policy confirming the autonomy of VIDA Executive Staff in managing day-to-day operations of the Foundation;**
- o standard subproject appraisal and selection procedures and criteria to be applied to all proposals except VIDA's "microproyectos" as determined by the VIDA Selection Committee involving expenditures over L10,000, including but not necessarily limited to an assessment of a proposed subproject's:**

- Technical feasibility**
- Sustainability**
- Social soundness (See Annex I - Social Soundness Analysis)**
- Environmental impact (See Annex I - Environmental Guidelines)**

-Financial viability of the sub-project, and the capability of the proposing NGO to adequately manage the grant resources (Sec Annex I - Financial Analysis)

- o Annual work plan including human and financial resources**

Covenants to continued Project funding include:

- 1) The Grantee shall make every effort to ensure that counterpart funds are available in a timely and satisfactory manner. Likewise, the Grantee shall provide USAID with quarterly reports on the provision of counterpart contributions. These reports shall be provided no later than 30 days after the end of the quarter. Should the Grantee fail to make available amounts designated in the budget or fail to make those amounts available in a timely and satisfactory manner as determined by USAID, USAID may suspend assistance to one or more project activities until such time that USAID shall determine that the assistance may be continued or that one or more of the project activities shall be terminated.**
- 2) The Grantee agrees to contribute to the FOPMA as originally envisioned by the Congress and specified in Legislative Decree 69-92, published in La Gaceta, August 6, 1992.**
- 3) The Grantee shall make every effort to promote coordination or, and cooperation between, environmental efforts carried out by public sector institutions and those carried out by NGOs and supported under the Project.**
- 4) The Grantee agrees that at whatever time, as formally notified by USAID in writing, USAID concludes that the management of VIDA is not acceptable, USAID may suspend all or a portion of new Project disbursements until such a time as the management of VIDA again becomes acceptable.**
- 5) The Grantee agrees that no pesticides will be procured or used, nor timber harvested, under this Project without first conducting an Environmental Assessment (EA), and having the EA approved in writing by USAID.**

Actions required for continuation of the Cooperative Agreement with VIDA

- 1) Approval by USAID of annual work plans which include human and financial resources;**
- 2) Approval by USAID of the results of the impact evaluation of the environmental activities conducted under the program on an annual basis;**
- 3) Approval by USAID of the results of annual recipient audits; and,**
- 4) At least fifteen (15) per cent of the total budget of each subproject receiving USAID funding is contributed from the FOPMA.**

Acronyms

APRODIB	Bay Islands Development Association
ARDO	Agricultural and Rural Development Office
BICA	Bay Islands Conservation Association
BOD	Biological Oxygen Demand
BSP	Biodiversity Support Program
CACM	Central American Common Market
CDSS	Country Development Strategy Statement
CI	Conservation International
CIDA	Canadian International Development Agency
CN	Congressional Notification
CODEFFGOLF	Committee for the Protection and Development of Gulf of Fonseca Wildlife
COHDEFOR	Corporación Hondureña de Desarrollo Forestal
CONAMA	Comisión Nacional del Medio Ambiente y Desarrollo
CP	Condition Precedent
CY	Calendar Year
DA	Development Assistance (funding)
DDT	Dichlorodiphenyl Trichloroethane (insecticide)
DESFIL	Development Strategies for Fragile Lands (project)
DMD	Deputy Mission Director
DR	Dominican Republic
EA	Environmental Assessment

ELI	Environmental Law Institute
EPA	Environmental Protection Agency
FAR	Federal Acquisition Requirement
FARS	Financial Analysis and Review Section
FHIA	Fundación Hondureña de Investigación Agrícola
FOPMA	Fondo de Protección del Medio Ambiente/Environmental Protection Fund
FSN	Foreign Service National
FSNPSC	FSN Personal Services Contractor
FY	Fiscal Year
GDP	Gross Domestic Product
GOH	Government of Honduras
HC	Host Country
HEPF	Honduran Environmental Protection Fund (the Project)
HHE	Household Effects
IAF	InterAmerica Foundation
IDB	Interamerican Development Bank
IEE	Initial Environmental Examination
IPM	Integrated Pest Management
IQC	Indefinite Quantity Contract
LAC	Latin America and the Caribbean
LOE	Level of Effort
LOP	Life of Project
LUPE	Land Use and Productivity Enhancement (Project)

LT	Long-Term
MFPC	Ministry of Finance and Public Credit
MHCP	Ministerio de Hacienda y Crédito Público
MOPAWI	Agency for the Development of La Mosquitia
MOU	Memorandum of Understanding
NGO	Non-governmental Organization
NPD	New Project Description
OCM	Office of Contracting Management
ODEF	Organización de Desarrollo Empresarial Femenino
PACA	Central American Environment Project (ROCAP)
PACD	Project Assistance Completion Date
PAIP	Policy Analysis and Implementation Project
PDC	Project Design Committee
PID	Project Identification Document
PIO/T	Project Implementation Order/Technical
PM	Person/Month(s)
PP	Project Paper
PVO	Private Voluntary Organization
RENARM	Regional Environment and National Resource Management (Project)
RFP	Request for Proposals
RIG	Regional Inspector General (Office)
RLA	Regional Legal Advisor
ROCAP	Regional Office for Central American Programs (USAID)

R&R	Rest and Recuperation
SFAD	Small Farmer Agribusiness Development
SIEE	Supplemental Initial Environmental Examination
SOW	Scope of Work
ST	Short-Term
TA	Technical Assistance
TNC	The Nature Conservancy
UAB	Unaccompanied Air Baggage
UNDP	United Nations Development Program
USDH	US Direct Hire
USG	United States Government
USPSC	US Personal Services Contractor
VIDA	Fundación Hondureña de Ambiente y Desarrollo VIDA
WRI	World Resources Institute
WWF	World Wildlife Fund