

10-11-94
10-11-94

USAID/HONDURAS

SEMI-ANNUAL REPORTS

OCTOBER 31, 1994 - MARCH 31, 1995

SEMI-ANNUAL REPORT
OCTOBER 1, 1994- MARCH 31, 1995

TABLE OF CONTENTS

I.	MISSION DIRECTOR'S NARRATIVE	
A.	Narrative	1
II.	FINANCIAL TABLES	
A.	Financial Summary Table (Attachment A)	9
B.	Pipeline Analysis Table (Attachment B)	10
C.	Matrix of USAID/Honduras Portfolio (Attachment C)	11
III.	PROJECT STATUS REPORTS	
	<u>Strategic Objective No. 1:</u>	
	<u>Enhanced Economic Participation and Increased Incomes of the Poor</u>	
1)	522-0241 Small Business II	12
2)	522-0252 Small Farmer Organization Strengthening	14
3)	522-0273 Primary Education Efficiency Project	17
4)	522-0289 Privatization of State-Owned Enterprises	20
5)	522-0325 Policy Analysis and Implementation (Public)	22
6)	522-0325.1 Policy Analysis and Implementation (COHEP)	25
7)	522-0325.2 Policy Analysis and Implementation (Agriculture)	27
8)	522-0325.3 Policy Analysis and Implementation (Financial)	29
9)	522-0334 Rural Roads Maintenance	31
10)	522-0383 Small Farmer Agribusiness Development	33
11)	522-0396 Structural Adjustment Program	37
12)	522-0399 Small Farmer Agribusiness Development	39
13)	PL-480 Title III	41
	<u>Strategic Objective No. 2:</u>	
	<u>Effective Stewardship of Key Natural Resources for Sustainable Economic Growth</u>	
1)	522-0246 Forestry Development Project	43
2)	522-0292 Land Use Productivity Enhancement (LUPE)	45
3)	522-0385 Honduran Environmental Protection Fund	47

Strategic Objective No. 3: Improved Family Health

1) 522-0216	Health Sector II	49
2) 522-0369	Private Sector Population II	52
3) PL-480	Title II	54

Strategic Objective No. 4: More Responsive Democratic Processes, with
Greater Citizen Participation

1) 522-0296	Strengthening Democratic Institutions	57
3) 522-0340	Municipal Development	60
4) 522-0364	Honduras Peace Scholarships II	62
5) 522-0381	Strengthening Accountability Systems	64
6) 598-0791	Regional Technical Aid Center Project (RTAC II)	66

USAID/HONDURAS
MEMORANDUM

DATE : June 20, 1995
TO : Ms. Janice Weber, Director, LAC/SPM
FROM : Elena L. Brineman, Mission Director *EBP*
SUBJECT : USAID/Honduras Semi-Annual Report for
the Period October 1, 1994 - March 31, 1995



I. INTRODUCTION

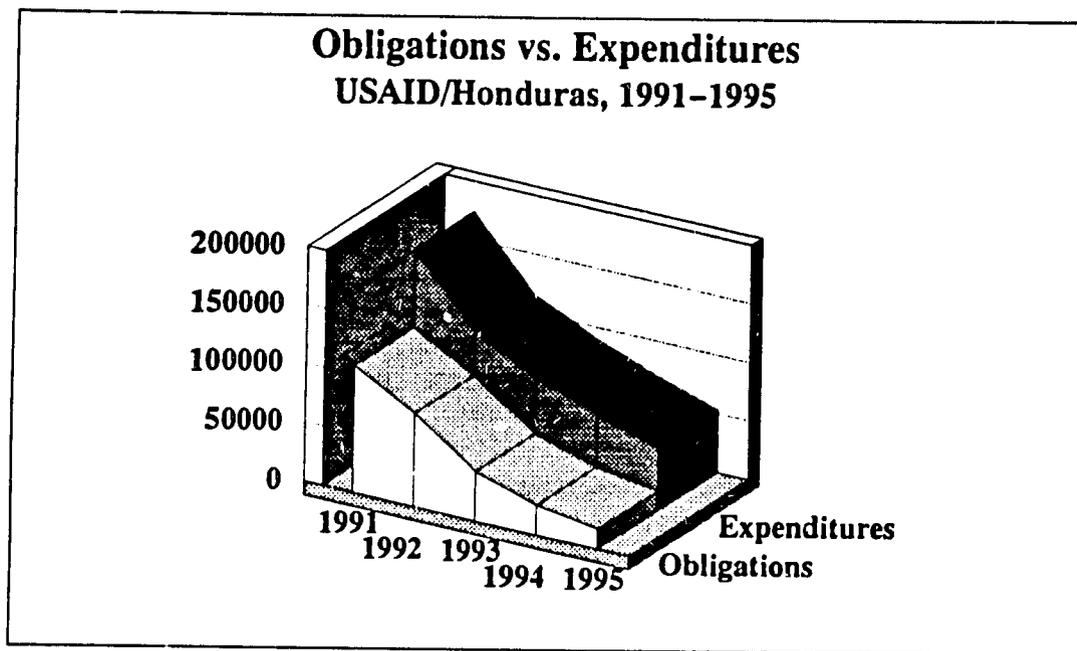
USAID/Honduras' Spring 1995 Semi-Annual Review (SAR) was held at a time of unusual uncertainty as to the immediate future of the program here. On one front, obligation of our FY 1995 Operating Year Budget (OYB) was at a standstill due to the imposition of Brooke/620(q) sanctions on Honduras as the GOH renegotiated its bilateral debts with the members of the Paris Club. At the same time, the twin spectres of a looming rescission and possible Congressional action that would force deobligation of all unexpended funds from FY 1992 and prior years imperilled several of our most successful activities. Promising initiatives in the areas of municipal empowerment, judicial reform, and trade policy were at particular risk, but the prospect of significant resource cuts also threatened activities in the education and natural resource sectors.

We are doing what we can to mitigate these threats. To facilitate the lifting of Brooke/620(q) sanctions, the USAID Mission and the Embassy Economic Section have been working closely behind the scenes to help Honduras get back in good graces with the one bilateral donor, Italy, to which it still owes arrears. This will allow the Paris Club to reinstate its Second Rescheduling Agreement, and thereby allow USAID to resume obligation of funds. At the same time, we have been taking internal accounting measures (changing expenses originally charged against FY 1993 and FY 1994 funds to older Budget Plan Codes) wherever possible to cushion the impact of any forced rescission.

Not all threats, however, are subject to resolution by mere accounting adjustments. As we stressed during the recent Action Plan reviews, this Mission has for several years been carefully husbanding its resources, in effect living off (and bringing down) its pipeline as annual OYB levels steadily declined. This approach, combined with the judicious programming of local currency, has allowed us to continue to disburse resources - and thus to achieve development results - well in excess of each year's obligations. The table and graph on the following page illustrate USAID/Honduras has used its DA/ESF pipeline and local currency resources to keep actual expenditures well ahead of new obligations in every year since 1991.

**Dollar and Local Currency Expenditures
USAID/Honduras, 1991-1995 (U.S. \$'000 or equivalent)**

Expenditures	1991	1992	1993	1994	Projected 1995
DA/ESF	103,774	69,653	50,835	44,982	32,500
ESF Local Currency	70,582	38,367	25,081	14,889	13,695
P.L. 480 Local Currency*	0	7,930	14,873	10,858	6,860
Total Expenditures (TE):*	174,356	115,950	90,789	70,729	53,055
Total Obligations (TO):*	107,699	79,217	41,648	25,191	17,265
TE/TO:	162%	146%	218%	281%	307%
*Including P.L. 480 Title III but not Title II					



The premature deobligation of FY 1992 and/or prior year resources, as might be required by the rescission bill or by the Roth Amendment that accompanies the American Overseas Interests Act (the House version of the FY 1996 foreign assistance authorization bill), would have the perverse effect of penalizing this mission and its development partners for having used these resources carefully. Recognizing that the enactment or rejection of these bills and their amendments is well beyond the LAC Bureau's control, we nonetheless think it important to note the damage that such measures would do to key programs under three of our four Strategic Objectives:

Strategic Objective One: Enhanced Economic Participation and Increased Incomes of the Poor

- o The Policy Analysis and Implementation Project (PAIP) could lose some \$1.87 million, much of which is committed to fund long-term U.S. graduate level training and an institutional contract for short-term technical assistance to the GOH's Economic Policy Analysis Unit (UDAPE), the principal technical advisory body to Honduras' Economic Cabinet. As such, UDAPE is an important voice for free trade and open markets. While the funds budgeted for academic training could be made up by swapping them for newer monies from other components of the project (which could in turn spend these older funds more rapidly), these exchanges would be insufficient to safeguard funds for technical assistance to UDAPE after the end of this Fiscal Year.
- o The Primary Education Efficiency Project (PEEP) could lose approximately \$1.6 million slated to fund the printing of some 1,700,000 first and second grade primary school workbooks and related activities for poor children. These workbooks would help ease the transition from USAID to the World Bank as the principal source of donor funding for primary education; they would also contribute significantly to the long-term sustainability of PEEP's achievements.

Strategic Objective Two: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth

- o The Forestry Development Project (rDP) could lose approximately \$338,000, which had been budgeted for short-term technical assistance from the USDA's Forest Service and commodity procurement.

Strategic Objective Four: More Responsive Democratic Processes With Greater Citizen Participation

- o The Strengthening Democratic Institutions Project (SDI) could lose as much as \$2.7 million, or 64% of its estimated September 30, 1995 pipeline. With no funds scheduled to be obligated to it in FY 1995, SDI would have to curtail ongoing efforts

in support of the newly-established Public Ministry, perhaps the only institution in Honduras with a demonstrated record of and commitment to fighting corruption. The project would also have to forgo new training initiatives for justice sector personnel and media campaigns through local NGOs in support of judicial reform.

- o The Municipal Development Project (MDP) is the single greatest potential casualty of the proposed rescission bill or Roth Amendment. MDP could lose \$3.0 million, i.e., its entire estimated September 30, 1995 pipeline of pre-FY 1995 monies. With only \$656,000 available for obligation to MDP in FY 1995, virtually all project activities – short-term technical assistance to municipal governments, a Cooperative Agreement with the Honduran Association of Municipalities (AMHON) that fosters policy change at the central level, and a just-begun training program for municipal employees at the National Technical University (UNITEC) – would have to be brought to a close by March 31, 1996. In these circumstances, we would be forced to close this successful project by that date, some three years ahead of its currently planned PACD.

We know that the Bureau, and the Agency as a whole, is doing everything possible to defeat these ill-conceived and potentially destructive measures. We hope that these efforts will be successful.

II. SEMESTER SUMMARY

A. Project Impact Highlights

Our 1996–97 Action Plan described in considerable detail the progress being made toward USAID/Honduras' four Strategic Objectives. That overall description need not be repeated here. Nonetheless, several projects achieved results during this six-month reporting period that bear special mention. These include:

- o The Small Business II Project continued its successful lending efforts, making a total of 16,077 loans to small businesses and microenterprises. Over 94% of these loans went to women borrowers. The project has now achieved 100% of its LOP target for the number of loans made to small businesses.
- o With funding from the Primary Education Project (PEEP), 2,700,000 first and second grade textbooks and workbooks, third and fourth grade student guides, and related materials were printed. The total number of such materials developed and printed over the life of PEEP now exceeds 15 million.
- o With assistance from the Agricultural Component of the Policy Analysis and Implementation Project (PAIP), the GOH's National Agrarian Institute (INA) granted 4,403 land titles, making this the most productive six-month land-titling period in Honduran history. Over 23% of these titles went to women.

- o The 500th rural water system assisted by the Health Sector II Project was inaugurated by the President of Honduras and the U.S. Ambassador, thereby officially completing the original LOP target. Project-funded water systems now provide easy access to safe water to over 84,000 rural women.
- o The Honduran Family Planning Association's (ASHONPLAFA) Community Services Program, which is supported in part by the Private Sector Population II Project, provided a total of 66,000 Couple Years of Protection (CYPs), reached 1,790 new family planning acceptors, and opened 58 new community distribution posts. Over the life of this project, the number of community distribution posts has increased from 1,450 to 1,997, an increase well in excess of the LOP target of 1,760.
- o In February and March 1995 alone, prosecutors from the GOH's newly-independent Public Ministry, which receives major support from the Strengthening Democratic Institutions Project (SDI), handled 5,404 criminal and civil cases, including 24 cases of alleged abuse of authority by government officials and 60 allegations of rape. This level of activity compares favorably to the level of effort undertaken by the old prosecutorial system, which as the prosecutorial arm of the Honduran court system tried less than 40 cases in a typical year. The actions filed against public officials and the perpetrators of crimes against women are of particular importance, for the PM's willingness to prosecute cases in these areas is one of the chief means by which USAID measures the success of SDI.

B. Problematic Activities:

Two activities cited as "problematic" in the previous SAR cycle continued to experience significant difficulties:

- o Disbursement of the pending first (and only) tranche of \$5 million in Economic Support Funds under the FY 1993 Structural Adjustment II Program (SAP II) continues to be delayed by the GOH's failure to secure Congressional enactment of a new Banking Systems Law, the last remaining Condition Precedent to disbursement of these funds. This key measure has taken a backseat as the Honduran Congress has instead focused on other priorities. Much of last year was spent (a) obtaining approval of a fiscal reform; (b) debating the Merchant Marine Law under which the Army would cede responsibility for shipping to the Ministry of Finance; (c) discussing the budget for this year; (d) arguing the merits of electoral reform; and (e) passing a constitutional reform instituting voluntary military service. This year, the Reina Administration did not want to send two major legislative programs to Congress at the same time, and gave precedence to the proposed new tax code over the banking system law. From a policy perspective, this was not necessarily an unwise choice: the new tax code is important because it will help the GOH reduce the fiscal deficit by

providing sanctions for tax evasion. Its early consideration, however, has had the unfortunate side effect of delaying further the debate on the banking law.

Shortly after the end of this SAR cycle, the AA/LAC approved the GOH's request to extend the terminal date for enactment of the Banking Systems Law to December 31, 1995. Since then, we have seen significant progress: a final draft of the law won endorsement from the Honduran Banker's Association (AHIBA), the Honduran Council of Private Enterprise (COHEP), and the Coordinator of the country's Economic Cabinet. This version of the law was formally introduced in Congress in May; debate on it is scheduled to begin in July. We expect that the law will be enacted, and SAP II funds disbursed, sometime in August.

- o Our best efforts notwithstanding, we have made no progress in resolving the implementation problems of the Strengthening Accountability Systems Project (SAS) noted in the last SAR. We continue to perceive this activity as an essential part of the Reina Administration's commitment to fight corruption; our partner, the Comptroller General of the Republic (CGR), views it as principally an institution-building effort. We are therefore proceeding with our plans to cancel this activity as of September 30, 1995 (a year ahead of schedule) and to deobligate remaining funds.

C. A Note on the Definition of "C" Projects

Over the last four SAR cycles, we have classified projects as "C" activities when they met the definition of such activities provided in State 125805 of April 24, 1993:

"These are projects with significant problems which require extra attention from senior Mission management or, on an exceptional basis, from senior Washington Bureau management [emphasis added]."

Using this definition, SAR reports over this period classified as "C" projects several otherwise successful activities, notably the SDI and Forestry Development Projects and the Agricultural Component of the PAIP Project. These activities required significant personal attention from Mission management because of their sensitive nature or due to significant – but temporary – implementation problems.

Though this approach was consistent with Bureau policy, it caused some confusion during the recent review of our Action Plan. This confusion was provoked by a new Agency view of the definition of a "C" project set forth in State 44878 of February 23, 1995. That cable stated in pertinent part that:

"We assume that a project in [the "C"] category for two years is having problems and may not be capable of demonstrating results within an appropriate time-frame."

Accordingly, at the suggestion of LAC/SPM, we have changed our classification of "C" activities for this SAR cycle to correspond with the Agency's new, more stringent definition. Using this revised criterion, only three active efforts in our portfolio – the Financial Sector Component of PAIP, SAS, and SAP II – are now classified as "C" activities. As noted, we are in the process of cancelling both PAIP/Finance and SAS, and we expect that the problems that have delayed disbursement of SAP II funds will be resolved this semester.

III. FINANCIAL PERFORMANCE

A. Expenditures

Project portfolio expenditures during the period totalled \$11.6 million, 59% of the projected level (see Attachment A, Financial Summary Table), and much lower than the second semester of FY 94. Only two projects exceeded planned expenditure levels. The overall planned level was not met largely due to significant expenditure shortfalls involving several projects. For example, the Privatization of State-Owned Enterprises Project spent only 11% of the amount planned due mainly to the GOH's political decision not to use technical assistance provided by the project for the privatization of Hondutel, the state-owned telephone company. The GOH decided instead to use assistance from the World Bank for this purpose. USAID and its partners will redefine this project's activities this semester and plan new expenditure levels accordingly.

Other projects with expenditures significantly less than planned were:

- o Small Farmer Agribusiness Development (SFAD) and the Private Sector Component of the Policy Analysis and Implementation Project (PAIP/COHEP): SFAD and PAIP/COHEP spent only 25% and 40%, respectively, of their *nominally* planned levels due mainly to an error in estimating projected expenditures. In reality SFAD and PAIP/COHEP spent or accrued approximately 74% and 62%, respectively, of what they intended to spend during the semester. In the next reporting period these errors will be adjusted in the MACS accounting records
- o Strengthening Democratic Institutions (SDI): 21%. Although negotiations with the Public Ministry and the Supreme Court on the shape of new SDI activities for reform in the justice sector were completed successfully in the previous reporting period, expenditures were slower than expected due to delays in executing an agreement with the Public Ministry. We expect, however, that the project's pipeline will continue to decrease as the pace of activities with the Public Ministry increases.
- o Strengthening Accountability Systems (SAS): 44%. The problems with SAS noted in the previous reporting cycle continued. As discussed above, USAID plans to cancel this project by the end of the Fiscal Year.

Given the difficult time we had this semester in estimating planned expenditures, we plan to rework the manner in which we make and approve these estimates. In particular, initial estimates of planned expenditures will be subject to more critical review by all members of each Project Implementation Team.

B. Pipeline Analysis

At the end of this semester, the pipeline of ongoing projects is \$49,884,000 (see Attachment B, Pipeline Analysis Chart), which is \$13,151,000 (21%) less than at the beginning of the semester. When compared to the ending pipeline of the first semester of FY 94, the ending pipeline of the first semester of FY 95 decreased by \$23,814,000, or 32%. At the current expenditure rate, approximately \$27,000,000 per year, the portfolio-wide pipeline continues to be below the GAO's two-year standard.

These pipeline reductions are due mainly to a continued decrease in the Mission's OYB, a reduction of the LOP funding levels of several ongoing projects, including 1311 reviews carried out during this reporting period, as well as the removal from the "ongoing" pipeline of several projects completed during the past twelve months. Portfolio-wide, of funds obligated for active projects, 93% have been earmarked and 91% committed. There is therefore good reason to expect that expenditures in the coming months will increase, thus continuing to decrease the Mission's pipeline considerably.

A review of the age of our pipeline for ongoing projects shows that 81% (up from 73.8% six months ago) of the ending pipeline of the first semester of FY 95 was obligated in FY 94, FY 93 and FY 92 (FY 92 comprises 24.6% of this percentage); 13.3 % (down from 19.3% six months ago) was obligated in FY 91 and FY 90; and 6% (down from 6.9% six months ago) was obligated in FY 89 and prior years. Although the age of our pipeline continued to decrease dramatically in these last six months, the main cause of the persistence of old funds in the pipeline is the existence of two large Cooperative Agreements under the Policy Analysis and Implementation Project that were fully funded in 1989. These grantees have not yet spent all these resources. As described above, the Mission will continue to make every effort to further reduce the age of the pipeline over the next reporting period.

(1) PROJECT NO.	(2) PROGRAM/ PROJECT TITLE	(3) CATE- GORY	(4) DATE OF INIT. OBLIG.	(5) LAST REVISED PACD	(6) % OF LOP ELAPS	(7) % OBLIG. EXPEND	(8) AUTH. LOP AMOUNT	(9) CURRENT FY OBLIG. TO DATE	(10) CUMUL. AMOUNT OBLIG.	(11) * MORTGAGE	(12) BEGINNING FY PIPELINE	(13) PLANNED SEMESTER EXPEND.	(14) ACCRUED SEMESTER EXPEND.	(15) ACCUMULATED AS % OF PLANNED	(16) CUMULATIVE ACCRUED EXPEND.	(17) ENDING PIPELINE	(18) ** PLANNED EXPEND. (NEXT SEM.)
A. ACTIVE PROJECTS																	
SO #1: ENHANCED ECONOMIC PARTICIPATION & INCREASED INCOMES OF THE POOR																	
522-0241	Small Business Development II	B	08/31/88	09/30/98	81	80	17,500	0	18,025	1,475	3,583	868	453	48	12,895	3,130	1,278
522-0252	Sm Fmr Organization Strengthening	A	09/28/85	09/28/95	95	96	17,825	0	17,825	0	919	419	221	53	16,927	696	503
522-0273	Primary Education Efficiency	A	08/29/88	12/31/95	92	82	24,348	0	23,878	470	5,835	2,574	1,589	82	19,532	4,346	1,384
522-0298	Privatization of State Enterprises	B	08/29/88	12/31/95	82	75	7,850	0	5,518	2,131	1,458	681	75	11	4,138	1,383	1,227
522-0325 01	Policy Analysis & Imp./COHEP	A	09/10/87	09/30/95	94	88	5,000	0	5,000	0	1,388	280	297	108	5,811	1,069	230
522-0325 02	Policy Analysis & Imp./Agriculture	B	05/17/89	05/27/97	71	74	14,350	0	9,585	4,785	788	201	81	40	4,315	665	568
522-0325 03	Policy Analysis & Impl.AHBA/CBH	C	09/29/92	08/28/97	51	32	8,000	0	2,400	0	1,821	38	0	0	779	1,821	0
522-0334	Rural Roads Maintenance	A	08/21/90	12/31/94	100	88	10,881	0	10,881	0	1,521	1,113	9	1	9,189	1,512	0
522-0363	Small Farmer Agribusiness Dev.	B	08/23/92	02/23/98	51	48	8,500	0	5,025	1,475	2,922	740	188	25	2,291	2,734	880
522-0399	Small Farmer Export Development	B	09/28/94	08/30/98	13	0	2,500	0	700	1,800	700	0	3	0	3	897	0
SUBTOTAL SO #1						80	118,154	0	103,418	15,738	24,168	8,180	3,788	48	83,018	20,402	7,529
SO #2: EFFECTIVE STEWARDSHIP OF KEY NATURAL RESOURCES FOR SUSTAINABLE ECONOMIC GROWTH																	
522-0248	Forestry Development	B	12/29/87	12/29/97	73	73	19,140	0	18,020	3,120	4,782	820	438	53	11,664	4,356	1,020
522-0282	Land Use & Prod. Enhancement	A	02/15/89	02/08/97	77	74	18,000	0	14,940	3,060	4,703	1,588	774	48	11,011	3,929	1,049
522-0385	Honduran Env. Protection Fund	B	07/02/83	07/01/90	29	26	10,000	0	3,102	6,898	2,733	400	447	112	816	2,288	590
SUBTOTAL SO #2						89	47,140	0	34,062	13,078	12,228	2,816	1,657	59	23,491	10,571	2,659
SO #3: IMPROVED FAMILY HEALTH																	
522-0218	Health Sector II	B	08/30/88	09/30/98	82	88	57,300	0	54,158	3,141	10,032	4,155	3,345	81	47,472	8,687	4,260
522-0389	Private Sector Population II	B	07/21/88	03/31/98	85	75	18,000	0	15,908	84	5,361	1,448	1,305	90	11,850	4,058	1,578
SUBTOTAL SO #3						85	73,300	0	70,065	3,235	15,393	5,801	4,650	83	58,322	12,743	5,844
SO #4: MORE RESPONSIVE DEMOCRATIC PROCESSES WITH GREATER CITIZEN PARTICIPATION																	
522-0298	Strengthening Democratic Inst.	B	08/12/87	09/30/98	84	80	21,800	0	20,900	900	4,584	1,788	398	21	16,882	4,218	1,174
522-0340	Municipal Development	A	08/28/90	08/30/97	68	64	10,000	0	9,344	656	3,845	855	584	89	5,983	3,381	550
522-0384	Honduras Peace Scholarships II	B	08/21/90	08/30/98	80	74	15,000	0	8,017	8,183	2,349	741	582	78	5,030	1,787	738
522-0381	Strengthening Accountability System	C	08/30/93	08/31/98	50	31	2,500	0	458	2,042	389	124	54	44	143	315	245
SUBTOTAL SO #4						74	49,300	0	37,519	11,781	11,247	3,268	1,588	48	27,838	9,681	2,705
TOTAL ACTIVE PROJECTS						79	288,894	0	250,064	43,830	63,038	19,883	11,638	59	183,667	51,397	18,737
B. TERMINATED PROJECTS																	
522-0268	Irrigation Development	A	08/29/86	10/30/93	100	100	15,720	0	15,720	0	70	0	35	0	15,684	36	0
522-0207	Export Dev. & Services	C	08/31/84	08/29/94	100	98	26,337	0	26,337	0	1,018	0	(82)	0	25,259	1,078	0
522-0248	Agricultural Research Foundation	A	08/31/84	08/31/84	100	100	20,000	0	20,000	0	17	0	(20)	0	19,983	37	0
522-0257	Council Human ResDev(CADERH)	A	07/28/84	07/15/84	100	100	8,325	0	8,325	0	0	0	(4)	0	8,321	4	0
522-0363	Cortis Chamber of Commerce	A	03/08/89	09/30/94	100	100	875	0	875	0	0	0	0	0	875	0	0
522-0328	Honduras Peace Scholarships	A	03/25/85	09/30/94	100	100	21,830	0	21,830	0	34	0	(32)	0	21,784	68	0
TOTAL TERMINATED PROJECTS						98	80,887	0	80,887	0	1,137	0	(83)	0	80,868	1,221	0
C. ACTIVE PROGRAM																	
522-0398	Structural Adjustment Program	C	08/30/93	05/02/95	94	0	5,000	0	5,000	0	5,000	0	0	0	0	5,000	5,000
TOTAL ACTIVE PROGRAM						0	5,000	0	5,000	0	5,000	0	0	0	0	5,000	5,000

* Mortgage reflects the difference between authorized LOP and cumulative obligations.

** Planned Expenditures Next Semester correspond to the figures presented in December 1994 CP for the FY97 ABS.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B_X C___

I. BACKGROUND DATA

Project Title: Small Business II
 Project Number: 522-0241
 Date of Authorization: original 08/26/88 Amendment 09/26/94
 Date of Obligation: original 08/31/88 Amendment 09/28/94
 PACD: original 09/30/93 Amended 09/30/96

Implementing Agencies: Five PVOs
 The National Association of Industrialists (ANDI)
 Honduran National Development Foundation (FUNADEH)

Major Contractors: Nathan & Associates
 Project Manager: Bernal Velarde/Liza Valenzuela
 Project Support Officer: Daniel Martinez
 Status of CPs/Covenants: Met

Date of Last Evaluation: 09/11/91 Next Evaluation: 02/95
 Planned No. of NFAs: 4 NFAs Contracted/
 Completed: 4
 Date of Last Audit: 09/30/94 Next Audit: N/A

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$15,000,000 amended to \$17,500,000
 Amount Obligated: DA Grant: original \$ 7,475,000 amended to \$16,025,000
 Amount Committed: Period: 1,229,274
 Cumulative: \$14,751,114
 Accrued Expenditures: Period - Projected: \$ 990,000
 Period - Actual: \$ 452,809
 Cumulative: \$12,895,217
 Period - Next: \$ 1,279,000

Counterpart Contribution: Planned: \$39,360,600
 Actual: \$104,372,400

% LOP Elapsed: 81%
 % of Total Auth. Oblig.: 92%
 % of Total Oblig. Exp.: 80%
 % of Total Auth. Exp.: 74%

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.

The project supports Strategic Objective No. 1: Enhanced Economic Participation and Increased Incomes of the Poor and contributes toward the advancement of Program Outcome No. 1.1 which provides for Expanded Access and Opportunity through the Empowerment of the Poor. This project provides economic opportunities for poor and disadvantaged people in Honduras by providing access to credit and stimulating micro enterprise development.

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

III. PROJECT DESCRIPTION

The project assists organizations serving small businesses and microenterprises, mostly self-employed women. Assistance to small business focuses on two institutions: FUNADEH and FOPEME. FUNADEH, based in San Pedro Sula, provides credit and training to small businesses. FOPEME, a loan and guarantee program through the Central Bank, provided small business lending through the formal banking system. The FOPEME component ended in September 1993. Assistance at the microenterprise level has been channelled through two local organizations: ASEPADE and ANDI. ASEPADE directly provided credit, training and technical assistance to microenterprises. This Grant Agreement ended in June 1992. ANDI (and its administrator, the Fundación Coveló) functions as a second tier service facility for local Private Voluntary Organizations. ANDI/COVELO provide institutional strengthening assistance, training, and credit to PVOs with microenterprise clients. Currently there are five participating PVOs: World Relief (WR), Hermandad de Honduras (HdeH), Instituto de Desarrollo Hondureño (IDH), Fundación Internacional para la Asistencia Comunitaria (FINCA/Honduras) and the Organización de Desarrollo Empresarial Femenino (ODEF).

IV. PROJECT STATUS

A. Planned FOPE

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

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

Progress to Date

The financial mechanism of FUNADEH is self-sustaining.

1. 25,000 loans per year
2. 4,300 jobs per year
3. FUNADEH has access to OOH funds at commercial rates.
4. Self-sustaining credit/guarantee

B. Major Outputs 1/

	Planned				Accomplished		
	LOP	Period	Cum.	Next Period	Period	Cum.	% of LOP
1. ANDI							
No. of Loans 2/	143000	20000	67836	16000	15497	70138	49%
Women	134500	14000	62071	15000	14854	65906	49%
Men	8500	6000	5765	1000	643	4232	50%
2. FUNADEH							
a. No. of Loans	5500	700	5562	800	610	5551	101%
Women	2000	350	2434	400	275	2498	125%
Men	3500	350	3128	400	336	3053	87%
3. Research/Studies	10	1	0	0	9	90%	

1/ The FOPEME credit line and guarantee mechanism based in the Central Bank ended in September 1993 and assistance to ASEPADE was terminated in June 1992. The March 1994 SAR (and previous SARs) list the accomplishments under these components. They are no longer included here.

2/ Project requests for loans were updated considerably in the 1995 Cooperative Agreement Amendment No. 12.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

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

The Small Business II Project has provided technical and financial assistance to a network of intermediaries which have made over 95,494 loans between September of 1988 and March 1995. The two active project components that remain are the ANDI Cooperative Agreement and FUNADEH Grant Agreement. As of March 31, 1995, ANDI (through its network of PVOs) and FUNADEH had a total of 16,832 active clients. Over 82% of these clients receive financial services through the village bank methodology, while nearly 89% of the active loan clients are women entrepreneurs.

During the semester, the Mission conducted a brainstorming session with external participation to obtain feedback and recommendations on how to improve the Mission's micro and small business activities in Honduras. In addition, USAID/Honduras contracted a special project assessment to identify issues that affect the ability of the implementing agencies to become profitable institutions and scale-up their services. The focus of the assessment was to review the administrative, management, financial, methodological and project implementation issues that may inhibit ANDI's and FUNADEH's capabilities to achieve greater outreach and cost-effectiveness. USAID will amend the ANDI Cooperative Agreement and the FUNADEH Grant Agreement utilizing the recommendations of the brainstorming session and the special assessment.

ANDI:

IDH continues to implement a series of recommendations to improve its financial performance. From September 1994 to March 1995, IDH reduced its payments in arrears from 32% to 9%. It also reduced the portfolio at risk from 54% to 29%. During this same period IDH increased its portfolio from 1.1.9 million to 1.3.0 million. IDH continues to have management and financial problems but the new Administration is implementing the recommendations to reduce the percentage of loans in arrears and increase the cost-effectiveness of its services.

FINCA started to reduce the percentage of loans in arrears after suffering serious problems with the disintegration of various village banks. From September 1994, to March 1995, FINCA reduced its payments in arrears from 16% to 7%. It also reduced the portfolio at risk from 25% to 10%. During this same period, FINCA slightly reduced its portfolio level from 1.3.5 million to 1.3.3 million. Next semester FINCA plans to increase the level of its portfolio by opening approximately 13 new village banks per month. To assist FINCA to increase its outreach, the Covelo Foundation performed an assessment of FINCA's systems, controls and operating procedures. The purpose of the assessment was to detect weaknesses that may affect FINCA's financial performance during the implementation of the expansion strategy.

During this reporting period, ODEF's number of active clients increased by 23%, while its portfolio increased by 58%. Unfortunately the percentage of payments in arrears increased from 4.6% to 5.8% and the portfolio at risk from 17.4% to 24.9%. ODEF with Covelo's assistance will seek ways to correct this problem during the next semester.

The Covelo Foundation installed a computerized portfolio system in World Relief. During the reporting period World Relief increased its loan portfolio level by 16% to 12.9 million and its active client base by 14% to 5,696.

FUNADEH:

FUNADEH disbursed 610 loans during this reporting period for a total of 1.21.1 million. The total outstanding portfolio at the end of March 1995 was 1.20.6 million distributed among 1,547 active clients. Approximately forty-five percent of the active clients are women. FUNADEH also continued its business training by holding 128 workshops and seminars for 1,486 participants.

During the month of November, 1994, FUNADEH Board members and executive staff visited BancoSol in Bolivia. The purpose of the visit was to familiarize FUNADEH with the transition process of creating a bank and to see the impact that BancoSol has in the microenterprise community through its financial services. FUNADEH also met with PRODEM (the PVO that promoted BancoSol) to understand PRODEM's function and role as a support entity for BancoSol. In addition, FUNADEH used this opportunity to learn about the solidarity lending methodology. As a result of the trip, FUNADEH decided to support the creation of a similar bank in Honduras. FUNADEH established a steering committee called PROBANCO to oversee the creation of this new bank.

FUNADEH's Financial Advisor prepared a scope of work to perform a feasibility study to determine the viability of establishing a micro and small business bank. If the

venture is viable, the study will be presented to the Central Bank of Honduras to apply for a license to operate as a commercial bank. FUNADEH plans to buy 35% of the stock that will be issued to capitalize the bank. The Honduran private sector is expected to purchase 30% of the stock while international organizations and other PVOs will purchase the remaining 35%.

FUNADEH adjusted its end-user interest rate based on the inflation rate, internal cost structure and market conditions. Loans of a value of less than L30,000 will pay a flat fee of 36% which is equivalent to a 60% effective interest rate. Loans over L30,000 are charged rates that fluctuate between 34% and 36% over the outstanding balance plus a one time commission that fluctuates between 1% and 3%.

The Mission contracted the services of a Senior Financial Advisor to assist FUNADEH to develop and implement a short term expansion strategy to increase the number of active clients. The Senior Financial Advisor will also assess the convenience of modifying or creating a new operational structure that will provide full financial services to micro and small businesses in Honduras.

D. Problems and DelaysANDI:

The Apple loan funds have not been disbursed by ANDI because other donors provide subsidized credit resources to the PVOs. In addition, there is a short term excess of liquidity and limited absorptive capacity by the microfinance intermediaries. USAID will reprogram the loan fund and establish an incentive program to support the PVOs' effort to move in the direction of financial viability.

FUNADEH:

Due to the highly centralized loan approval process, FUNADEH will not be able to disburse the 1,300 loans that it targeted for the Tegucigalpa Regional Office by the Grant Termination Date. To solve this problem, FUNADEH will implement a pilot project to streamline its operating procedures.

E. Major activities or corrective actions during the next six months

1. The ANRO Office will prepare a concept paper for Mission Management review and approval. The concept paper will describe the issues and activities needed to help build a sustainable financial intermediation system for micro and small businesses in Honduras.
2. The Mission will amend the ANDI Cooperative Agreement so selected PVOs may expand their financial services and outreach to a significant number of clients at the national level and move toward financial self-sufficiency. Following the recommendations of the brainstorming session, the amended ANDI Cooperative Agreement will have three components: (1) An incentive program to support the program expansion plans of the PVOs; (2) A demonstration project to introduce solidarity group lending to the PVO community; and, (3) A training and technical assistance program to encourage "best practices" in the microfinance and donor community.
3. The Mission will also amend the FUNADEH Grant Agreement to support its effort to provide full financial services through a new commercial bank for micro and small businesses. The Grant Amendment will include two major components. (1) Financial and technical assistance to assist FUNADEH in the transition phase of creating a bank and (2) assistance to finance several pilot activities to introduce new loan methodologies to expand FUNADEH's outreach.
4. ANDI will contract a firm that will perform a survey to determine the size, characteristics, gender, economic activities and other variables of the micro and small business sector in Honduras.
5. During the month of June 1995, FUNADEH will open a pilot office in San Pedro Sula to implement an expansion strategy to increase the number of active clients. If the expansion strategy is proven successful, FUNADEH will utilize this office for training and replication in other offices to increase the volume of its clients.
6. Finish the Project Assistance Completion Report for the FOPEME component.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A X B ___ C ___

I. BACKGROUND DATA

Project Title: Small Farmer Organization Strengthening (SFOS)
 Project Number: 522-0252
 Date of Authorization: original 09/26/85 Amendment 07/13/92
 Date of Obligation: original 09/26/85 Amendment 07/13/92
 PACD: original 09/30/87 Amendment 09/26/95
 Implementing Agencies: Finance Corporation for Agricultural Cooperatives (FINACOOOP)
 Major Contractors: World Council of Credit Unions (WOCCU) for short-term technical consultancies.
 Project Managers: Lee Arbuckle
 Project Support Officer: Liza Valenzuela
 Status of CPs/Covenants: CPs met.
 Date of Last Evaluation: 05/31/92 Close-out PACR: 08/95
 Planned Number of audits: 3 Audits Contracted/Completed: 2
 Date of Last Audit: 12/31/94 Next Audit: 09/30/95

A. FINANCIAL DATA

Amount Authorized: DA Loan: original \$ 8,500,000 amended to \$ 3,000,000
 DA/ESF Grant: original \$ 1,400,000 amended to \$14,625,000
 Amount Obligated: DA Loan: original \$ 8,500,000 amended to \$ 3,000,000
 DA/ESF Grant: original \$ 1,400,000 amended to \$14,625,000
 Amount Committed: Period: \$ 182,967
 Cumulative: \$17,507,643
 Accrued Expenditures: Period - Projected: \$ 416,000
 Period - Actual: \$ 221,429
 Cumulative: \$16,927,370
 Period - Next: \$ 503,000
 Counterpart Contribution: Planned: \$22,465,530
 Actual: \$22,110,700
 % LOP Elapsed: 95%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 96%
 % of Total Auth. Exp.: 96%

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: Project supports the Mission's Strategic Objective No. 1 - Enhanced Economic Participation and Increased Incomes of the Poor. By improving access to financial services, the project will directly impact Program Outcome 1.1, Expanded Access and Opportunity through Empowerment of the Disadvantaged.

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

III. PROJECT DESCRIPTION

The project was designed to strengthen the administrative, management, planning and capital formation capabilities of the participant agricultural cooperatives and credit unions. For the final three years, 1992 to 1995, this project has focused on credit unions alone. The task of strengthening agricultural cooperatives has been passed to the Finance Corporation for Agricultural Cooperatives (FINACOOOP) and is being supported by Project 522-0383. The SFOS project is now limited to strengthening credit unions to become efficient providers of financial services to all their members, with savings services being viewed just as important as credit services. The two components used to effect changes are institutional support and financial stabilization.

The project's institutional support component focuses on the organizational development of the credit unions and their Federation, FACACH. This consists of accounting and internal control systems, business policies, computer based information and decision systems, and training programs with specific modules for members, elected leadership, and staff.

Financial stabilization of credit unions involves the injection of approximately 1% of reserves in three tranches if the credit union meets pre-established financial standards derived from U.S. credit union regulatory standards.

IV. PROJECT STATUS

A. Planned EOPS

1. 1 Financial Services Unit (FSU) of FINACOOOP created.
2. 1 Federation Strengthened.
3. 37 Credit Unions Strengthened.
4. 27 Credit Unions W/Computer technology.

Progress to Date

1. Created by FINACOOOP with an agreement from the National Credit Union Federation (FACACH).
2. FACACH strengthening very advanced. Final touches being applied.
3. Strengthening process is underway or completed for 37 credit unions.
4. The implementation of computer technology is underway or completed for 26 credit unions and FACACH.

B. Major Outputs

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
1. Institutional Support:							
- Second level							
- Organization	1	0	1	0	0	1	100%
- Cooperatives	37	0	37	0	1	37	100%
2. Orgs. with Computer technology	27	3	24	3	7	24	89%
3. Members (Thousands)	M/E	M/E	M/E	M/E	M/E	M/E	M/E
	38 47	4 6	33 42	16 24	0 0	37 45	97% 96%
4. Training	M/E	M/E	M/E	M/E	M/E	M/E	M/E
Administrative Matters	225/275	80/120	710/980	95/110	310/378	800/774	256%/183%
Computing Matters	0	24	66	15	14	63	NA
Paratechnicians	25	5	25	5	9	29	116%

- 14 -

16

October 1, 1994 - March 31, 1995

A X B C C. Other Accomplishments and Overall Status

The SFOS Project focuses on: (1) strengthening open bond credit unions and other credit union system institutions, (2) the legal chartering of the Finance Corporation for Agricultural Cooperatives (FINACCOOP), and (3) establishing a self-sufficient, fee-supported regulatory activity for cooperatives in the Honduran Institute of Cooperatives (IHDECOOP). SFOS SARs since March 1993 cover only those activities.

The Implementing Unit

FINACCOOP is the project's implementing unit. The FINACCOOP Board of Directors decided to separate the organization's operations into two units, the Financial Services Unit (FSU) for credit unions, and the Agribusiness Unit for agricultural service cooperatives. The FSU implements SFOS project administrative and financial restructuring activities with credit unions.

A new Manager of the FSU was selected from among staff as of January 1, 1995. The new FSU Manager is effective in guiding his team. He reports on the FSU activities to project management and the Board of FINACCOOP. The main FSU activities (1) organizational development of credit unions, (2) computing, (3) training, and (4) evaluation of credit administration.

Weekly progress reviews by the Manager of the FSU, the Credit Union Advisor and the USAID project manager sustain a focus on results. The FSU will finish operations in July of 1995. Nearly all project objectives will be met. FSU activities will be discontinued, picked up by FACACH, or by the Credit Union Inspection Institution being created by FACACH. The FSU has coordinated closely with a Steering Committee of credit union representatives and FACACH to keep credit union leaders and managers abreast of the techniques and procedures the project is instituting. The Committee and Board and Management of FACACH will make decisions on which activities should be continued by the credit union system after the PACD. A step by step process of transfer of functions and responsibilities from the FSU to FACACH is being carried out.

Technical Assistance

FACACH has pushed to implement the WOCU reports on liquidity management, creation of a credit union insurance company, and the credit union inspection unit. As a result, technology transfer to credit unions and FACACH is taking place very rapidly in comparison to the project's early years.

Credit Union System

The 1994 FSU work plan concluded with good results in training, graduation of the first credit unions from the conversion to computing, publication and application of a more demanding set of financial indicators, design of 11 operating manuals for credit union administration, and development of the credit examination activity, completing the first eight credit examinations.

Following are the status and principal achievements of work with the credit union system in the first three months of 1995.

1. **Eleven Manuals** for credit union administration: Financial Indicators, Organization and Methods, Accounting, and Credit were complete and distributed. Planning, Personnel, Internal Controls were completed in draft with final validation and editing being done. Computer Equipment Installation and Management, and Financial Management were in process. Administration of Branch Offices and Marketing of Financial services will be completed in the upcoming period.

2. **Financial indicators:** The more demanding financial indicators reduced the number "A" credit unions from 10 using the old system to 4 using the new. There will be no further adjustment to the indicators during the project, but there will be adjustments to the liquidity indicator (weighted with only 5 of 100 total points) to the financial structure indicator, and the addition of a loan charge-off indicator to the asset quality category.

Indicators on the quality of credit in the fourth quarter of 1994 suffered a decline due to the stagnation of the Honduran economy, the effect of power outages on microenterprise borrowers, and inability of volunteer credit committee members to properly consider and approve the greater number of larger loans that

are booked as the credit unions grow. During the first quarter of 1995 the percentage of delinquent payments declined because of improved credit administration measures, and the effects of high coffee prices throughout the economy.

The FSU has the objective of increasing the average numerical score from 52.5 to 71 on the financial indicators by June 1995. As of March the average score passed 60.

3. By March 31, 15 of 25 portfolio reviews to be done by June 30 had been completed.

4. Four financial stabilization agreements remain to be signed to complete the process. Two credit unions were merged into stronger credit unions. When the FSU ceases operations, several credit unions are expected to have some remaining steps to complete in order to receive the final tranches. FACACH, a party to all the agreements that have been signed to date, will be responsible for assuring the conditions are met by the credit unions that have not graduated by the time the FSU disbands. Graduation will be certified by the credit union, the FSU, and FACACH. Credit union financial stabilization agreements continue to be monitored on a quarterly basis using CAMEL derived indicators. The resulting letter grades (A to D) motivate corrective actions that lead to safety and soundness. During the last reporting period the performance standards were raised for several of the indicators.

5. The extensive review of the management systems of 29 credit unions done in May, 1994 led to adjustments to the FSU's credit union strengthening program:

- Training in liquidity management and asset/liability management was designed in the past period and will be delivered in the upcoming period.
- A credit manual was completed, printed, and delivered to credit unions in the last period. The credit portfolio evaluation process is now well established.
- In the course of the last period a simple, highly participative methodology for strategic and operational planning was completed and tested in a pilot experience. The short guide has now been distributed and will be applied by the FSU technicians in those credit unions that request assistance.

6. The FSU's 1995 work plan is progressing well. Highlights are:

- Administrative restructuring agreements are in place in all credit unions.
- Seven credit unions have completed the conversion to computing, but two of them have outstanding problems. Twelve more are scheduled to complete the process in the upcoming period. Seven others will begin the conversion process on June 30.

-- Financial stabilization agreements are in place in 31 credit unions, 4 remain to be done.

-- Seven Peace Corps Volunteers, all but one of whom have degrees in accounting, finance or economics, are working well with smaller credit unions, further leveraging FSU's strengthening program. Their relationship is now with FACACH's training and technical assistance department.

Strengthening of FACACH, the Federation

In October, 1994 FACACH established a liquidity management unit paying competitive rates to credit unions for the short term deposit of their excess liquidity in the Federation. FACACH in turn places the money in the commercial banking system. The amount of resources has grown so quickly to 23 million lempiras (about 2.6 million dollars) from less than 12 million lempiras on October 30, 1994, that FACACH now has hired a full time specialist to run the operation. A WOCU consultant played a key role in this process.

FACACH has completed, with extensive advice from WOCU, all but the final steps in the organization of a credit union insurance company.

Credit Union Inspection Entity

There is a need for the regulation and examination of credit unions. IHDECOOP is charged with this responsibility, but has repeatedly demonstrated its incapacity to carry out its responsibilities. The Superintendency of Banks and Senior Management of the Central Bank have told USAID that they do not wish to provide regulatory or examination services to credit unions because it is not within their legal authority or within the capability of their limited staff.

WOCU and IMCC specialists have provided extensive short term technical assistance to the FSU, FINACCOOP, and FACACH in the development of a private regulatory institution. The institution would be capitalized with voluntary capital contributions of credit unions and L6 million from the Financial Stabilization Fund

October 1, 1994 - March 31, 1995

A X B ___ C ___

established by decree.

Participation of Women in the Project

Credit unions continue to provide an avenue for the advancement of capable women. Management of credit unions seems to pass from one gender to the other rather easily and in both directions. Over half of all credit union employees are women, and the percentage of women members is also nearly half. The percentage of women managers and board members, however, is only about 30%. A model personnel manual was distributed with clear, fair rules for selection, compensation, training and promotion. This should encourage fair treatment of all personnel.

IHDECOOP

IHDECOOP has many deficiencies, principally that it is responsible for promotion and organization of cooperatives, for the provision of technical assistance and training to the 700 cooperatives in the country, for setting standards for cooperatives to operate under, for providing audit services, for registry, and for regulatory oversight and enforcement actions. Charged with everything and given a minuscule budget and little fee income, IHDECOOP accomplishes little. It is the Mission's point of view that IHDECOOP should use its very limited budget to focus on registry, audit, and census activities, the most justifiable, yet minimal functions required of a governmental regulator.

For over three years a project objective has been the fundamental restructuring of IHDECOOP. PIL No. 90, dated September 27, 1993 approved funds to support that restructuring. Periodically, interest is shown by IHDECOOP in responding to the conditions and to carrying out the restructuring. However, this project objective will not likely be achieved. IHDECOOP approached FINACOOP in March and preliminary talks on a restructuring agreement are once again underway. IHDECOOP's commitment to fundamental change will again be tested. FINACOOP plans to have the agreement finalized by June 30, 1995.

I D. Problems and Delays

1. The agreement between IHDECOOP and FINACOOP may not be signed before June 30, 1995 as established in PIL No. 90 and the Mission may determine that counterpart funds cannot be disbursed after the PACD. This would cause the project fail to achieve the restructuring of IHDECOOP. However, the conditions of PIL No. 90 should not be relaxed.

2. Only seven credit unions graduated from the conversion to computing process rather than the twelve projected. Changing from a paper system to a computerized system represents a major cultural change for cashiers, accountants, Managers, and Board of Directors. The reasons for delay in completing conversion have been due to:

a. Extensive power outages during 1994 delayed data input and eventually forced credit unions to buy standby power sources. Some credit unions quickly resolved the problem by purchasing a generator.

b. Managers and Boards of credit unions that are not willing to commit the human or monetary resources to the conversion. The principal issue has been provision of an adequate number of people for data input. Credit unions continue to grow, thus putting pressure on existing staff and manual systems as the number of transactions increases. The conversion process puts more pressure on scarce human resources. The obvious alternative is the contracting of temporary personnel. But credit union Boards and Managers often try to accomplish the conversion with existing staff. Because manual systems must have top priority until the conversion is completed, the credit union Manager sometimes decides to delay data entry and the conversion is derailed.

c. Once initial balances are loaded for the thousands of members and daily transactions are being recorded in parallel on the manual system and the computerized system, the reconciliation of daily balances is critical in order to find the cause of errors and then correct them. Failure to do the daily reconciliation causes errors to accumulate and the process to grind to a halt, sometime requiring a total reinitiation.

d. Disorder or inconsistency in administrative procedures can be perpetuated with manual systems. Computer systems demand consistency and impose consistency in administrative processes and the application of policy. Some Managers and accountants want to choose flexibility over consistency.

e. It has been difficult for the FSU to find sufficient computer specialists who are technically qualified, sensitive to the above issues, and willing to spend long hours, including evenings, in the small towns where the credit unions are located.

An evaluation of the process will take place in the upcoming quarter to estimate the corrective measures and whether responsibility for action should be assumed by the credit union, the FSU in its remaining days, FACACH, or USAID/H via local currency support to FACACH to complete the conversion with the credit unions that will not have completed conversion by June 30.

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

1. The agreement between IHDECOOP and FINACOOP has to be signed before there is any disbursement of restructuring funds to IHDECOOP. The Mission should determine whether counterpart funds disbursed to the implementing agency have to be expended prior to the PACD or if FINACOOP can be given time beyond the PACD to accomplish the restructuring of IHDECOOP. FINACOOP is continuing negotiations with IHDECOOP to establish conditions that will permit a restructuring of IHDECOOP and disbursement of funds.

2. Continue to closely monitor and guide short-term consultants provided by WOCCU as the receptivity to them is at an optimal level.

3. The Credit Union Inspection Institution is scheduled to be established before June 30, 1995. It is currently on schedule to be established by a founding group of credit unions.

4. FACACH is in the final days of establishing a credit union insurance company and is expected to complete that in the upcoming period.

5. FACACH's liquidity management unit, with the advice of WOCCU consultants, will complete an analysis of how it can improve on its initial success in investing excess credit union liquidity.

6. Thirteen credit unions will graduate from all computer advisory support by the FSU, with seven still in process of conversion.

7. Three manuals currently in final draft will be printed and distributed. Two that are in the process of development will be completed, edited, printed, and distributed. The Manual for Marketing and Branch Office administration will be drafted, edited and distributed. This will complete the documentation, on diskette, of the project's practices and procedures.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A X B ___ C ___

I. BACKGROUND DATA

Project Title: Primary Education Efficiency Project (PEEP)
 Project Number: 522-0273
 Date of Authorization: original 08/07/86 Amendment 09/24/91
 Date of Obligation: original 08/29/86 Amendment 03/29/94
 PACD: original 07/30/94 Amendment 12/31/95
 Implementing Agencies: Ministry of Education (MOE)
 Major Contractors: Academy for Educational Development (AED)
 Educational Development Center (EDC)
 Project Managers: Ned Van Steenwyk
 Project Support Officer: Daniel Martinez
 Status of CPs/Covenants: Met

Date of Last Evaluation: 10/31/91 Next Evaluation: 06/95
 No. of NFAs Planned: 1 No. of NFAs Contracted/Completed: 1
 Date of Last Audit: 11/30/93 Next Audit: 06/30/95

A. FINANCIAL DATA

Amount Authorized: DA Loan: original \$ 5,500,000 amended to \$ 3,534,000
 DA/ESP Grant: original \$ 22,000,000 amended to \$23,966,000
 Amount Obligated: DA Loan: original \$ 600,000 amended to \$ 3,534,000
 DA/ESP Grant: original \$ 3,000,000 amended to \$23,232,586
 Amount Committed: Period: \$ 1,716,527
 Cumulative: \$ 23,867,914
 Accrued Expenditures: Period - Projected: \$ 2,574,000
 Period - Actual: \$ 1,589,496
 Cumulative: \$ 22,420,666
 Period - Next: \$ 1,384,000
 Counterpart Contribution: Planned: \$ 11,788,000
 Actual: \$ 11,088,100
 % LOP Elapsed: 92%
 % of Total Auth. Oblig.: 97%
 % of Total Oblig. Exp.: 78%
 % of Total Auth. Exp.: 76%

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The project relates directly to Strategic Objective No. 1. Enhanced Economic Participation and Increased Incomes of the Poor; Outcome No. 1.3. Expanded Access and Opportunity Through Investment in People. Correlations between education achievement and subsequent earnings are very high throughout the world. In the case of Honduras, individuals who complete primary school have annual incomes which are \$285 higher than the incomes of individuals who have not attended primary school.

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

III. PROJECT DESCRIPTION

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

IV. PROJECT STATUS

A. Planned FOPs

1. 60% improvement in student achievement.
2. 30% reduction in grade repetition rates.
3. 30% reduction in dropout rates.
4. 13% reduction in school years to produce sixth grade graduates.

Progress to Date

1. Total aggregate improvement of 267% (1990-94)
2. 26% reduction (1986-93).
3. 32% reduction (1985-86 to 1992-93).
4. 17% reduction in school years to produce sixth grade graduates (1986-1994).

B. Major Outputs

	Planned		Next		Accomplished		
	LOP	Period	Cum.	Period	Period	Cum.	% of LOP
1. Books written	24	9	69	2	3	60	250%
2. Teacher Guides written	24	0	15	1	4	19	79%
3. Supervisors trained*	181	240	2,829	240	240	2,829	1,563%
M	145	200	2,259	200	200	2,259	1,558%
E	36	40	570	40	40	570	1,583%
4. Teachers trained*	29,202	21,000	203,082	15,000	11,000	193,082	661%
M	7,300	6,000	56,727	4,500	3,300	54,027	740%
E	21,902	15,000	146,355	10,500	7,700	139,055	635%
5. Classrooms built	450	30	608	30	48	626	139%

* The original project design anticipated providing in-service training for teachers and supervisors, but LOP Major Outputs were not defined to record ongoing training which is executed during each reporting period. As a consequence, planned and accomplished cumulative training for teachers and supervisors far exceed planned LOP training.

- 17 -

October 1, 1994 - March 31, 1995

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

With continuing improvements in the efficiency and quality of primary education, there has been a 60% increase in primary school graduates since 1986 when the project began (1986-94), with significant reductions in dropout and repetition rates as well (32% and 26%, respectively). In addition, the school years of enrollments required to produce a sixth grade graduate were reduced from 11.5 years in 1986 to 9.5 years in 1994, and the percentage of children completing primary school has increased from 48% to 70%. Achieving increased numbers of primary school graduates has principally favored children from lower income sectors. The projected increases in earnings potential, as a consequence of having completed primary school, will exceed \$20 million dollars annually for these children as they enter the labor force.

The project overcame delays associated with national energy blackouts during the previous reporting period by purchasing and installing three generators to provide 200 kilowatts of electricity to the MIS unit, the project implementation unit and the school construction office. The project also responded to all of the recommendations from the non-Federal audit, even though the final audit report remains to be issued by RIG. Two recommendations, however, will require continuing actions which should be completed during the next reporting period.

The Mission approved the preparation of a Project Agreement Amendment to extend the PACD from December 31, 1995 through July 31, 1996. This will allow a more orderly transition for the MOE as a new primary education project, financed by the World Bank and Germany and that begins in late 1995, assumes many of the current activities being executed by PEEP. The current status of individual project components and major activities are summarized below.

Textbooks: Four teachers' guides and three texts (third and fourth grade student guides and the EDUCATODOS text/workbook) were completed. Although it would appear that the projection for the number of books written for this reporting period was not accomplished (see B. Major Outputs: 1. Books Written), it should be clarified that the project decided to integrate student guides for the four subject areas into one student guide per grade to facilitate classroom management, rather than prepare four separate student guides for each grade as originally planned.

The printing of 2,700,000 first and second grade textbooks and workbooks, third and fourth grade student guides, and related materials was contracted and the materials were printed during this reporting period. The total number of texts, workbooks, student and teacher's guides, and related materials developed and printed by the project now exceeds 15 million units. Shortly after the completion of this reporting period, the U.S. Ambassador, USAID Mission Director, project and MOE personnel, and a group of school children participated in a ceremony for the official delivery of the education materials printed during this reporting period to the Minister of Education.

Alternative Primary Education Delivery System (EDUCATODOS): PEEP and the USAID's regional LearnTech Project have been developing an experimental activity to provide an alternative primary education delivery system for out-of-school youth and adults. This activity will be integrated into a new project, the Basic Education and Skills Training (BEST) Project (522-0388: 1995-99), which should be authorized and begin implementation activities during the next reporting period. The alternative delivery system was officially adopted by the MOE as the "Education for All Project: (EDUCATODOS)" during this reporting period. Interactive radio lessons for the first of the six levels of the project's alternative primary education delivery system were revised and are being reproduced. The radio lessons for levels two and three are being reviewed and revised as planned, and the development and revision of written materials for levels two, three and four are underway. Twenty-seven adult educators were sent to the U.S. for training in designing and managing alternative primary education delivery systems, and interactive radio techniques, with joint funding from PEEP and the Honduran Peace Scholarship Project (HOPS II: 522-0364). The Peace Scholars returned to Honduras just after the completion of this reporting period and will participate in implementing EDUCATODOS.

Teacher Training: Many of the project's teacher training activities are being taken over by the MOE's National Teacher Training Institute (INICE) as planned for this reporting period. Six teacher training pamphlets were developed by the project during this reporting period and were used to train INICE's teacher trainers.

Teacher training activities with Peace Scholar educators continued with emphasis on follow-on training in teachers' classrooms, which is resulting in a significant multiplier effect as Peace Scholar educators are helping their colleagues adopt the student centered learning strategies developed and promoted by the project.

Research: A regional seminar was held to disseminate the results of two studies completed during this reporting period. The study on the roles, opportunities and responsibilities of Primary School Supervisors to enhance student achievement was contracted and began as planned.

Management Information: The initial training of MOE personnel was completed, portions of the MIS are operational and being used by the MOE, additional hardware and software needs were identified, and the additional equipment and software are being purchased. The first stage of the implementation of the MOE's management information system (MIS), however, was not completed during this reporting period because of previous delays associated with national energy outages. (See D. Problems and Delays for information on delays for this component).

Learning Objectives and Evaluation: The administration, analysis and tabulation of the results from the project's new criterion referenced standardized tests and norm referenced tests, based on the project's minimum learning objectives for each subject area and grade level, were completed in record time during this reporting period. The tabulation of results showed an aggregate improvement in standardized test scores for grades 1-6 of 26% since 1990 when the project began administering standardized tests. The component also received technical assistance to help identify software and hardware to further accelerate the tabulation and analysis of test results.

Construction: A seminar was held for project personnel on the fabrication of microcement tiles and roofing techniques, which will be used in conjunction with the adobe construction techniques developed by the project to further reduce the costs of constructing classrooms. To date nearly 2,000 classrooms have been constructed, remodeled or repaired by the project. The 37 classrooms under construction during the previous reporting period were completed and shortly after the end of this reporting period these classrooms (in 23 rural schools) were inaugurated by the U.S. Ambassador and the Minister of Education. The construction of additional classrooms also began during this reporting period but the administrative difficulties discussed below (D. Problems and Delays) are affecting the implementation of construction activities.

Gender Considerations: Textbooks and other educational materials continue to be reviewed to avoid gender stereotyping. The results of standardized tests at the end of the 1994 school year once again confirmed that there are no significant differences in test scores among males and females. However, primary school graduation rates continued to be higher for females than for males in 1994, which is believed to be associated with the higher opportunity costs for males to remain in school, particularly in rural areas.

D. Problems and Delays: The project is responding to WFA recommendations, but the final report on the audit remains to be issued by RIG.

While most of the project components were able to regain much of the time lost during the energy outages, the implementation calendar for the MOE's MIS remains behind schedule as a consequence of the energy outages during the previous reporting period and the first half of the current reporting period. Alternatives for completing the implementation of the MIS were reviewed by USAID/Honduras and IRM, and the MOE. It is evident that the full implementation of the MIS will require additional time. However, it should be noted that the remaining implementation activities for the MIS are less complex than developing the design of the system, the initial large acquisitions and installation of hardware and software, and the initial training of MOE personnel. The project is currently contracting assistance to complete the remaining implementation activities.

The project experienced delays in obtaining the Ministry of Finance's approval of contracts for project personnel, primarily because of the GOH's decision to grant significant salary increases for Ministry of Education employees and not providing similar increases for other GOH employees. The Mission's Financial Analysis and

October 1, 1994 - March 31, 1995

A X B ___ C ___

Review Section (FARS) assisted the technical office in arranging meetings with the Ministry of Finance and, as a consequence, the Ministry's Director of the National Budget took the lead in resolving the problem. The contracts will now be approved, but project personnel will not be paid until early in the next reporting period as a consequence of these delays.

Other difficulties were associated with the replacement of the Administrators of the Project Implementation Unit and the School Construction Component, which resulted in delays in local contracting actions and difficulties in making smaller disbursements until the new Administrators' bonds are processed (Note: bonds are required for utilizing the Administrators' revolving project implementation funds for smaller purchases and disbursements, and per diem and travel advances.)

The transfer of a major portion of the project's teacher training personnel and activities to the MOE's National Teacher Training Institute (INICE) was negotiated and accomplished as planned. Although INICE executed some teacher training programs during the second half of this reporting period, with project support, teacher training activities are lagging behind demand. The project will continue to work with INICE and the MOE to strengthen INICE's teacher training initiatives during the next reporting period.

Actual expenditures for this period were lower than anticipated because large printing contracts were not fully executed during the period. These contracts will be completed early in the next reporting period and the expenditures will be recorded in that period.

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

General:

- Receive the final report on the audit and complete the implementation of the two remaining recommendations from the NFA.
- Obtain bonds for the Project's Administrators.
- Amend the Project Agreement to extend the PACD from December 31, 1995 through July 31, 1996.
- Begin the final external evaluation of the project.

Textbooks:

- Complete the distribution of first and second grade texts and workbooks, third and fourth grade student guides, and related materials printed during this reporting period.

EDUCATODOS:

- Revise written materials for the second and third level of EDUCATODOS.
- Begin developing written materials for the fourth level of EDUCATODOS.
- Initiate interactive radio classes for levels 1, 2, and 3 of the alternative primary education delivery system with approximately 20,000 out-of-school youth and adults (equivalent of grades 1-3 of primary school).
- Integrate PEEP's EDUCATODOS activities into the new Basic Education and Skills Training (BEST) Project (522-0388).

Teacher Training

- Assist INICE and the MOE in strengthening teacher training programs to make programs more responsive to training needs.
- Continue working with Peace Scholar educators to obtain a multiplier effect and expand acceptance of the project's student centered learning strategies.

Research:

- Complete the studies on the roles and responsibilities of Primary Education Supervisors, and projections of educational needs over the next decade.

- Execute a seminar to disseminate the results of the studies.

Management Information:

- Contract technical assistance to complete the programming of software for the MIS.
- Purchase additional equipment and software required for the MIS.
- Provide training programs for additional MOE personnel for utilizing the MIS.

Learning Objectives and Evaluation:

- Purchase software and additional hardware to further accelerate the analyses and tabulations of test results, and the administration of a computerized test item bank.
- Train MOE and project personnel to use the new software and hardware.
- Prepare and administer standardized student placement tests for IRI classes (EDUCATODOS), and tabulate results.
- Prepare standardized tests for administration in primary schools at the end of the 1995 school year.

Construction:

- Complete the construction of 25 additional classrooms.
- Begin roofing adobe classrooms with microcement roofing tiles.
- Execute the second annual seminar on adobe construction techniques to further disseminate the project's low cost construction strategies to other entities in the public and private sectors.

I. BACKGROUND DATA

Project Title: Privatization of State-Owned Enterprises
 Project Number: 522-0289
 Date of Authorization: original 08/29/86 Amended to 03/29/94
 Date of Obligation: original 08/29/86 Amended to 12/31/92
 PACD: original 09/30/89 Amended to 12/31/95

Implementing Agencies: Ministry of Finance and Privatization Commission
 Major Contractors: N/A
 Project Manager: Liza Valenzuela/Victor Paz
 Project Support Officer: Leon Waskin
 Status of Cps/Covenants: Met

Date of Last Evaluation: 09/30/91 Next Evaluation: 09/30/95
 Planned No. of MFAs: None MFAs Contracted/ Completed: 0
 Last Audit: 00/00/00 Next Audit: 09/30/95

A. FINANCIAL DATA

Amount Authorized: DA/ESF Grant: original \$ 4,000,000 amended to \$ 7,650,000
 Amount Obligated: DA/ESF Grant: original \$ 1,000,000 amended to \$ 5,519,000
 Amount Committed: Period: \$ 90
 Cumulative: \$ 4,284,352
 Accrued Expenditures: Period - Projected: \$ 681,000
 Period - Actual: \$ 74,465
 Cumulative: \$ 4,135,741
 Period - Next: \$ 1,227,000

Counterpart Contribution: Planned: \$13,000,000
 Actual: \$ 8,701,200

% LOP Elapsed: 92%
 % of Total Auth. Oblig.: 72%
 % of Total Oblig. Exp.: 75%
 % of Total Auth. Exp.: 54%

II. PROJECT PURPOSE

To support GOH initiative to plan and implement the privatization of state-owned enterprises (SOEs).

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: This project contributes to the achievement of Strategic Objective 1: Enhanced Economic Participation and Increased Incomes of the Poor, under Program Outcome 1.2 Expanded Access and Opportunity through Improved Functioning of Markets, by creating new jobs, reducing domestic and foreign debt, increasing foreign exchange inflows, and increasing investment.

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

B. Major Outputs

	Planned		Next		Accomplished			% of
	LOP	Period	Cum.	Period	Period	Cum	LOP	
1. Institutional framework (analytical support) established.	1	X	X	X	X	1	1	100%
2. Privatization support components established.	1	X	X	X	X	1	1	100%

III. PROJECT DESCRIPTION

The project consists of two main activities: 1) technical assistance to the Government of Honduras to plan and implement privatization actions; and 2) support for actions such as evaluations, title searches, etc., to close the sale of state-owned enterprises. The latter element is funded solely from the GOH contribution to the project.

IV. PROJECT STATUS

A. Planned EOPs(1)

Progress to Date

- | | |
|---|---|
| 1. Privatize 55 SOEs | 1. To date, 47 SOEs have been privatized. |
| 2. \$48 million in domestic and foreign investment. | 2. \$54 million have been invested in new plant and equipment. |
| 3. 4,000 new jobs | 3. The project has generated 3,530 new jobs: men 2,613 and women 917. |

(1) EOPs were revised in the June 1993 Project Paper Amendment No. 1.

October 1, 1994 - March 31, 1995

A ___ B X C ___C. Major Accomplishments and Overall Status:

During the period, the maintenance department of the Municipality of Puerto Cortes was privatized. A savings of approximately L.5.0 million (US\$547,000) a year will accrue to the municipality as a result of that privatization. Requests have since been received from ten municipalities for technical assistance to privatize assets and services that include maintenance departments, slaughterhouses, garbage collection, and public markets.

Although no SOEs of the central government were privatized since the last report, a number of initiatives were undertaken that are expected to result in the privatization of several entities during the next reporting period.

The project provided TA to the GOH to update the evaluation of the assets of the telephone company (HONDUTEL) and to prepare a tariff study. The TA was provided by Price Waterhouse International, through a buy-in to the USAID/Washington contract with this firm. The work was presented to the GOH in January of this year, and will be the foundation for developing a privatization strategy for this entity. TA for the privatization of HONDUTEL is now being provided by the World Bank. The GOH, with World Bank financing, is presently drafting new legislation to regulate HONDUTEL and the telecommunications sector. The legislation is scheduled to be presented to the National Congress next May. The GOH expects to privatize HONDUTEL in calendar year 1996.

The project is financing the drafting of new legislation to permit concessionary agreements as a means to privatize many services, such as the administration of airports, energy distribution, etc.

Through USAID/W's Private Enterprise Development Project (PEDS III), the USAID/Honduras Mission will contract TA to privatize the Honduran Coffee Institute (IHCAFE).

21 According to the last survey, of the 3,530 new jobs created, 917 (26%) were filled by women. In theory, women and children also benefit from having a government free of responsibility of managing industries, and dedicated to providing education and health. These are natural effects of the privatization process.

D. Problems and Delays

The projected expenditures of \$681,000 for the period included a continuation of technical assistance for the privatization of HONDUTEL. Since the technical assistance was provided instead by the World Bank, actual expenditures for the period were only \$74,000. Otherwise, there are no serious problems in the implementation of the project.

E. Major Activities or Corrective Actions during the next Six Months

1. Privatize at least five enterprises
2. Contract technical assistance for the privatization of the pension funds.
3. Contract local consultants to carry out 16 privatization tasks in six municipalities.
4. Contract technical assistance to privatize the Honduran Coffee Institute (IHCAFE)
5. Complete drafting legislation to allow "Concessionary Agreements" to privatize services.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A B X C

I. BACKGROUND DATA

Project Title: Policy Analysis and Implementation (Public Sector Component)
 Project Number: 522-0325
 Date of Authorization: original 08/28/87
 Date of Obligation: original 08/28/87
 PACD: original 08/31/94
 Amendment 05/17/89
 Amendment 08/27/97

Implementing Agencies: Ministry of Finance and Public Credit (MOF), Central Bank of Honduras (BCH) and Economic Policy Analysis and Implementation Unit (UDAPE)
 Major Contractors: Latin American Scholarship Program of American Universities (LASPAU); Management Systems International (MSI).
 Project Manager: Vicente Diaz
 Project Support Officer: Liza Valenzuela
 Status of CPs/Covenants: Met

Date of Last Evaluation: 01/31/91
 Planned No. NFAs: 0
 Date of Last Audit: 00/00/00

Next Evaluation: 5/95
 NFAs Contracted/Completed: 0
 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: ESF Grant: original \$ 7,000,000
 Amount Obligated: ESF Grant: original \$ 3,300,000 amended to \$ 7,000,000
 Amount Committed: Period: \$ (20,650)
 Accrued Expenditures: Cumulative: \$ 6,821,500
 Period - Projected: \$ 280,000
 Period - Actual: \$ 297,222
 Cumulative: \$ 5,911,040
 Period - Next: \$ 230,000

Counterpart Planned: \$ 2,000,000
 Contribution: Actual: \$ 1,691,100

% LOP Elapsed: 76%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 84%
 % of Total Auth. Exp.: 84%

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: Project directly supports Mission's S.O. No. 1: Enhanced Economic Participation and Increased Incomes of the Poor. Through the provision of TA and training, the Honduran capacity to formulate, analyze and implement macroeconomic policies will be enhanced. Sound macroeconomic policies are requisites for reduction of poverty.

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

III. PROJECT DESCRIPTION

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

IV. PROJECT STATUS

A. Planned FOPS

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

B. Progress to Date

See narrative below.

B. Major Outputs

	Planned		Next		Accomplished				
	LOP	Period	Cum.	Period	Period	Cum.	% of LOP		
1. Technical Assistance (Total Months)									
a. Short term	100	5	194	10	4	115	115%		
b. Long term	120	7	44	1	1	34	28%		
2. Training (Persons)					M	E	M	E	M
a. Long Term Initiated	35	0	47	0	0	0	49	9	165%
b. Short-term Completed	15*	0	146	0	0	0	487	251	*

* LOP short-term training target in logframe was based on the assumption that the project would fund international short-term training only. However, project management found short-term in-country training to be much more cost-effective and promoted this approach. For this reason, cumulative short-term training figures are much higher than the target. Given that the training component is practically over, the Mission has determined that modification of the logframe targets is unnecessary.

October 1, 1994 - March 31, 1995

A ___ B X C ___C. Accomplishments and Overall Status

The Public Sector component, one of the four elements in the Policy Analysis and Implementation Project, supports the GOH economic reform program by strengthening the capacity of Honduran public sector institutions to formulate sound economic policies and administrative reforms. This component has two interrelated elements: 1) TA for policy analysis and implementation primarily through support of the Government of Honduras (GOH) Economic Policy Analysis and Implementation Unit (UDAPE) and 2) participant training in economics at the graduate level and short-term economic seminars.

In terms of participant training, 41 project-financed scholars -- 33 men and 8 women -- received their Master's Degrees in either economics or business administration and have returned to Honduras, securing employment in both the public and private sectors. An additional 7 participants are working on their doctorates with three participants expected to complete their requirements later this year.

Our assistance is strengthening UDAPE, enabling it to serve as an important conduit of economic counsel and intelligence to the new Reina administration. In particular, the country's Coordinator of Economic Cabinet is looking to the Unit as an important source of technical assistance in implementing his economic program for the country.

A number of specific accomplishments can be reported in the six month period covered by this report.

- An experienced Central American economist, recruited by the Unit, is working hand-in-hand with the Coordinator of the Economic Cabinet in the specification of a medium term development strategy and companion macroeconomic model for the country. So far, the Coordinator is most pleased with progress.
- A Costa Rican tax expert is working with the Honduran Directorate of Taxation to augment sales tax collections. Already the work is beginning to yield dividends. Sales tax collections are now projected to be 15% higher than the level shown in the approved budget for this year.
- Owing to local currency provided by USAID/Honduras, the Unit was able to hire a Honduran Ph.D. Economist to work on dissemination of economic information. The end product has been a series of monthly economic bulletins, which have been extremely well received both within the GOH and outside it.
- As a follow on to its landmark documents "Report on Macroeconomic Policies 1990-93: Perspectives and Recommendations" and "Economic Measures and Their Relation to Sustainable and Equitable Development," the Unit has prepared a comprehensive document, containing a profile of the Honduran economy in 1994, a diagnostic of economic activity at both the macroeconomic and sector level, perspectives for 1995, and an agenda of the economic policies to be implemented in the near term. The overall objective is to improve coordination of the economic program. A preliminary version already has been distributed to the Economic Cabinet, and a revised version will be made available to a wider audience. The Honduran Ph.D. economist also played a key role in producing this document.
- Thanks to USAID technical assistance, work has commenced on a formal system for monitoring and evaluating the economic reform and stabilization program. This work should help the Unit to assist the GOH in making mid-term course corrections in the reform program. The work already has produced indicators at both the macroeconomic and subsector level.
- Through the Unit, the head of Colombia's highly regarded Intellectual Property Rights (IPR) Office was recruited to help Honduras' Copyrights Office to structure itself in a manner that would enable it to enforce better the provisions of Honduras' new world-class IPR law. That law is expected to be approved by the Honduran Congress sometime this summer. A contingent from Honduras' Copyrights Office went to Colombia to see how this office was structured, and the head of Colombia's IPR Office subsequently traveled to Honduras, producing an extremely well received seminar. This work will help Honduras in its accession to a free trade agreement with the United States.

- With the aid of USAID technical assistance, the Unit has begun work to define action plans for the country's various productive sub-sectors, including (a) coffee, (b) bananas, (c) non-traditional agricultural exports, (d) furniture, (e) meat, and (f) construction, as well as tourism. The purpose of the action plans is to indicate to the GOH what it needs to do to stimulate activities in the various productive sub-sectors. Already the Unit has prepared analyses of the various sub-sectors which will serve as inputs for seminars including both the public and private sectors.

- A regional expert was brought in to assist in the preparatory work for Honduras' participation in the World Bank/IDB-assisted Consultative Group, presumably to be held sometime later this year.

The Unit continues to have a number of continuing responsibilities that place considerable demands on it, including:

- Preparation of the agenda and supporting materials for the weekly Economic Cabinet meetings, and follow up to ensure that the economic decisions taken within the Economic Cabinet are indeed implemented.
- Coordination within the GOH to ensure that the country is adhering to its commitments in adjustment programs with the IMF, World Bank, and IDB. Related to this, the Unit provided inputs into the World Bank/IMF Policy Framework Paper and helped revise the World Bank's Economic Memorandum for the country.
- Serving as the GOH's chief counterpart for missions undertaken to the country by the various international financial institutions in areas such as Modernization Program for the State, Energy, Water and Sanitation, and Agriculture sector programs. In this regard, the Unit helped prepare the document, "Strategy, Priority Areas, and Programming of IDB Investment 1995-97," which served as the basis for negotiation with the IDB on its pre-programming mission.

USAID will be conducting a formal evaluation of the Unit. The primary purpose of the evaluation is to produce recommendations that will enable the Unit to serve the GOH better, in addition to helping us improve the provision of our technical assistance to the Unit. The scope of work for the evaluation has been prepared, and we have identified a candidate to undertake the evaluation.

D. Problems and Delays

The major issue is to secure the services of a new institutional contractor to channel external technical assistance to UDAPE. The current contractor has expertise in institutional development and such expertise was required when UDAPE was in its infancy. However, now that UDAPE is maturing, its needs reside mainly in securing technical assistance in economics on a timely basis for the Coordinator of the Economic Cabinet and the various entities in the Economic Cabinet, and the current institutional contractor is not well poised to do so.

A companion issue is the need to identify a new resident advisor for the Unit. The advisor assists in (a) managing the provision of the outside technical assistance through UDAPE to the GOH and (b) working with UDAPE's staff to build up its capabilities. With the departure of the incumbent resident advisor, the Mission has been seeking to identify another. However, in order to conserve scarce financial resources, the Mission is seeking to hire someone on a non-personal service contract basis rather than using an outside contractor to locate the individual. So far, we have yet to identify the requisite person.

E. Major Activities During the Next Six Months

1. Approve the Unit's 1995 Work Plan
2. Undertake an evaluation of the UDAPE component of the PAIP project.
3. Secure the services of the new institutional contractor.
4. Assist in the rationalization of the country's economic and social data base. A new entity -- the National Institute of Statistics -- will be established to coordinate the production and dissemination of data.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B X C ___

5. Continue work on the development of a medium term development strategy and companion macroeconomic model for the country.
6. Specify action programs for the key productive sectors identifying what the GOH needs to do to spur activity in each.
7. Carry out a study that would assess the key impediments to competition within the country and prepare a program to address the impediments.
8. Our first three participants will be awarded their doctorates in economics.

I. BACKGROUND DATA

Project Title: Policy Analysis and Implementation/COHEP Cooperative Agreement
 Project Number: 522-0325.01
 Date of Authorization: original 08/28/87
 Date of Obligation: original 09/10/87 Amendment 04/12/89
 PACD: original 09/09/92 Amendment 09/30/95
 Implementing Agencies: Honduran Council for Private Enterprise (COHEP)
 Major Contractors: N/A
 Project Manager: Victor Paz/Liza Valenzuela
 Project Support Officer: Daniel Martinez
 Status of Cps/Covenants: All CPs and Covenants met

Date of Last Evaluation: 09/17/90 Next Evaluation: 08/95
 Planned No. of NFAs: 7 NFAs Contracted/completed: 5
 Date of Last Audit: 12/31/94 Next Audit: 09/30/95

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$ 5,000,000
 Amount Obligated: DA Grant: original \$ 200,000 amended to \$5,000,000
 Amount Committed: Period: \$ 576,784
 Cumulative: \$ 4,964,214
 Accrued Expenditures: Period - Projected: \$ 201,000
 Period - Actual: \$ 80,515
 Cumulative: \$ 4,314,858
 Period - Next: \$ 566,000
 Counterpart Contribution: Planned: \$ 950,000
 Actual: \$ 7,347,100
 % LOP Elapsed: 94%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 85%
 % of Total Auth. Exp.: 85%

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: This project contributes to the achievement of Strategic Objective 1: Enhanced Economic Participation and Increased Incomes of the Poor, under Program Outcome 1.2, Expanded Access and Opportunity through Improved Functioning of Markets. COHEP is an advocate of economic and administrative reforms which will increase the efficiency of the Government and the productivity of the private sector, leading to improved prospects for employment for Honduran citizens of both genders.

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

III. PROJECT DESCRIPTION

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

IV. PROJECT STATUS

A. Planned EOPs

1. Increased membership (baseline: 32).
2. Increased financial support from members.
3. Development of professional economic research capacity.
4. Published information.
5. Seminars/Conferences

Progress to Date

1. 44 institutional members.
2. Fund raising drive completed.
3. 56 studies, consumer price index, economic agenda.
4. Monthly bulletins, weekly newspapers, position papers, studies published and weekly radio programs.
5. 107 seminars/conferences/workshops conducted to date.

B. Major Outputs

	Planned		Next		Accomplished		
	LOP	Period	Cum.	Period	Period	Cum.	% of LOP
1. 3-4 studies per year	20	2	37	2	6	56	280%
2. Conferences/Seminars	0	7	84	7	12	107	N/A
3. Published reports	0	3	31	3	3	45	N/A
4. Public relations campaign (3 phases)	3	0	3	0	0	3	100%
5. Number of Persons Trained							
Men	0	350	3,451	350	8093	6121	N/A
Women	0	150	1,309	150	251	2238	N/A

1
25
1

11

October 1, 1994 - March 31, 1995

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

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

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

In this sense, COHEP continues to be the lead organization of the private sector in carrying out policy dialogue and reform with the GOH, by analyzing and publicly debating and lobbying on issues and policies that affect the investment climate in Honduras. To this end, COHEP consistently continues to maintain a close policy dialogue with the government and to present economic studies and documents that analyze the current economic problems and provide the government with a series of alternative solutions and reforms.

During this reporting period, COHEP started the implementation of its CY 1995 Workplan by organizing and presenting a series of seminars, conferences and workshops to the general public in a continued effort to educate and promote policy dialogue within the private sector and with the GOH. One of the major topics of importance to private sector interests presented through these events included a privatization seminar carried out in Mexico on the hands-on experience of the privatization of the Mexican telephone company. This seminar was organized by Mexican private sector leaders, high ranking government officials and the labor union leaders involved in the privatization process of this important utility company. The seminar was attended by a select group of private sector, government and labor leaders from Honduras that traveled to Mexico. This activity has resulted in renewed interest and debate on the privatization process of the Honduran telephone company (HONDUTEL), a process that COHEP actively supports.

Other highly debated topics of importance included industrial production and its impact on the environment and the investment climate, the new Labor Law, world trade rules and its competitive environment, the current investment climate in Honduras and the Japanese experience in economic development. As part of this leadership role in policy dialogue, during this reporting period COHEP co-hosted two government/investment delegations from Spain and the Republic of China that visited Honduras in search of investment opportunities. These activities have resulted in COHEP developing strong ties of cooperation and collaboration with leaders of the private sector in Mexico, Spain, Chile, the Republic of China, and the Central American countries, giving it a better understanding of global free trade.

Regarding its endowment fund, establishment of which will enable COHEP to move toward financial sustainability, to date COHEP has raised L.2.65 million in cash and L.4.15 million in CONADI certificates endorsed to it as donations by the private sector. During this reporting period, the GOH converted an additional L.1.1 million of these CONADI certificates into GOH bonds in the name of COHEP for a new total of L.2.95 million. The balance of L.1.2 million of these certificates will also be converted into GOH bonds early in the next reporting period. Once fully converted, the total L.4.15 million in GOH bonds in the name of COHEP will be purchased for cash by the GOH at a 30% discount during the next reporting period. Once COHEP presents proof of having raised L.5.4 million in cash, COHEP and the GOH will sign a Memorandum of Understanding (MOU) to formally establish the COHEP Endowment. The GOH will then donate a matching amount of L.5.4 million in cash to the endowment fund to continue to strengthen the private sector's capacity to formulate and implement economic policies and administrative reforms after the PACD.

D. Problems and Delays

Due to an involuntary information transmittal error, Section I.A of this Status Report cites "Actual Expenditures" for this period as \$80,515. In fact, this figure should read approximately \$125,000 or 62% of planned expenditures.

During this reporting period, COHEP experienced a lower expenditure rate (62%) than planned due to delays and uncertainties of the GOH in making decisions such as the privatization of Hondutel, moving forward with the new Banking law, and the new Labor Code. These delays impeded COHEP from fully implementing its CY 94 workplan. In view of this situation, COHEP was cautious in planning the activities to be included in its CY 95 workplan. This workplan was therefore not approved until late March 1995.

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

1. Continue to promote and lobby for a new Banking Law, Arbitration System, Labor Law, Pension Funds Law and judicial and administrative simplification reforms. Seminars, conferences and workshops will continue to be organized by COHEP to create consensus and policy dialogue on these topics.
2. Continue to publish and distribute economic studies, weekly bulletins, quarterly review magazines, and reports/position papers, as needed. Continue COHEP's weekly radio program.
3. COHEP formally establishes the COHEP Endowment with the GOH matching contribution of L.5.4 million.
4. Carry out a final evaluation of project.
5. COHEP carries out the first part of the study on Pension Funds with the aid of external technical assistance.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B_X___ C___

I. BACKGROUND DATA

Project Title: Policy Analysis and Implementation (Agriculture)
 Project Number: 522-0325.02
 Date of Authorization: original 05/17/89 Amendment 7/21/92
 Date of Obligation: original 03/05/90 Amendment 9/27/94
 PACD: original 08/31/94 Extended 8/27/97
 Implementing Agencies: Ministry of Natural Resources (MNR)
 Agricultural Sectoral Planning Unit (UPSA) and
 General Directorate of Statistics and Census (DGEC)
 Major Contractors: Sigma One Corporation, Abt Associates Inc., Ateneo de
 la Agro Industria (ADAI), Mississippi State University
 and Chemonics International
 Project Managers: John Chudy and Guillermo Alvarado
 Project Support Officer: Liza Valenzuela
 Status of CPs/Covenants: Met

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$ 4,350,000 amended to: \$ 14,350,000
 Amount Obligated: DA Grant: original \$ 3,000,000 amended to: \$ 9,565,000
 Amount Committed: Period: \$ 233,193
 Cumulative: \$ 8,497,526
 Accrued Expenditures: Period - Projected: \$ 1,150,000
 Period - Actual: \$ 849,678
 Cumulative: \$ 7,057,845
 Period - Next: \$ 1,480,000
 Counterpart Contribution: Planned: \$15,500,000
 Actual: \$ 6,844,400
 % LOP Elapsed: 71%
 % of Total Auth. Oblig.: 67%
 % of Total Oblig. Exp.: 74%
 % of Total Auth. Exp.: 49%

Date of Last Evaluation: 03/31/95 Next Evaluation: 6/30/97
 Planned No. of NFAs: 0 NFAs Contracted/completed: 0
 Date of Last Audit: 00/00/00 Next Audit: 8/30/95

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: This component of the PAIP supports Strategic Objective No. 1. Enhanced Economic Participation and Increased Incomes of the Poor by formulating and implementing policy reforms aimed at increasing agricultural investment. It also supports Strategic Objective No. 2. Effective Stewardship of Key Natural Resources for Sustainable Economic Growth by supporting policy analysis and reforms aimed at improving natural resources management and environmental conservation.

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

III. PROJECT DESCRIPTION

The aim of this project component is to improve Honduran capabilities for carrying out policy analyses and implementing policy reforms in the areas of agriculture and natural resources management via cooperative undertakings, seminars and workshops, and through an improved agricultural statistics base. Both short-term and long-term technical assistance are being utilized. Short-term training to strengthen the analytical capability of Honduran counterparts is also provided.

IV. PROJECT STATUS

A. Planned EOPs

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

Progress to Date

1. The project is strengthening the capacity of the GOH and selected private sector groups for policy formulation and analysis, principally through the analysis and preparation of policy position papers, development of an agricultural statistics data base, short-term training for counterpart personnel, mass media campaigns, and seminars.

B. Major Outputs

	Planned				Accomplished									
	LOP	Period	Cum.	Next Period	Period	Cum.	% of LOP							
1. Joint policy analysis studies	16	0	18	0	0	41	256%							
2. Reports and Conference Proceedings disseminated	1800	0	2700	0	0	3509	195%							
3. Proposals for Executive Decrees, interministerial agreements	0	0	26	0	0	35	N/A							
4. Legislative reform bills introduced to Congress	0	0	10	0	0	13	N/A							
5. Rural Household Survey	1	0	4	1	1	5	500%							
6. National Agricultural Survey	4	1	4	1	0	2	50%							
7. Agricultural Census	1	0	1	0	0	1	100%							
8. Land Titles Issued	40000	5000	5000	5000	4403	9414	24%							
9. Established Farmer owned financial institutions	4	0	4	0	0	0	N/A							
10. Reorganization of Ag Public Sector Agencies	3	0	1	2	0	1	33%							
11. Environmental Strategy Developed	1	0	0	1	0	0	N/A							
12. Participants attending project sponsored seminars	500	100	200	50	652	88	200	50	869	277	6885	2111	1377%	2111%
13. Training Short-term	80	20	0	0	70	6	8	4	16	0	87	6	109%	30%

27

October 1, 1994 - March 31, 1995

A ___ B ___ X ___ C ___

C. Other Accomplishments and Overall Status

During this period, the project TA team (PRODEPAH) assisted agriculture sector institutions in the implementation of the Agricultural Modernization and Development Law (AMDL) through direct technical assistance, policy proposals, and studies related to the four areas of the project (land tenure, marketing and statistics, rural finance, and natural resources). PRODEPAH continues to be involved in implementation of programs together with the organizations that make up the public sector in agriculture: IHMA (marketing), INA (land tenure), DEC (Cadastral), DGE (statistics), COHDEFOR (natural resources) and others. Also, the project continues to promote and to clarify the main issues of the AMDL among government officials and private sector audiences as part of its efforts to encourage the Law's full implementation. These activities have included the organization and presentation of seminars and training courses, publication of newspaper articles, and advertising campaigns through newspaper ads and the installation of billboards and posters describing free trade norms. Many of these activities were carried out directly with private sector organizations.

Progress in some activities was affected by project staff turnover (Chief of Party and Land Tenure Advisor) and the late assignment of support staff (Natural Resources) and local counterpart personnel in UPSA. However, a full project team and counterpart staff was in place by the end of the semester, which helped boost progress. In addition, project activities were bolstered by 38 person months of short term consultancies provided by 39 different consultants.

A draft mid-term evaluation was prepared during the period which looked at benchmark achievement during phase one of the project. When finalized, this evaluation will propose changes in the project benchmarks. Part of that evaluation included the development of a policy map for the project. This tool, which is intended to sharpen PRODEPAH's approach to implementing 37 policies associated with the AMDL, identified principal policy actors, their level of support for the policies, and prioritized the policies and identified appropriate strategies for their implementation. The impact of both the new benchmarks (which will have to be agreed on by the Minister of Natural Resources) and the policy map, will be felt more in future periods.

Progress towards results in the four technical areas was as follows:

-Land Tenure: (a) Simplified and more efficient titling: Efforts consisted of promoting automated processes for titling in INA, reducing the number of steps involved, and increasing the use of the private sector. (b) Expedient land titling: This was the most productive period in titling history, 4,403 titles issued with 1,043 to women and 3,360 to men. At the current pace, the 40,000 benchmark is achievable. (c) Land Tenure in the Reform Sector: A manual on titles of economic participation was developed, approved and dissemination begun, a survey of 1000 agrarian reform beneficiaries completed, local and regional seminars carried out. (d) Improved property registration system: PRODEPAH spearheaded creation of "Comisión de Alto Nivel Sobre el Registro de la Propiedad." This committee will be making recommendations to the World Bank, which under a possible future loan to Honduras will finance a property registration system. (e) Development of a land fund: PRODEPAH has put this on hold until uncertainties surrounding the concept are clarified.

-Rural Finance: (a) Policies affecting rural financial markets: PRODEPAH completed an informal markets study, led conferences and seminars, and published newspaper articles. (b) Formation of rural enterprises for savings and loans: PRODEPAH disseminated a profile on "cajas rurales," discussed draft regulations for cajas rurales with concerned groups, submitted a final draft of the regulations for cajas rurales to USAID, UPSA, the World Bank and the Interamerican Development Bank.

-Marketing and Trade Policies: (a) International marketing and trade policies: PRODEPAH initiated development of a commodities exchange in Honduras, assisted IHMA to reorganize, introduced bonded warehouse systems, completed corn and sorghum rapid market appraisals, assisted IHMA in operation of the import price band system, began a tariff study of the problem of substitution of local corn and sorghum feed grains with cheaper imported feed wheat, developed procedures to market imported donations of basic grains, initiated a study of tariffs on agricultural products in Central America and began a study on revision of Central American tariff system. (b) Market information system: The first draft of a proposed system for UPSA was prepared by PRODEPAH. (c) Privatization of Storage Facilities: Direct negotiations are underway for Comayagua and San Pedro Sula. (d) Agricultural Statistics: Data base and surveys are being implemented by DGE.

- Natural Resources: (a) Natural resource policy reform: PRODEPAH programmed a series of six workshops which will take place between May and September 1995. The purpose is to formulate a policy reform strategy including possible new legislation for natural resources management.

D. Problems and Delays

The GOH continues to struggle for a macroeconomic and sectoral strategy that reconciles market reforms with the inertia of the statist interventions associated with the current state-centered administration. As a result, there have been setbacks. For example, notwithstanding pronouncements of support for free trade, the Ministry of Natural Resources (MNR) has, in selective cases, used sanitary regulations to favor some traders over others. Such abuse has occurred since the last administration, especially for corn and rice, but the most recent case took place in March 1995, when the MNR limited authorization for phytosanitary permits to rice millers. Also, rice millers were able to convince the GOH to suspend the price band temporarily. However, the suspension was never initiated because the effort fell apart when the first of two shipments arrived at port earlier than expected. After the second shipment, millers would have been exempted from the price band surcharge, however, the first-shipment millers withdrew their support for suspending it.

While manipulation of the price band and application of sanitary permits have occurred several times since the AMDL was passed, PRODEPAH has been effective in counterattacking these initiatives, and in most cases the basic policy thrust has been maintained. The overall problem is that the GOH sends mixed signals regarding its free trade policy. The GOH must adopt a more firm and transparent posture in support of the policies in order to discourage abuses and attempts to manipulate government officers responsible for AMDL implementation. Meanwhile, PRODEPAH is now well positioned to further influence policy actors through both its work plan and the proactive policy map which allows for timely adjustments to strategies for moving actors toward implementation of the policies.

Expenditures during the period were lower than projected because of changes in the composition of the technical assistance team.

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

1. Develop media campaign based on policy map priorities.
2. Begin CODA (Consejo de Desarrollo Agrícola) seminar series: "Macroeconomic Conditions in Developing Countries" will be the first topic.
3. Develop options available for property registry system.
4. Final report of rural financial markets study presented to USAID.
5. Implementation of incentive plan to increase access to credit by small and medium size farmers that includes six activities: bi-annual monitoring of financial providers; promotion of chattel mortgage law; research establishment of credit bureau system; cajas rurales; improve crop guarantee fund; clarify issues surrounding land fund.
6. Completion of IHMA's reorganization.
7. Completion of the design of the market information system for UPSA.
8. Completion of the agricultural data base design for UPSA.
9. Conduct workshops for the formulation of natural resources policy.
10. Completion of forestry legal framework harmonization analysis.
11. Reinforcement of social forestry policies by hosting II Central American Forestry Conference in San Pedro Sula, September 27-30, 1995.
12. Four key Honduran policy actors trained in Macroeconomic Policy and Management at the Harvard Institute for International Development.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B ___ C X

I. BACKGROUND DATA

Project Title: Policy Analysis and Implementation/Financial Sector Development Component
 Project Number: 522-0325.03
 Date of Authorization: original 09/24/92
 Date of Obligation: original 09/29/92
 PACD: Amendment 09/30/92 Amended to 12/31/95
 Implementing Agencies: Central Bank of Honduras (BCH)
 Major Contractors: N/A
 Project Managers: Victor Paz/Liza Valenzuela
 Project Support Officer: Leon Waskin
 Status of CPs/Covenants: 1. Submission/Passage of Banking Law: Submitted/Not passed
 2. Submission of BCH Restructuring Plan: Met
 Date of Last Evaluation: 00/00/00 Next Evaluation: 6/95
 Planned No. of NFAs: 0 NFAs Contracted/Completed: 0
 Date of Last Audit: 00/00/00 Next Audit: TBD

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$ 6,000,000
 Amount Obligated: DA Grant: original \$ 1,900,000 amended to \$2,400,000
 Amount Committed: Period: \$ (28,566)
 Cumulative: \$ 780,653
 Accrued Expenditures: Period - Projected: \$ 36,000
 Period - Actual: \$ 334
 Cumulative: \$ 779,386
 Period - Next: \$ 0
 Counterpart Contribution: LOP Planned: \$ 1,140,000
 Actual: \$ 535,800
 % LOP Elapsed: 51%
 % of Total Auth. Oblig.: 40%
 % of Total Oblig. Exp.: 32%
 % of Total Auth. Exp.: 13%

II. PROJECT PURPOSE

To strengthen the Honduran capacity to formulate and implement economic policies and administrative reforms. The Financial Sector Component is designed to increase the Honduran capacity to formulate and implement reforms that improve financial intermediation.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

- 1 A. SPECIFIC LINKAGE TO S.O.: This project component supports Strategic Objective No. 1: Enhanced Economic Participation and Increased Incomes of the Poor, under Program Outcome 1.2 Expanded Access and Opportunity Through Improved Functioning of Markets.
 2
 1 B. PERCENT OF LOP FUNDS RELATING TO S.O.: 100%

III. PROJECT DESCRIPTION

The Financial Sector Component of the PAIP is to improve the regulation/supervision of the financial system in order to increase access to that system.

IV. PROJECT STATUS

A. Planned EOPS*

Progress to Date

- | | |
|---|---|
| 1. New Banking Law passed. | 1. Expected approval July 1995. |
| 2. BCH Restructuring Plan implemented. | 2. Restructuring plan approved and implemented. |
| 3. Interest rates are market determined. | 3. Interest rates are now market determined. |
| 4. Strengthen management and information system of BCH. | 4. Technical assistance and training for 1994 and 1995 focuses on improving management. |
| 5. Improved supervisory inspection procedures and MIS at the Superintendency. | 5. Limited progress to date. Assistance is blocked by the CP on the banking law. |
| 6. Secondary market for BCH bonds established. | 6. Secondary market for bonds operational. |
| 7. Securities Law passed. | 7. Securities law pending Congressional approval. |
| 8. Competitive Banking System in Place. | 8. There are 18 commercial banks now. |

* Major Outputs were revised under PP Amendment No. 4.

B. Major Outputs *

	Planned				Accomplished		
	LOP	Period	Cum.	Next Period	Period	Cum.	% of
							LOP
1. Training In-Country	1000	0	0	0	657	1021	102%
a. Men	770	0	0	0	338	587	76%
b. Women	230	0	0	0	319	434	189%
2. Training Abroad	40	0	0	0	0	0	0%
a. Men	32	0	0	0	0	0	0%
b. Women	8	0	0	0	0	0	0%

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B ___

C. Other Accomplishments and Overall Status

Due to funding constraints, delays in passage of the banking law (a CP under this component), and the Inter-American Development Bank's interest in supporting financial sector reform, the Mission has decided to discontinue this project component. During the SAR period, only counterpart funds were used for project activities. These funds covered expenses for 48 training courses for 657 participants, of which 49% of the participants were women.

D. Problems and Delays

Project component will be closed out.

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

- 1) Close-out the project component, drafting a Project Agreement Amendment and a Project Assistance Completion Report for this component.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A_X B__

I. BACKGROUND DATA

Project Title: Rural Roads Maintenance Project
 Project Number: 522-0334
 Date of Authorization: original 06/20/90
 Date of Obligation: original 06/20/90 Amendment 04/27/93
 PACD: original 06/30/97 Amended to 12/31/94
 Implementing Agencies: Ministry of Public Works and Transport (SECOPT)
 Major Contractors: N/A
 Project Manager: Carlos Flores R.
 Project Support Officer: Leon S. Waskin
 Status of CPs/Covenants: CP to first disbursement: Met
 CP to maintenance disbursement: Met
 CP to construction disbursement: Met
 CP to Pilot Project: Met
 CP after second year disbursements: Met
 Covenants:
 Ongoing evaluation of progress.
 Reports on provision of counterpart.
 Date of Last Evaluation: 00/00/00 Next Evaluation: N/A
 Planned No. of NFAs: 1 NFAs contracted/completed: 1
 Date of Last Audit: 09/94 Next Audit: N/A

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$15,000,000 amended to \$10,681,000
 Amount Obligated: DA Grant: original \$ 2,500,000 amended to \$10,681,000
 Amount Committed: Period: \$ (364,270)
 Cumulative: \$ 9,261,045
 Accrued Expenditures: Period - Projected: \$ 1,113,000
 Period - Actual: \$ 9,252
 Cumulative: \$ 9,169,454
 Period - Next: \$ 0
 Counterpart
 Contribution: Planned: \$ 6,866,000
 Actual: \$ 6,598,411
 % LOP Elapsed: 100%
 % of Total Auth. Oblig.: 100%
 % of Total Oblig. Exp.: 86%
 % of Total Auth. Exp.: 86%

II. PROJECT PURPOSE

To establish a long term sustainable maintenance system for rural roads and expand roads network in areas with potential for agricultural export production.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVE

A. SPECIFIC LINKAGE TO S.O.: The project supported Mission Strategic Objective No. 1. Enhanced Economic Participation and Increased Incomes of the Poor, by providing better access to markets and other factors of production.

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

III. PROJECT DESCRIPTION

The project consisted of three components:

1. Institutional strengthening of the General Directorate of Maintenance (DCM).
2. Maintenance of rural roads constructed under USAID funded programs.
3. Construction of additional rural roads.

IV. PROJECT STATUS

A. Planned FOPs

Progress to Date

1. Long-term sustainable rural roads maintenance program in operation. One thousand four hundred thirty nine kilometers (1439) were receiving, as required, both regular and periodic maintenance by the PACD. 1522 kms.
2. Rehabilitation of 200 km. of roads constructed under Rural Roads I (522-0164). 200 kms.
176 kms.
3. Construction of 157 km. of rural roads.

B. Major Outputs

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
1. Construction of rural roads (kms)	157	24	153	0	43	176	112%
2. Rehabilitation of rural roads (kms)	200	0	200	0	0	200	100%
3. Regular, periodic maint. of rural roads (kms)	1439	238	1330	0	315	1522	106%
4. Peon Casinero maintenance (kms)	3000	0	0	0	0	0	0%
5. DCM Institutional Strengthening							
Privatization of Maintenance Operations (%)	80	0	100	0	0	125	156%
Reduction in Personnel	2,000	N/A	N/A	N/A	N/A	5,250	263%
Road Inventory System	1	N/A	N/A	N/A	N/A	1	100%

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A X B

C. Other Accomplishments and Overall Status

The project was the successor to the Rural Roads II Project (522-0214). Assistance under the project was completed on December 31, 1994. As the name of this project implies, primary emphasis was given to institutionalizing regular maintenance work on rural roads, although some new construction took place over the life of the project. One important aspect of this project was the emphasis on road maintenance by private contracting. This is a revolutionary trend in Honduras and elsewhere in developing countries. It is oriented toward maximizing use of project resources by promoting the growth of private construction companies.

The Project Assistance Completion Report (PACR) was completed in October 1994. It has been cleared by all pertinent offices except for the Controller and Mission Director. Once all payments are made, which is expected to occur in June 1995, the PACR will be submitted to these offices for clearance. This will complete the formal close-out of the project.

The final close-out audit of commodities purchased under the Project was completed in December 1994. The final report contains five recommendations: two of them are monetary material recommendations and the remaining three are procedural recommendations. The monetary material recommendations have been resolved after the Mission deducted 915,693.44 from a reimbursement request corresponding to the value of video equipment, radios and wheel barrows that were unaccounted for by the counterpart organization, SECOPT. The other three procedural recommendations will not be applied since the project has been terminated.

D. Problems and Delays

Section 1.A of this Project Status Report cites "Projected Expenditures" for this period as \$1,113,000. Like all financial information in the Mission's SARs, this figure reflects data entered into USAID/Honduras' MACS system in November 1994. This estimate, however, was incorrect: as reported during the previous SAR cycle, USAID planned to spend no funds from this project during this reporting period. After accounting adjustments and receipt of final vouchers, actual project expenditures during this cycle were (as reported above) \$9,252.

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

1. Approval of the PACR.
2. Formal close-out of the Project.

This is the last SAR that USAID will submit on this project.

1
32
1

20

I. BACKGROUND DATA

Project Title: Small Farmer Agribusiness Development
 Project Number: 522-0383
 Date of Authorization: original 06/23/92
 Date of Obligation: original 06/23/92 Amendment 04/26/93
 PACD: original 02/23/98
 Implementing Agencies: Finance Corporation for Agricultural Cooperatives (FINACOOOP)
 Major Contractors: Agricultural Cooperative Development International (ACDI), National Cooperative Business Association (NCBA), ATHA, Inc.
 Project Manager: Lee Arbuckle
 Project Support Officer: Daniel Martinez
 Status of CPs/Covenants: CPs: Met
 Covenants: Met
 Counterpart Provision: On-going
 Evaluations: On-going
 FINACOOOP Information System: On-going
 Separation FDF/FACACH: Met
 Removal Fund/BANADESA: Pending
 Stabilization Support: On-going
 Inclusion Reform FOBs: On-going
 IHDECOOP Audit Unit: Pending
 Pesticide Use/Proc.: On-going
 Date of Last Evaluation: 12/31/93 Next Evaluation: 07/95
 Planned No. of audits: 5 Audits Contracted/Completed: 2
 Date of Last Audit: 12/31/94 Next Audit: 12/31/95

A. FINANCIAL DATA

Amount Authorized: DA/ESP Grant: original \$ 6,500,000
 Amount Obligated: DA/ESP Grant: original \$ 3,300,000 amended to \$ 5,025,000
 Amount Committed: Period: \$ 56,926
 Accrued Expenditures: Cumulative: \$ 3,477,922
 Period - Projected: \$ 740,000
 Period - Actual: \$ 188,199
 Cumulative: \$ 2,291,115
 Period - Next: \$ 860,000
 Counterpart Contribution: Planned: \$ 6,560,000
 Actual: \$ 3,130,900
 % LOP Elapsed: 51%
 % of Total Auth. Oblig.: 77%
 % of Total Oblig. Exp.: 46%
 % of Total Auth. Exp.: 35%

II. PROJECT PURPOSE

To increase production, value-added processing and agricultural exports of participating farmer-owned businesses.

I. RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: Project supports the Mission's Strategic Objective No. 1 - Enhanced Economic Participation and Increased Incomes of the Poor. By improving access to financial services, the project will directly impact Program Outcome 1.1 - Expanded Access and Opportunity through Empowerment of the Disadvantaged.

III. PROJECT DESCRIPTION

The project continues and expands upon the strengthening activities begun under the Small Farmer Organization Strengthening (SFOS) Project to restructure participating farmer-owned businesses (FOBs) and carry out growth activities with those strengthened FOBs that demonstrate the potential to make significant contributions to agricultural production, value-added processing and foreign exchange earnings.

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

IV. PROJECT STATUS

A. Planned FOPS

1. Estimated average production gains of 30% to 40% for members of participating FOBs in melons, rice, corn, and coffee.

2. Annual foreign exchange earnings for FOBs will increase by approximately \$15 million.

3. Annual value-added processing of FOBs will increase by approximately \$10 million.

Progress to Date

1. The information system to monitor FOB performance is complete, but ACDI system for measuring productivity, value added and foreign exchange is not yet complete.

2. Same as #1.

3. Same as #1.

B. Major Outputs

	Planned			Next		Accomplished	
	LOP	Period	Cum.	Period	Period	Cum.	% of LOP
1. FOBs screened:	0	10	45	18	16	51	0
2. FOBs qualified:	0	10	14	4	8	12	80
3. FOBs later disqualified:	0	0	14	0	1	15	NA
4. FOBs restructured:							
Administratively restructured	40	10	20	10	2	12	10
Financially restructured	40	6	9	1	2	5	13
5. Orgs. w/ computer technology:							
Equipment installed	10	10	20	10	0	17	57
MIS functioning effectively	10	6	9	6	1	4	13
6. FOBs with good performance:							
- Profitability	26	8	12	7	5	9	26
- Sales increased by 50%	40	8	12	5	4	8	28
- ROE increased by 35%	40	8	12	8	3	7	19
- Equity over 30% of assets	40	7	12	8	4	9	23
7. FOBs with feasibility studies prepared for new business activities	40	1	1	2	0	0	5
8. Agribusiness investments being undertaken following feasibility studies	40	0	0	2	0	0	0

October 1, 1994 - March 31, 1995

A ___ B X C ___**C. Major Accomplishments and Overall Status:**

This project is an important element in the Mission's strategy to improve agricultural production. Planned project interventions with rural agricultural cooperative businesses complement other USAID supported efforts to improve access to information and technology, domestic and export processing, and marketing services for small farmers who are member-owners of farmer-owned businesses (FOBs). Access can only be provided by the FOBs if they have efficient operations and make profitable capital investments that reduce costs, improve quality, and add value to the farmers' product. The project focuses its efforts on those FOBs, and their second level federations that have a proven willingness to make the fundamental changes required to become viable businesses.

The Implementing Unit: The principal implementation unit is the Finance Corporation for Agricultural Cooperatives (FINACOOP), chartered in late December, 1992. FINACOOP assumed the implementation responsibilities and assets of the FDF, the implementation entity until that time.

The new General Manager of FINACOOP began work on June 1, 1994. Implementation has accelerated as he has provided employees with a sense of purpose, documented the strengthening process, set time limits for the completion of each step, and established a process in which progress of each institution is reviewed every 15 days. FINACOOP's 1995 Operating Plan was approved by USAID and is being actively carried out by FINACOOP. FINACOOP is now receiving requests from an average of four new FOBs monthly, and after screening nearly 50% qualify to begin the strengthening process. Some that begin the strengthening process voluntarily drop out. Others are suspended or disqualified, but it is expected that most will complete the process.

The ACIDI technical assistance team

Discussion ceased with the departure of ATMA's resident Finance and Credit Advisor from ATMA. The ATMA General Manager substituted the resident advisor with an approach using short term consultancies by himself and other specialists. The new approach is paying off well. FINACOOP management consistently emphasizes coordination and communication of the TA team with FINACOOP for day to day work, for work plans and for quarterly reports. FINACOOP considers the advice of the TA team for all significant decisions and is well satisfied with the TA being provided.

During the past period, ACIDI carried out short-term consultancies on the role of gender in FOBs, management of a poultry feed plant, management of input supply stores, and development of a strategic plan for investment and growth by COHORSIL, the first cooperative to enter the growth phase.

ACIDI completed a life of contract work plan and produces good workplans and quarterly reports. During the last period the project information system for data on the financial and operating condition of the FOBs was completed by a short term Honduran consultant hired by the ACIDI consortium. The data base, including prior years, is complete for FINACOOP's ten priority FOBs and is expanded as others enter the project.

In the upcoming period, ATMA will complete a revision of FINACOOP's credit manual, an analysis and plan for developing FINACOOP's treasury function and financial operations. The ACIDI home office will develop a training program for farmers, and FOB employees that supports the development of strong farmer businesses. Leaders will visit the U. S. gourmet coffee convention to ascertain the potential value added that can be achieved for Honduran Strictly High Grown (SHG) coffee.

Project Administration: The ANRO Short Term Action Plan of March 1994 identified issues that impeded project implementation and proposed actions to address those issues. The last SAR noted that all principal issues except two in the Short Term Action Plan were addressed.

The first remaining issue was passage by the Honduran Congress of a decree establishing that the COH should pay off the loans of seven cooperatives to FINACOOP. The decree was repealed, in large part due to FINACOOP's efforts. Two of the seven FOBs are now up to date with FINACOOP. One coop group immediately disavowed the decree and paid off FINACOOP. The leadership of another FOB was divided and eventually resolved their issues and negotiated repayment to FINACOOP. The other five FOBs believed the illusion created by the decree that they would not have to repay and are now moribund. FINACOOP is obligated to proceed with collection actions. The decree undermined the commitment of cooperatives to live up to the terms of the financial restructuring agreements signed with FINACOOP. Having been repealed, a clear message was given that payment terms with FINACOOP are enforced.

This is a very important precedent in a nation where debt forgiveness have seriously undermined financial responsibility, particularly in the agricultural sector.

The second issue, the creation of an independent loan committee to approve the use of project resources was completed. The Ministry of Finance, owner of the local currency funds, presides over the Committee. Other members are an experienced credit professional, and one representative of the Board of FINACOOP.

Strengthening and Growth Component Results:

FINACOOP's new management set an objective of having 10 profitable FOBs by year end 1994 as a result of the project and focused its efforts on those ten. Eight of ten were profitable by December, 1994. A ninth, Maya Occidental, became profitable in early 1995 and will close its fiscal year on April 30, 1995 with good profits for the year. The tenth, COVAL, is a milk processing and marketing cooperative with excellent potential that sought project technical assistance when new processing facilities took them from profitability to unprofitability.

1. COMARCA: COMARCA is the best example for other coffee cooperatives of how to function as an effective farmer-owned coffee business because of quality standards, investments in processing efficiency, constant contact with the market via satellite dish to maximize the prices received, and solid governance involving local membership groups.

Some administrative issues are being addressed via an accounting system, a cost accounting system, and PASTCAFE, a computerized coffee marketing management system. Over the next six months most of the accounting and internal control issues should have been completed. COMARCA sold good quality coffee during the past year at a premium to New York prices, unheard of in Honduras. COMARCA will invest in improvements in wet milling, drying, and dry milling processes to reduce the costs per hundredweight processed.

The coop has mastered the application of sound coffee marketing practices with the assistance of the TA team's coffee advisor. Key leaders from COMARCA will attend the U.S. Gourmet Coffee Convention. Because farmers are delivering more and more coffee to COMARCA to sell, their main facilities are now operating at capacity. COMARCA has a strategy for decentralizing coffee wet milling to regional centers so that there is less processing and storage pressure on the central facility, which will be used only for grading, marketing, and preparation for export.

The Administrative and Financial Restructuring of COMARCA continues to exceed projections. High coffee prices have only accelerated the positive effects of the restructuring agreement. COMARCA will process and market 60,000 hundred weight of coffee in the 1994-95 coffee year, over 2% of national production. COMARCA's net worth now exceeds the project's EOPS standards.

COMARCA will enter the growth phase of the project in the upcoming period. An in-depth study will begin in the upcoming period, working with management and leadership, to update the plan developed in 1992.

2. UNIOCOOP: UNIOCOOP, a coop federation that wholesales inputs to affiliated cooperatives and others closed the 1994 fiscal year with profits of over L4 million, ten times that of 1993. The first two months of 1995 produced L1.7 million in earnings. Profitability is a credit to the Manager, the lean staff he has selected, and the commitment of a sound Board president. UNIOCOOP received advice and support for administrative restructuring and applied it to reach the point it is at. It still occasionally uses specific consultancies from the project.

UNIOCOOP is sustaining profitability and expanding market share due to effective procurement, rapid turnover and competitive pricing. Following market share increases, UNIOCOOP is now the second largest Honduran fertilizer wholesaler. UNIOCOOP is producing the effect the project desired, access to quality fertilizer at fair prices for small and medium farmers. In addition UNIOCOOP, which appears to be the price leader, is having an indirect effect on the market prices of fertilizer for all Honduran farmers by providing a yardstick for a fertilizer pricing. Because UNIOCOOP seeks to operate at a minimal cost, they manage inventory turnover and margins closely. Inventory turnover continues to be about four turnovers per year. As sales have increased, UNIOCOOP was first able to increase the frequency of imports and can now increase inventory turnover further.

October 1, 1994 - March 31, 1995

A ___ B X C ___

Membership clean-up is now being addressed. In its annual meeting, UNIOCOOP expelled one coop for cause and suspended two others as a prelude to expulsion. A good Board of Directors was chosen, so that conditions are good for the business to continue to improve. FINACCOOP deferred development of a financial restructuring agreement until UNIOCOOP committed to reducing its membership to viable FOBs and to development of a capital base sufficient to sustain the sales volume of the business. UNIOCOOP has approved a member capitalization plan.

3. COHORSIL: COHORSIL is an input supply and coffee processing cooperative whose members are vegetable and coffee producers in the Siguatepeque area in the center of the country. COHORSIL is now participating in the growth component of the project financed by a strong return on equity and member commitment to capitalization. For 1994, members received a 15% patronage refund on purchases at the coop. There are many applicants for membership, but the cooperative has a careful selection process. There are now about 360 members in the coop. The principal business is the sale of agricultural inputs through stores in three towns. COHORSIL, with the assistance of the TA team, completed a study of the feasibility of opening stores in three additional towns, and has now decided to open a fourth store in Comayagua, the town with the largest total sales of inputs in the central part of Honduras.

COHORSIL is fine-tuning the use of a computerized inventory management package in the management of the 1,100 agricultural supply items it sells, getting the required combination of margin and turnover for each product to achieve profit goals. COHORSIL intends to provide point of sale receipts from the computerized system as a way of attending to the hundreds of daily sales cost-effectively, and thereby serve small farmers. A project survey indicates that market share has expanded to over 95% in Siguatepeque, over 85% in the Taulabe market, and over 55% in La Esperanza.

Another investment area for growth that COHORSIL is considering is the market for the principal vegetable crops produced by COHORSIL's members. The Board and management are considering alternative investment. They have purchased a lot with highway frontage to eventually build a cold storage facility.

4. COOPAVIHL: COOPAVIHL is a feed supply cooperative whose members are poultrymen that produce eggs and broilers for the Tegucigalpa market. A short-term consultancy by a U.S. poultry feed specialist was completed. The coop is now taking measures to improve product flow, feed formulation and pricing, and inventory management. The installation of cost reducing equipment and facilities continues, and the coop is achieving the margins and profits targeted in the restructuring agreement.

5. CARPIHL: This FOB's membership consists uniquely of independent growers that are members of ANACH, a peasant organization that was born during the years of the agrarian reform. The coop is located in the very middle of the principal plantain growing region in Honduras.

The Honduran Agricultural Research Foundation (FHIA) has been contracted to demonstrate good cultivation practices and to introduce new Sigatoka resistant varieties of plantain. The full technological package can increase yields, lower costs by using no fungicide, and improve quality. Initial results are promising.

CARPIHL's business currently is input sales and grower representation. However, now that the technological issues are being resolved in production, marketing of product with the highest value added is the principal challenge and opportunity. CARPIHL, with FINACCOOP assistance, has tested three marketing alternatives. First, they are marketing some product to Rica Sula, a San Pedro firm that markets plantain chips. Second, they have marketed product to El Salvador. Third, they have boxed plantains and sold them at the farm gate to a broker that exports to the U.S. market. A fourth alternative, export to a broker in the U.S. has not been attempted. All alternatives appear to have potential, and FINACCOOP is advising CARPIHL to sustain at least two alternatives to sustain bargaining power.

6. Maya Occidental: Maya is a large cooperative in Western Honduras which sells inputs and processes and markets coffee. It had grown through the years but failed to become profitable or to develop a capital base large enough to overcome adversity. The Board subsequently promoted an honest, young, hardworking employee to be Manager. He took the cooperative to profitability for the year ending on April 30, 1995. Active membership has now reached 150, and \$520,000 in capitalization was received from members this year in addition to retained earnings.

FINACCOOP in this case has applied a new approach to administrative restructuring, placing a specialist full time in the cooperative to provide administrative, financial, and operating advice and to carry out a series of in depth analyses. Not only will the FOB be stronger, but FINACCOOP will have a trained young specialist qualified to occupy a senior officer position once he has completed support.

7. La Proveedora: This FOB is a service coop which supplies inputs to the 23 agrarian reform cooperatives that organized it. FINACCOOP uses project resources for administrative restructuring; it is important to give the FOB's ownership enough time to understand business principles before taking on new challenges. La Proveedora sources its fertilizer from UNIOCOOP.

When positive results are confirmed at this stage, and if La Proveedora's leadership wishes to, FINACCOOP will guide them through a participative strategic planning process. Preliminary results are promising, but it is important that owners be clear about where they are going in order for their Board to provide satisfactory governance. Member capitalization has increased from \$50,000 to \$300,000.

8. Triniteca: This coffee cooperative handles 60,000 cwt. of coffee yearly, and has the capacity to handle more. Triniteca's coffee processing facilities are excellent and in part offset the fact that much coffee they receive is not high grown. There were about 400 small, medium, and large growers in the 1980s. The FOB indiscriminately provided production and marketing credit to members and got into financial difficulty because some didn't repay, yet the FOB had to repay the banks. In 1993, membership was screened to select active growers, that didn't owe the coop, and that had good production levels. Membership was reduced to 80.

On its own, the FOB screened membership, reduced debts to banks, and increased coffee throughput. Triniteca was initially unwilling to accept the project's administrative disciplines, but having seen the results of COMARCA's restructuring, has now begun the restructuring process. Membership has expanded to 142, debt further reduced, member investment increased, and two years of operating profit chalked up. The principal financial restructuring issue is a large credit from Banco Atlantida for facilities on which Triniteca was past due for a time. The principal administrative restructuring issues are cost accounting for the processing, and the introduction of non-speculative marketing policies that are fair and transparent for all members.

9. Fruta del Sol: Fruta has normalized its payment status with FINACCOOP. This will permit Fruta to free up collateral and negotiate financing with FINACCOOP or other financial institutions. Commitment of all members of the Board to achieving financial soundness is not yet firm.

10. COVAL: This dairy cooperative in the Quimistan area has a good plant functioning since May, 1994. It is located in the middle of a good milk shed in a 15 mile radius. A larger supply is available down good paved road to the West for a 60 mile distance. The membership of 63 is loyal and has put up a large amount of capital, but they can't supply enough milk for the plant. More supply must be located. They are being advised by the TA team and FINACCOOP on ways of increasing milk supply, improving processing efficiency, establishing sound administration, and developing a marketing strategy.

Disqualified FOBs: FINACCOOP's new management team suspended or disqualified 14 FOBs with little potential. This has produced a good impression on others that are committed to becoming sound businesses.

New Markets:

A two person team reporting to the FINACCOOP General Manager is in charge of identifying FOBs as potential project participants. Seventeen possibilities were presented to FINACCOOP to initiate negotiations, resulting in 8 coops that are now qualified to go through restructuring. The New Markets Department is functioning well, refining its selection criteria, and expanding its knowledge and network of contacts to better screen FOBs for participation.

D. Problems and Delays:

New FINACCOOP management and the TA team dedicated a lot of time to issues left by prior FINACCOOP management. Remaining issues include:

1. The Covenant to the Project Agreement providing that by March 28, 1993 the Model Cooperative Trust Fund would be removed from the National Bank of Agricultural Development (BANADESA), was not satisfied during the past period. BANADESA's ability to temporize and forestall the trustor of funds is remarkable and reflects the illiquidity of BANADESA. FINACCOOP has reviewed the documentation, reconciled the balances and inspected the guarantees related to the trust fund. The only remaining task is final settlement with BANADESA to transfer the trust fund. During the next reporting period, the Mission will issue a PIL formally requesting the GOH to transfer the trust fund to FINACCOOP.
2. The ACDI project baseline information system was completed for FOB data. But the farmer productivity, value added, and foreign exchange information system has not been completed. The reason for this delay is that the information gathering was originally assigned to the cooperatives. This did not work out and the TA team had to do the information gathering itself with the consequent delays. The team has promised to finish this task by 6/30/95.
3. FINACCOOP and ACDI deferred completion of a plan for the separation of business and associative functions of UNIOCOOP until UNIOCOOP screens its membership.
4. Contracting of the first project interim evaluation was deferred until early 1995 to give the new Manager of FINACCOOP time to have an effect. The PIO/T needs approval.
5. Section I.A of this Project Status Report cites projected accrued expenditures for this period as \$740,000. Actual expenditures are reported as \$188,199. However, the accruals were inadvertently only estimated for the January-March 1995 period. The actual expenditures for this period amounted to approximately \$551,000 or 74% of planned. The fact that the October-December 1994 accruals were not taken into consideration is the main reason for the lower amount reported as actual expenditures.

1
3
6

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

1. The Ministry of Finance and Public Credit should remove the Model Cooperative credit line from BANADESA.
2. Analyze, draft, and approve a financial restructuring agreement with UNIOCOOP that takes them to the "Growth" component.
3. Fruta del Sol will update its business plan with appropriate financing measures with FINACCOOP's counsel.
4. Complete the development of FINACCOOP's credit, treasury, and operations procedures.
5. Negotiate a financial restructuring plan with COAVAL that addresses member productivity, expanded supply, capitalization, and processing efficiency.
6. Achieve 10 FOBs with well functioning computer accounting, management information, and inventory management systems.
7. COMARCA will enter the "Growth" stage with an in-depth study of processing and marketing opportunities.
8. Contract for the first project evaluation.
9. ACDI will carry out consultancies on wholesale input supply and on design of a training program for FINACCOOP to use in strengthening FOBs and their members.
10. ACDI will present study results of the gender related issues faced by FOBs and incorporate them into the training plan.
11. ACDI will complete the FOB information gathering task and initiate the functioning of the information system to monitor FOB performance.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B ___ C X

I. BACKGROUND DATA

Program Title: Structural Adjustment Program (SAP) II
 Program Number: 522-0396
 Date of Authorization: original 09/30/93
 Date of Obligation: original 09/30/93
 PACD: original 09/30/94, extended to 5/2/95

Implementing Agencies: Ministry of Finance and Public Credit and Central Bank of Honduras

Major Contractors: None
 Program Managers: Don Harrison, Leon Wasikin (Local Currency)
 CPs/Covenants: Please see below -- Progress to Date.

Date of Last Evaluation: 00/00/00 Next Evaluation: 00/00/00
 Planned No. of MFAs: N/A NFA contracted/completed: N/A
 Date of Last Audit: 00/00/00 Next Audit: *

*To be conducted at a later date by the country's Office of the Controller General.

A. FINANCIAL DATA

Amount Authorized:	ESF Grant: original	\$ 5,000,000
Amount Obligated:	ESF Grant: original	\$ 5,000,000
Amount Committed:	Period:	\$ 0
	Cumulative:	\$ 0
Accrued Expenditures:	Period - Projected:	\$ 5,000,000
	Period - Actual:	\$ 0
	Cumulative:	\$ 0
	Period - Next:	\$ 5,000,000
Counterpart Contribution:	Planned:	N/A
	Actual:	N/A
% of Total Auth. Oblig.:		100%
% of Total Oblig. Exp.:		0%
% of Total Auth. Exp.:		0%

II. PROGRAM PURPOSE

To (a) support structural adjustment of the Honduran economy and b) provide balance of payments support to Honduras, permitting urgently needed private sector imports.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The SAP directly supports S.O. No.1 (Enhanced Economic Participation and Increased Incomes of the Poor) by conditioning funds disbursement to specific policy improvements that are essential for the reduction of poverty.

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

III. PROGRAM DESCRIPTION

The SAP focuses on policy improvements in the agriculture, trade and investment, and financial sectors. It also includes a stabilization component; stabilization underpins importantly the structural adjustment progress that the GOH has made.

IV. PROJECT STATUS

A. Planned EOPS

The \$5 million SAP II program was to have been disbursed in one tranche prior to September 30, 1994, upon satisfaction of three conditions precedent (CPs): (1) approval by the Honduran Congress of a new banking system law, (2) privatization of three parastatals after September 30, 1993, and (3) satisfactory progress in (a) eliminating import and export quotas in the agricultural sector, (b) implementing the Agricultural Modernization Law (AML), (c) employing market-based pricing in the agricultural sector, and (d) adhering to the stabilization program.

B. Progress to Date

Failure to secure Congressional approval of the new banking system law, the centerpiece of the reform package, is holding up disbursement. As part of conditionality for the disbursement of the second tranche of \$12.5 million under the

predecessor SAP I program, the Callejas administration in May 1993 submitted to Congress a new banking system law. The law, however, failed to receive Congressional approval owing to differences between the GOH and the commercial banks. Those differences revolved around two issues: insider lending provisions and the degree of the autonomy of the Superintendency of Banks -- the entity which would provide oversight of the banks under the new law. The law was subsequently withdrawn from Congress and a revised law prepared.

Several factors have delayed approval of the revised law.

- Due to President Reina's desire to govern by consensus, all legislative actions require extensive internal debate prior to passage to ensure that all parties are on board. In light of competing priorities, this has meant that there has not been time to consider the new banking system law. Much of last year was spent (a) obtaining approval of a fiscal reform package that would respond to the yawning fiscal deficit inherited from the Callejas Administration, which left office in early 1994; (b) debating the Merchant Marine Law under which the Army would cede responsibility for shipping to the Ministry of Finance; (c) discussing the budget for this year; (d) arguing the merits of electoral reform; and (e) passing a constitutional reform instituting voluntary military service.

- This year, the Reina Administration did not want to send two major legislative programs to Congress at the same time and gave precedence to the proposed new tax code over the banking system law. From a policy perspective, this was not necessarily an unwise choice; the new tax code is important because it will help the GOH reduce the fiscal deficit by providing sanctions for tax evasion. Its early consideration, however, has had the unfortunate side effect of delaying further the debate on the banking law.

However, the GOH is beginning to move on the issue with the Coordinator of the Economic Cabinet taking the lead. Consultations are to be held with various private sector groups including the Bankers' Association (AHIBA), the Honduran Council for Private Enterprise (COHEP), and the Honduran College of Economists. President Reina also will be brought on board through a briefing with the Coordinator of the Economic Cabinet. The expectation is that the law will be submitted to Congress in early May with passage secured sometime in July.

The GOH has satisfied the remainder of the conditionality.

58

October 1, 1994 - March 31, 1995

A ___ B ___ C X

-- It has complied with the CP on privatization; a tomato processing plant was privatized in October 1993; a granary in December 1993, and a sugar mill this past January.

-- The GOH has eliminated import and export quotas in the agricultural sector. It has also indicated that it will not use animal health and phytosanitary requirements as "de facto" import quotas.

- The GOH is making progress in implementing the AMDL. Two major themes of the AMDL are (a) land titling with the anticipation that such titling will lead to higher smallholder output and (b) conservation of Honduras' increasingly scarce timber resources. The GOH is implementing a land titling program; since March 1992 over 7,000 titles have been given to smallholders. In the forestry area, CONDEFOR, the forestry parastatal, has been transformed into an entity providing for forest management from one overseeing the "mining" of forest resources; forestry management plans are now being produced; the former wasteful timber pricing system has been replaced by a stumpage valuation system that increases efficiency and reduces area harvested; the GOH is using auctions to allocate timber lands; the GOH is no longer involved in the production and marketing of timber; and the forestry parastatal has ceded management and utilization of timber on private lands to private owners. The World Bank and IDB recently reviewed GOH progress in these areas and found it to be sufficient to enable the two institutions to disburse the next tranche of their jointly-funded agricultural sector adjustment program.

-- The GOH is employing market-based pricing in the agricultural sector. Price controls, which had been imposed in October 1994 on some 20 categories of essential goods including food items, were allowed to lapse at the end of December. The policy leverage provided by this ESF program was instrumental in encouraging the GOH to allow the price controls to lapse.

-- The GOH is adhering to the stabilization program. Based on GOH submission of a fiscal adjustment package and subsequent Congressional approval, the IMF Board approved this January a \$28 million Second Year Program under the Enhanced Structural Adjustment Facility arrangement. The first of two \$14 million tranches for 1995 was disbursed in March, and USAID understands that the GOH is in substantive compliance with the indicators established for March in the Second Year Program.

C. Accomplishments

Buttressed by the approved Second Year Program with the IMF, 1995 will be a better year for Honduras after last year's slide induced by (a) drought which produced electricity rationing and crop losses and (b) backsliding on what had been a very solid reform program. Economic output should grow at least 4% this year, after declining to 1.4% in 1994; inflation should be cut in half from its current level of 34%; international reserves are expected to go up \$185 million; and the budget deficit is expected to be down to between 4 and 4.5% of GDP after having been 10.5% of GDP only two years earlier.

The good news in the agricultural sector is the almost threefold increase in 1994 in land titles extended, in addition to the 158,000 acres of pine forests that have been brought under forestry management plans.

As for privatizations, the three that have been encouraged under this ESF program bring the total in which USAID has participated to 48 entities worth \$166 million. The privatizations are producing economic benefits, including higher employment and investment, fiscal savings, and reductions in external debt.

USAID believes that the economic growth reflected by these accomplishments will redound to the benefit of both men and women. Indeed, there is already evidence that women are taking proportionately greater advantage than are men of the increased formal sector employment opportunities that have stemmed, in part, from the policy reforms supported by SAP II and predecessor ESF programs. For example, employment of women in the agricultural, industrial, and service sectors rose by 34% from 1990 to 1993, whereas male employment in the same sectors only increased by 2%. We expect that female employment in these sectors will have risen by 86% by 1997; the corresponding increase in male employment in these sectors is expected to be only 4.5%. The Mission will continue to track these figures as a principal indicator of progress toward our Strategic Objective No. 1.

D. Problems and Delays

The key issue remains the inability to secure Congressional approval of the new banking system law. We are increasingly confident that the law will be eventually passed. The Coordinator of the Economic Cabinet, the country's economic czar and one of the most influential individuals within the country, has taken personal charge of the effort to secure the law's approval. Based on this and the country's good performance on the remainder of the conditionality, we will be requesting a third extension of the terminal date for meeting the CPs. Both previous requests -- the September 1994 request sought extension from September 30, 1994 to December 31, 1994 and the November 1994 request asked for an extension to May 2, 1995 -- were approved by the AA/LAC.

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

- Extend terminal date for meeting CPs to December 31, 1995.
- Disburse \$5.0 million.

I. BACKGROUND DATA

Project Title: Small Farmer Export Development
 Project Number: 522-0399
 Date of Authorization: original 09/28/94
 Date of Obligation: original 09/28/94
 PACD: original 09/30/98

Implementing Agencies: Ministry of Finance and Public Credit (MFPC), Honduran
 Agricultural Research Foundation (FHIA)
 Major Contractors: N/A
 Project Managers: Albert Merkel
 Project Support Officers: Liza Valenzuela
 Status of Cps/Covenants: Met

Date of Last Evaluation: N/A Next Evaluation: March 1996
 Planned No. of NFAs: 4 NFA contracted/completed: 0
 Date of Last Audit: N/A Next Audit: Sept. 1995

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$ 2,500,000
 Amount Obligated: DA Grant: original \$ 700,000

Amount Committed: Period: \$ 675,000
 Cumulative: \$ 675,000

Accrued Expenditures: Period - Projected: \$ 0
 Period - Actual: \$ 2,800
 Cumulative: \$ 2,800
 Period - Next: \$ 0

Counterpart Contribution: Planned: \$ 1,636,230
 Actual: \$ 2,500

% LOP Elapsed: 13%
 % of Total Auth. Oblig.: 28%
 % of Total Oblig. Exp.: 0%
 % of Total Auth. Exp.: 0%

II. PROJECT PURPOSE

To develop agricultural export crops and mechanisms that are appropriate for small farmer participation and which lead to increases in small farmer incomes.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The project addresses the Mission's Strategic Objective No. 1. Enhanced Economic Participation and Increased Incomes of the Poor. The SFED Project helps to achieve these objectives by addressing specific issues related to improving the production and export of crops by small holder farmers. It will also improve the access to market data and technical assistance to these farmers and their organizations.

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

III. PROJECT DESCRIPTION

Under this project, USAID grants funds to FHIA (Fundación Hondureña de Investigación Agrícola) to establish a market research and trade promotion program to promote the successful export of at least five (5) new nontraditional crops among small farmers over the life of the project. Incomes of participating farmers are expected to increase an average of 15% per year from current levels.

IV. PROJECT STATUS

A. Planned EOPS

1. \$14 in cumulative sales of export crops (\$5 million from participating small farmers.)
2. 3000 small farmers (210 women) producing and exporting nontraditional crops on a commercial basis.
3. 6,000 new seasonal jobs for rural poor (40% men, 60% women) through the production of export crops.
4. Sustainable capacity within FHIA and selected small producer associations to offer export related market research and technical assistance.

Progress to Date

1. Will be reported after first year of operations.
2. See 1. above.
3. See 1. above.
4. See 1. above.

B. Major Outputs

	Planned		Next		Accomplished		
	LOP	Period	Cum.	Period	Period	% of Cum.	LOP
1. New crops exported (each)	5	0	0	0	0	0	0%
2. Training							
Total	3100	0	0	100	0	0	0%
Male	2500	0	0	90	0	0	0%
Female	600	0	0	10	0	0	0%
3. Establish marketing office within FHIA	1	1	1	0	1	1	100%
4. FHIA has institutional mechanisms to transfer technology to small farmers.	5	0	0	0	0	0	0%

39

41

C. Other Accomplishments and Overall Status

The Project Agreement with the GOH for the Small Farmer Export Development Project was signed on September 28, 1994. In January 1995 USAID and FHIA signed a Cooperative Agreement to implement the project. FHIA has presented an action plan to develop the project's implementation plan and the first year's work plan. In addition, several staff members have been recruited and office space allocated and furnished. The project is required to set up a special reference/marketing resource center for nontraditional export crops. FHIA requested and received approval from USAID Guatemala to allow it to assume the library from the closed non-traditional agricultural exports project EXITOS. This resource material has formed the nucleus of the new center and is being expanded with computers and other information retrieval technology. Several workshops have been organized to develop the project's system of consultative groups. The new organizational structure of FHIA required by the Cooperative Agreement has been approved by the FHIA Board of Directors.

D. Problems and Delays

Section I.A of this Project Status Report cites "Projected Expenditures" for this period as \$0. Like all financial information in the Mission's SARs, this figure reflects data entered into USAID/Honduras' MACS system in November 1994. Because the agreement with FHIA had not been signed yet at that time, expenditures were erroneously projected at zero. This estimate, however, was incorrect; USAID had planned to spend some funds from this project during this reporting period. Actual project expenditures during this cycle were (as reported above) \$2,800. The project expects to spend \$125,000 during the upcoming reporting period.

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

1. Develop the Cooperative Agreement Implementation Plan.
2. Develop the first year work plan.
3. Appoint the Advisory Board.
4. Complete the staffing of the new marketing office in FHIA.
5. Conduct a financial review of FHIA's accounting practices.

AD

October 1, 1994 - March 31, 1995

A X B ___ C ___**I. BACKGROUND DATA****ACTIVE MONETIZED FOOD AID AGREEMENTS:**

PROGRAM	AGREEMENT AMOUNT (Dollars)
Title III (FY92-95)	\$ 41,000,000

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

Major Contractors: N/A

Program Managers: Michael Wise/Armando Busnell

Program Support Officer: Daniel Martinez

Date of Last Evaluation: 09/94 Next Evaluation: 06/97

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

Date of Last Audit: 10/94 Next Audit: 10/95

A. FINANCIAL DATA: (in Lempiras)

Program	Agreement Amount	Generations	Programmed		Total Disbursed
			Local C.F.		
Title III (FY92)	75,600,000	74,037,999	70,356,136		70,002,848
Title III (FY93)	87,100,000	93,317,459	88,782,580		30,801,370
Title III (FY94)	99,000,000	99,538,147	59,037,766		28,942,545
Title III (FY95)	27,000,000	- 0 -	- 0 -		- 0 -
Total Title III (92-95)	288,700,000	266,893,605	218,176,482		129,746,763

II. PROGRAM PURPOSE

The purpose of the PL-480 Title III Program during 1995 is to contribute to increased overall food availability in Honduras, directly through the provision of imported wheat and environmentally sustainable increases in food production and indirectly through increases in foreign exchange from greater agricultural exports; and to improve the access of the rural poor to food and better diets through increasing household agricultural production and small farm and off-farm incomes.

RELATIONSHIP TO MISSION STRATEGY OBJECTIVES

A. SPECIFIC LINKAGE TO S.O. Nos. 1 and 2: Enhanced Economic Participation and Increased Incomes of the Poor and Effective Stewardship of Key Natural Resources, respectively. This program has contributed towards these strategic objectives by importing wheat, an important food, and allocating local currency generations from the sale of that wheat to finance counterpart requirements of the Mission projects that support these objectives. Enactment of the Agricultural Modernization and Development Law (AMDL), improved land tenura security and liberalization of agricultural trade (Title III self-help measures) will spur increased production and exports.

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

III. PROGRAM STATUS**A. SELF HELP MEASURES AND PROGRAM EVALUATION**

During the reporting period, all of the following planned major activities were fully accomplished: submission of the Mission's proposal for a FY 1995-97 PL-480 Title III Program to USAID/W, coordination of delivery of wheat under the FY 1994 Program, negotiation and signing of the FY 1995 PL-480 Agreement Amendment, completion of the Nutrition Survey and Agricultural Census, and preparation of the program's evaluation summary.

The goal of the FY 1995 PL-480 Title III Agreement Amendment signed on March 30, 1995 is to contribute to improving food security of the Honduran population, with particular emphasis on measures to improve food availability and food access. USAID and the GOH will assess progress towards this goal by measuring progress towards the objective of reducing child malnutrition.

On the policy agenda side, under the one-year \$3.0 million FY 1995 Title III Program, the GOH agreed to maintain all the essential policy reforms executed under past Title III Agreements including the liberalization of agricultural trade and price regimes; the limitation of the strategic reserve of basic grains to beans; the measures that increase land tenure security and access to the mechanisms of a land market; and the execution of the plan to decentralize and privatize research and extension services (DICTA). In addition, the GOH agreed to eliminate all import and export controls on agricultural trade, including non-tariff barriers. Phytosanitary controls will be utilized only for the purpose of controlling imports and exports for sanitary purposes. The following are the specific self-help measures, their respective benchmark(s) as contained in the FY 1995 Agreement Amendment, and a brief summary of

their status.

Measure No. 1 - Improving Incentives for Agriculture.**1.1 Privatization of grain storage facilities.**

The GOH has already sold many of the facilities identified in past Title III Agreements, including the Sula Dairy Plant, the Seed Facility of the Ministry of Natural Resources, two sugar mills, and 35 percent of the grain storage capacity of IHMA. Under the FY 1995 Title III Agreement Amendment, the GOH agreed to undertake the following further actions:

Benchmarks for Measure No. 1.1:

- A. The GOH will complete negotiations for the sale of IHMA's facilities in Comayagua and San Pedro Sula. Completion date: December 1995.
- B. The GOH will offer to sell to the private sector the remaining grain storage facilities located in Olanchito, El Porvenir, Santa Rita and Las Flores. Completion date: December 1995.

Status: To date, a series of public auctions have been conducted in an effort to sell the Comayagua and San Pedro Sula facilities to the private sector. Given that no positive results were achieved via this sale mechanism, IHMA has entered in a direct negotiation process with potential buyers to sell these facilities. Results of this process will be reported in the next period. With regards to the remaining storage facilities, a decree enacted during the past administration authorized the privatization committee to sell such facilities during a specific timeframe, after which the remaining assets were transferred to the Ministry of Finance. IHMA and the Ministry of Finance will work out an agreement on how to proceed with the sale of these remaining assets. Mission management will closely follow-up with the GOH on the actions needed to expedite this process.

1.2 Development of a Market Information System.

A. The GOH shall present a plan acceptable to USAID for the establishment of a market information system for agricultural products. The plan will include information on the coordinating institution, target users, products to be covered, the frequency of the collection process, the institutions responsible for generating and disclosing the information, and the amount and source of funding requirements. Completion date: June 1995.

B. The GOH will initiate the implementation of the plan in accordance with the agreed schedule. Completion date: September 1995.

Status: The GOH is currently preparing the proposal for the market information system. USAID expects to review the document upon its submission in June, 1995. Accordingly, implementation of the proposed market information system will be initiated in September, 1995.

October 1, 1994 - March 31, 1995

A X B ___ C ___**Measure No. 2 - Encouraging Increased Investment in Land.**

The AMDL, enacted in 1992, is one of the most significant results of past Title III Agreements. Specifically, it guarantees and ensures all property rights on the land; legalized land rentals, revised and simplified the processes of land adjudication and titling, and granted equal rights of access to land, among others.

Benchmark for Measure No. 2:

The GOH will initiate a public information campaign to ensure that land owners and agriculturalists are aware of their rights and responsibilities under the AMDL, including the legalization of land rentals. Completion date: June 1995.

Status: A series of PL-480 Title III local currency funded workshops have been conducted under the Policy Analysis and Implementation Project to increase the degree of awareness in the agricultural sector of the policy changes brought about with the enactment of the AMDL. An outreach strategy will be designed by the MNR for this benchmark during the next reporting period.

B. ECONOMIC GROWTH

Regarding the second area by which USAID measures performance of this Program, broad-based economic growth, the Mission is helping the GOH to design and execute a series of surveys. These started with the National Agricultural Census (NAC) in 1993, almost twenty years after the last census was done in 1973. The NAC's fundamental purpose was to gather current and reliable information on Honduras' productive structure in the agricultural sector. The results of the census constitute a basic tool for the design of policies, plans and programs necessary to achieve sustained economic growth for the Honduran population, and will be very useful to the GOH and the international donor and financial community. This activity was almost entirely funded with PL-480 Title III local currency generations and produced six volumes with information covering the type of producer, land tenancy and use, basic grains production, annual crops, perennial crops, cattle and other animal species, and production support services. It identified 308,347 producers/farmers nationwide, of which 53.6% were less than 45 years old, 90.3% were men and 9.7% women, with a literacy rate of 41.8%. At the time the census was done, 56% percent of the land was owned by the producers, 25% was categorized as national land, and 2.8% as rented land. Comparison between the area and production of basic grains reveals the fact that there has not been a substantial increase in either, with very low productivity/yields, and only 4.4% of the area reported under irrigation. The census revealed that only 7.3% and 6.7% of the farmers utilized technical assistance and credit, respectively. Perhaps one of the census' most salient findings is the substantial increases in agricultural production and productivity of non-traditional crops over the past 20 years. These include vegetables and fruits (onions, cucumbers, tomatoes, melons, watermelons, pineapples, citrus, palm, bananas), coffee and sugarcane. Cattle and other animal species had substantial increases.

With regards to the performance of the Honduran economy, the GOH has projected a growth rate of 4.5% for 1995. The annualized inflation rate for the period April, 1994 - March, 1995 is approximately 30%. The projected inflation rate for 1995 is in the range of 15% - 20%. In spite of these conditions, good prices for coffee prevailing in the international market have to some extent alleviated the economy during the reporting period.

C. INCOME AND NUTRITION STATUS

In the final area in which USAID measures program performance, income and nutrition status, the Mission is committed to support periodic household surveys to assess food security by determining caloric consumption patterns.

In September, 1993, USAID funded with PL-480 Title III local currency the implementation of the National Household Consumption, Income, Expenditure and Nutrition Survey (CIENS). This activity was conducted in response to the need for periodic reporting from the field on progress towards achieving the long-term goal of reducing malnutrition and increasing food security by promoting broad-based economic growth, as stated in the current PL-480 Title III Agreement. It will allow the Mission and GOH policy makers to predict and monitor the impact of policies and programs on household food security and nutritional status, among others.

The final report on the CIENS was completed during the reporting period. The CIENS covered a sample of 2,772 households focusing on education, health, caloric consumption, household income (including farm income), expenditure and employment information, household composition and gender, and child anthropometric data. Accordingly, it provided information for indicators of household food access and individual food utilization. Indicators of access include household food access and indigence levels, expenditure patterns, and diet quantity and quality. Utilization data include water and sanitation infrastructure, and child nutritional status. Some of the CIENS salient findings are: a) underweight 12-23 months: 24.1%, b) per capita caloric consumption: 1,814/day, c) rural per capita consumption: 1,812/day, d) rural household monthly per capita income (including value of non-purchased food & housing): 142.68 Lempiras, and e) Rural households below the poverty line of 151.74 Lempiras Per Capita Per Month: 73.8%. The information identified vulnerable groups in rural regions, small farm households (less than 5 manzanas), rural households in the west and urban households headed by women.

A one-day seminar has been programmed for June, 1995, where the results of the CIENS will be presented to high level GOH officials in the context of existing policies in the agricultural sector. Participants in this event will develop options and/or recommendations on how to best improve food security in Honduras.

D. LOCAL CURRENCY USES:

To date, PL-480 Title III Agreements from FY 1992 through FY 1995 have provided a total of \$41.0 million for procurement of approximately 230,000 metric tons of wheat. The FY94 Title III Agreement Amendment, signed on June 21, 1994, provided \$11 million to finance the importation of approximately 59,757 metric tons of wheat for monetization that generated 99.5 million Lempiras. Local currency proceeds have been programmed for disbursement in CY 1995 to directly support GOH activities in the agricultural sector, aid programs to the poorest sectors of the economy (such as the Family Food Coupon Program), and to finance counterpart requirements of the Mission's DA projects with the public and private sectors, including the Forestry Development Project, Land Use and Productivity Enhancement Project, the Honduran Environmental Protection Fund, Small Farmer Organizational Strengthening Project, the Small Farmer Export Development Project, and the agriculture component of the Policy Analysis and Implementation Project, among others.

E. PROBLEMS AND DELAYS

No major problems or delays were observed during the reporting period. The PL-480 Title III audit draft report was received during this period. Comments on the actions taken will be provided in the next reporting period.

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

1. Follow-up on GOH compliance with the self-help measures contained in the FY 1995 Agreement Amendment.
2. Execute the call forward and coordinate delivery of wheat under the FY 1995 Program.
3. Collaborate in the implementation of the food security seminar programmed for May/June, 1995.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B X C ___

I. BACKGROUND DATA

Project Title: Forestry Development Project (FDP)
 Project Number: 522-0246
 Date of Authorisation: original 12/18/87 Amendment 03/29/95
 Date of Obligation: original 12/29/87 Amendment 09/30/93
 PACD: original 12/31/94 Amendment 12/29/97
 Implementing Agencies: Honduras Forestry Development Corporation (CONDEFOR) and LightHawk.
 Major Contractors: USDA Forest Service
 Project Managers: John Warren/Ramon Alvarez/Margaret Harritt
 Project Support Officer: Marcela Moya
 Status of CPs/Covenants: All of the original CPs and Covenants have been met. The new CPs and Covenants included in Project Agreement Amendment No. 8 are pending.

Date of Last Evaluation: 12/30/91 Next Evaluation: 10/97
 Planned No. of Non Federal Audits: 3 NFAs contracted-completed: 1
 Date of Last Audit: 09/30/92 Next Audit: 05/95

A. FINANCIAL DATA

Amount Authorized:	DA Loan: original \$12,000,000 amended to \$4,041,000
	DA Grant: original \$ 8,000,000 amended to \$15,099,000
Amount Obligated:	DA Loan: original \$ 1,000,000 amended to \$4,041,000
	DA Grant: original \$ 1,500,000 amended to \$11,978,600
Amount Committed:	Period: \$ (214,869)
	Cumulative: \$12,569,249
Accrued Expenditures:	Period-Projected (Oct-March): \$ 820,000
	Period-Actual: \$ 436,000
	Cumulative: \$11,663,737
	Period-Next: \$ 1,020,000
Counterpart Contribution:	Planned: \$16,671,000
	Actual: \$13,151,389
% LOP Elapsed:	73%
% of Total Auth. Oblig.:	84%
% of Total Oblig. Exp.:	73%
% of Total Auth. Exp.:	61%

II. PROJECT PURPOSE

The project's purpose is to improve the management and sustainability of commercial pine forests and protected areas, and the efficiency of industrial conversion and marketing of wood products.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The project addresses one of the most critical problems facing the Honduran agricultural sector, the rapid depletion of forest resources. By promoting and implementing efficient and rational pine forest and protected area management, the project will contribute to the Mission's S.O of Effective Stewardship of Key Natural Resources for Sustainable Economic Growth.

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

III. PROJECT DESCRIPTION

Given that all work with industrial conversion and marketing of wood products has been completed, henceforth the project will consist of two components: (1) Forest Management, which is divided into four sub-components: nationwide application of forest management plans, standing timber sales, forest fire management, and management of a pilot area and (2) Protected Areas, which deals with developing a national park system by strengthening CONDEFOR's Department of Protected Areas and Wildlife; developing and enacting necessary policies, regulations and norms governing protected areas; and developing and implementing a sustainable management model in ten pilot protected areas.

IV. PROJECT STATUS

A. Planned EOPs

- All laws, regulations and procedures needed for the effective and sustainable nationwide management of Honduras' pine forests and protected areas will be in place.
- Sustainable management programs will be underway in approximately 20% of Honduras' pine forests and 11% of Honduras protected areas.

Progress to Date

In progress. The existing forest management and timber auction manuals are being reviewed.

In progress. A total of 76,000 Ha of pine forests (approximately 4% of Honduras' total) are under approved forest management plans, and 21,000 Ha of La Muralla protected area (approximately 1% of Honduras' total) are under sustainable management.

B. Major Outputs (Jan/95-Dec/97)

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
<u>Forest Management</u>							
1. Public pine forest with approved management plans (000 Ha) ^{1/}	400	0	0	30	0	76	19%
2. Public pine forest with the national forest fire management plan being implemented (000 Ha)	400	0	0	0	0	0	0%
3. Farms initiated in sustainable agriculture practices in pilot area ^{2/}	1,000	0	0	100	0	0	0%
	500	0	0	50	0	0	0%
<u>Protected Areas (PAs)</u>							
1. PAs mapped	10	1	1	4	1	1	10%
2. PAs delimited & demarcated	10	1	1	4	1	1	10%
3. PAs with operational plans (developed & implemented)	10	1	1	0	1	1	10%
4. PAs with qualified personnel assigned	10	1	1	4	1	1	10%
5. Agreements between CONDEFOR & NGOs signed for the administration of ten pilot PAs	10	0	0	4	2	2	20%
6. Percentage of residents living in buffer zones of pilot PAs participating in protection/conservation activities (%)	50%	0	0	15	0	0	0%
<u>Training (Per/Months)^{3/}</u>							
1. Forest Management	1,100	0	0	208	202	202	18%
	300	0	0	43	56	56	19%
2. Protected Areas	600	0	0	33	5	5	1%
	200	0	0	14	2	2	1%

^{1/} Cumulative refers to existing area as of December 1994.

^{2/} New participants

^{3/} Training provided from January 1995.

October 1, 1994 - March 31, 1995

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

The Forestry Development Project (FDP) was originally authorized for seven years to end in December 1994. During that period, project assistance played a fundamental role in promoting substantial positive change in the forest sector at both policy and implementation levels. The most notable project accomplishment during the seven-year period was COHDEFOR's nationwide implementation of a timber sales system, which fosters improved utilization and sets the basis for sustainable forest management. Other major accomplishments included divestiture of COHDEFOR's state-owned forest industries; disengagement of COHDEFOR from marketing and exporting forest products; adoption of a new timber auction system for all public timber sales; improvement of COHDEFOR's administrative and financial systems; development and implementation of a management plan for 56,000 Ha of public pine forests; development and implementation of a management plan for La Muralla, a protected area of broadleaf forest; improvement of the private sector's lumber processing capacity, cost recovery, and technical capability; improvement of the organizational and technical capacity of the sawmiller's association, AMADHO; education of 36 new forest technicians and 11 university level foresters; and technical training of a wide number of Honduras' foresters. The project has also helped COHDEFOR begin implementing the 1992 Agriculture Modernization and Development Law (AMDL).

Although the GOH has instituted fundamental changes in the forest sector as a result of USAID-funded assistance, COHDEFOR lacks the expertise and logistical support to carry out its new responsibilities mandated by the 1992 AMDL. For this reason and because FDP is a major contributor to the Mission's Strategic Objective of "Effective Stewardship of Key Natural Resources for Sustainable Economic Growth," USAID/Honduras decided to approve a three-year no-cost project extension.

Project Extension 1995 - 1997

During this semester the Mission and COHDEFOR completed the design and approval of a Project Agreement Amendment to (1) extend the PACD by three years to December 29, 1997, and (2) modify the project components and outputs to focus project assistance on current forest sector priorities and terminate assistance to activities whose objectives have been achieved. During the three-year extension, project resources will concentrate on two key areas: (a) sustainable management of pine forests (public and private), and (b) sustainable management of protected areas. The amendment includes a new set of conditions precedent, covenants, policy objectives and outputs, and a revised implementation schedule. Accordingly, this SAR and those following will report on these changes, which represent a major departure from previous SARs.

During this reporting period, COHDEFOR made significant adjustments in its administrative organization and assignment of personnel and responsibilities necessary to meet the new project objectives. Also, COHDEFOR and SEDA (Ministry of the Environment) developed a proposal for the institutional structure (Consejo Nacional de Areas Protegidas, CONAPH) required for the implementation of SINAPH, the National Protected Areas System. The SINAPH regulations were reviewed and updated in a participatory process involving COHDEFOR, NGOs and other GOH entities. Likewise, COHDEFOR developed the technical administrative norms for wildlife management and discussed them with local experts, drafted a national strategy for control of illegal traffic in wildlife, and developed a plan for the enforcement of CITES (Convention on International Trade in Endangered Species). The first national NGO workshop with COHDEFOR resulted in direct contacts with potential NGOs, and to date two agreements have been signed for sharing the management responsibility for protected areas. COHDEFOR conducted the first training for park guards and local NGOs working in protected areas in the South Forest Region (Bahia de Chismuyo). In La Muralla National Park, COHDEFOR developed a strategy for sustainable development in the buffer zone, produced an interpretive folder for trails, and initiated a plan for visitor protection.

The LightHawk sub-project conducted several workshops and overflights of the region during the period. Educational and public relations overflights were made as well as technical mapping flights. The mapping of vegetation is near completion. Meetings of a local community group, CODIHA, have been given continued support during the period.

D. Problems and Delays

Project implementation delays and lower than planned expenditures (53% of planned) occurred during this period due to the lengthy process of designing and approving the project extension amendment. This halted several contracting actions for technical assistance services and local training activities. The delay in that process was due to major personnel changes within COHDEFOR and the resulting disarray, both at the policy and implementation levels. The project amendment was not approved until the Mission was assured that the GOH was willing to execute the main conditions necessary for prudent forest management.

As of the end of this reporting period, the LightHawk Project has not produced any of the deliverables which are defined in its grant. The field work required for most of them has been completed, but not for all items. The products (maps, inventories, plans and educational materials) are expected to be completed in the final four months of the grant (ending date September 1995), but lack of attention to this issue has been cause for concern to the Mission. The last disbursement to LightHawk is being held back until a clear plan for deliverables is submitted.

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

1. Prepare PIO/Ts for four long-term technical assistance contracts.
2. Prepare PILs to approve the project's revised CY 1995 Annual Work Plan and Budget in accordance with the project amendment.
3. Initiate training programs of four long-term training participants.
4. Extend the existing PASA agreement with the USDA/Forest Service to acquire short-term technical assistance.
5. Prepare PIO/Cs to purchase 18 vehicles and 10 motorcycles.
6. Carry out a non-Federal audit of the project for the period from March 1992 to December 1994.
7. COHDEFOR will prepare a detailed Project Implementation Plan for the major activities to be undertaken during the extended LOP.
8. COHDEFOR will make available for public review all approved management plans and timber sales contracts.
9. COHDEFOR will implement an efficient system to monitor the approval process for forest management plans.
10. COHDEFOR will clarify and officially communicate to all its departments the authorities and chain of command for all matters related to protected areas and wildlife, and the definition of responsibilities and lines of communication between DAPVS and the Forest Regions.
11. COHDEFOR will contract from its counterpart budget a technician as the chief for each of the five pilot protected areas in which project-funded activities are to be initiated in CY 1995.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A_X B C

I. BACKGROUND DATA

Project Title: Land Use and Productivity Enhancement (LUPE)
 Project Number: 522-0292
 Date of Authorization: original 02/08/89 Amendment 01/26/94
 Date of Obligation: original 02/09/89 Amendment 03/29/94
 PACD: original 02/08/97
 Implementing Agency: Ministry of Natural Resources (MNR)
 Major Contractor: CARE/Honduras (Grantee)
 Project Manager: Associates in Rural Development (ARD)
 Project Support Officer: Peter Hearne
 Status of CPs/Covenants: Marcela Moya
 Met

Date of Last Evaluation: 03/15/93 Next Evaluation: 8/96
 Planned No. of Non Federal Audits: 4 NFAs completed: 1
 Date of Last Audit: In process Next Audit: 06/96

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$36,000,000
 amended to \$18,000,000
 Amount Obligated: DA Grant: original \$ 4,000,000
 amended to \$14,940,400
 Amount Committed: Period: \$ 310,978
 Cumulative: \$12,630,951
 Accrued Expenditures: Period - Projected: \$ 1,596,000
 Period - Actual: \$ 773,668
 Cumulative: \$11,010,914
 Period - Next \$ 1,049,000
 Counterpart Contribution: Planned (LOP): L28,000,000 (\$14,000,000)
 Actual Cumulative: L15,954,077 (\$ 7,977,038)
 % LOP Elapsed: 77%
 % of Total Auth. Oblig.: 83%
 % of Total Oblig. Exp.: 74%
 % of Total Auth. Exp.: 61%

II. PROJECT PURPOSE

To increase hillside agricultural production and productivity on a sustainable basis, in central and southern Honduras, including improved management of natural resources on which productivity depends.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The project addresses the critical problem of the rapid deterioration of Honduras' fragile hillside lands resulting in a decrease in agricultural production and productivity. By promoting and implementing efficient hillside agriculture technologies, the project will contribute to the Mission's S.O. No. 2 of Effective Stewardship of Key Natural Resources for Sustainable Economic Growth.

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

III. PROJECT DESCRIPTION

The project will directly benefit twenty-five thousand hillside farm families through activities in (1) hillside production technologies (sustainable production, soil enhancing practices, pasture management, vegetable gardens and small animal husbandry); (2) agricultural extension (training and use of local community contact farmers for technology transfer); (3) environmental management and awareness (micro-watershed management and environmental education); and (4) post-harvest interventions (basic grain storage, processing of fruits and vegetables, and community marketing).

IV. PROJECT STATUS

A. Planned EOPs

1. Twenty-five thousand hillside farm families will enjoy an increase of 30% productivity on farmland brought under sustainable agricultural practices.

Progress to Date

9,028 farm families have adopted project-promoted sustainable in agricultural practices and are benefiting from increases in crop productivity levels, but actual percentages will be determined from an impact monitoring survey.

2. Twenty-five thousand hectares of fragile hillside lands in four major watersheds will be placed under improved natural resource management and will have a significant reduction in soil erosion rates.

12,622 hectares of hillside farmlands in four major watersheds have been brought under improved soil/water/forest management, and soil erosion rates measured on trial plots have been reduced 90-95%.

B. Major Outputs

	Planned				Accomplished		
	LOP	Period	Cum.	Next Period	Period	Cum.	% of LOP
1. Hillside land w/ impr. soil/wat/for mgmt. (Ha)	23,000	383	11,982	3,232	475	12,074	52% M
2. Land under silvo-pastoral tech. (Ha.)	2,000	8	381	69	0	548	27% F
3. Agroforestry pract. established (lin. km.)	1,250	28	759	163	8	739	59% M
4. Home and school gardens established	-	-	-	-	-	-	- F
5. Fruit trees prod. and planted (X 1,000)	2,400	7	810	290	10	813	34% M
6. Families w/ crop diversification	200	1	22	51	8	131	65% F
7. Families w/ improved small animal husb.	-	-	-	-	-	-	- M
8. Fam. adopted at least 2 sust. agric. pract.	8,200	69	4,910	1,894	234	5,075	62% F
9. Contact farmers trained in 18 technologies	190	2	122	57	7	127	67% M
10. Microwatersheds under spec. mgmt. plan	60	0	32	8	1	33	55% F
11. Primary school children w/ pos. envir. attitude	4,600	58	1,420	800	100	1,462	32% M
12. Storage capacity for basic grains (mt)	400	3	138	157	2	137	34% F
13. Fam. processing fruits/vegetables	-	-	-	-	-	-	- M
14. Training (persons)	7,000	489	4,573	772	464	4,548	65% F
Long-term (US/Honduras)	23,000	1,259	9,122	4,818	650	8,513	37% M
Short-term (US/Regional)	2,000	68	549	274	34	515	26% F
	1,000	0	0	0	0	0	0% M
	500	0	0	0	0	0	0% F
	110	8	55	5	47	94	85% M
	5,000	0	5,082	0	0	5,082	102% M
	5,000	0	4,193	0	0	4,193	84% F
	3,000	378	2,730	51	808	3,160	105% M
	600	0	516	285	584	1100	183% F
	18	7	18	0	0	11	61% M
	2	0	2	0	0	2	100% F
	300	10	287	14	27	304	101% M
	130	4	121	8	34	151	116% F

October 1, 1994 - March 31, 1995

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

The most noteworthy activity during the period was the highly successful project-wide three-day encounter meeting for 319 collaborating contact farmers (CCFs), 127 of whom are women. CCFs, who are the local community leaders working part-time as promoters and trainers under the LUPE-CARE/NGO extension program, have become the main thrust of the project's outreach to beneficiary farm families. They continue to receive intensive technical training at the hands of the project extension agents, although none has yet completed the two-year 18-module training plan (see Indicator No. 9). In addition, 69 new CCFs were selected from a pool of "candidate" contact farmers and received induction training, and were beginning field work as the reporting period ended.

This period, the project achieved particularly good results in the areas of management plans for microwatersheds (Indicator No. 10), improved grain storage capacity (No. 12), families processing fruits and vegetables (No. 13) and short-term training (No. 14). In the case of processed fruits and vegetables, the most widely-adopted practice by participating families is the preparation and consumption of protein-rich soybean products. As discussed in the previous report, data reported under two indicators have been modified to include activities carried out by women in hillside land management and agroforestry within the confines of their family vegetable gardens. Specifically, the new cumulative totals include an additional 175 Ha of hillside land brought under improved soil/water/forest management (Indicator No. 1), and 102 additional linear kilometers of agroforestry practices established (No. 3). This data reflects the increased emphasis in the project to teach non-traditional practices to women and to reach participating farm families in an integrated way.

A two-day gender workshop was organized and carried out by CARE, during which representatives from CARE, the LUPE Project, the participating local NGOs, and the USAID Mission discussed ways in which gender aspects can be incorporated and applied to improve implementation and overall impact of rural development programs.

The remaining four open recommendations from the project's midterm external evaluation, pertaining to a benefit-cost study, a community extension phaseout strategy, a plan for establishing community-level farmer associations, and a strategy to involve NGOs in organizing farmer associations to promote sustainability of technologies, were closed. The benefit-cost study indicates that all technologies being promoted by the project have a positive benefit-cost ratio, and those that combine natural resource management and productivity have the highest. The phaseout strategy basically consists of a diagnostic analysis within a given community of the percentage of incorporated farm families and the average number of adopted technologies, as a threshold for discontinuing direct technical assistance.

New computer hardware and software was purchased to facilitate the data analysis of the baseline and first impact monitoring survey. Final results are expected to be ready in the near future.

A contract was signed for the procurement of vehicle spare parts worth approximately \$200,000, which will greatly help the project's auto shop to maintain and repair the LUPE fleet of 106 vehicles.

D. Problems and Delays

1. Actual expenses were only 48% of the projected level for this period because of delays in approval of the GOH's CY95 budget which held up grant-funded local cost expenditures through the project's rotating fund; and a delay in the procurement and receipt of vehicle spare parts.
2. The results from a recipient-contracted audit were found unacceptable by the Mission, and a repeat audit under new terms of reference was being performed by the GOH Comptroller General's Office at the close of the period.
3. The sub-grant between CARE and one of the local NGOs, the latter of which was responsible for implementation of the contact farmer program in two of the nine LUPE geographic areas, was canceled after an audit performed by CARE revealed internal administrative difficulties.
4. The project is behind schedule in the preparation and publication of training materials for contact farmers, which has caused difficulties in the follow-up of training workshops.

5. Nearly \$2,400 destined to pay the monthly stipend to CCFs from several extension agencies through one of the local NGOs, was subject to an armed robbery.
6. Acute electricity rationing during the first half of the period significantly affected inter-office communication and production of reports.
7. The project has a pipeline of \$3.9 million because initial obligations were made according to the original authorized Grant, and implementation has now been significantly cut back. The Project Agreement Amendment included a revised implementation plan and budget which contemplates the use of this pipeline and the remaining mortgage during the life of project.

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

1. Two new NGOs will be selected and given sub-grants by CARE, and each will take on implementation responsibilities in one of the vacated project field areas.
2. Vehicle spare parts worth \$200,000 will be received and utilized in maintenance and repair of project vehicles.
3. Data analysis of the baseline study and impact monitoring survey will be concluded and will provide information regarding project impact.
4. The project will consider amending the Memorandum of Understanding with FHIA to increase coordination in the area of assistance to small vegetable and fruit producers.
5. The recipient-contracted audit will be concluded, a report will be issued, and necessary corrective actions will begin to be taken.
6. The institutional contract with Associates in Rural Development (ARD) will be extended eight months through the end of 1995.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B X C ___

I. BACKGROUND DATA

Project Title: Honduran Environmental Protection Fund (HEPF)
 Project Number: 522-0385
 Date of Authorization: Original 07/02/93
 Date of Obligation: Original 07/02/93
 PACD: Original 07/01/00
 Implementing Agencies: Fundación Hondureña de Ambiente y Desarrollo (VIDA) (Honduran Environmental and Development Foundation)
 Major Contractors: (1) Planning Assistance/CHEMONICS
 (2) Biodiversity Support Program (BSP)
 Project Managers: John P. Warren
 (Liaison: Armando Busmail)
 Project Support Officer: Marcela Moya
 Status of CPAs/Covenants: Met

Date of Last Evaluation: 00/00/00 Next Evaluation: 11/95
 Planned No. of NFAS: 4 NFAS Contracted: N/A
 Date of Last Audit: 00/00/00 Next Audit: 12/95

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$10,000,000
 Amount Obligated: DA Grant: original \$ 2,102,000 Amended to \$ 3,102,000
 Amount Committed: Period: \$ 28,880
 Cumulative: \$ 2,129,522
 Accrued Expenditures: Period - Projected: \$ 400,000
 Period - Actual: \$ 447,314
 Cumulative: \$ 816,055
 Period - Next: \$ 590,000
 Counterpart Contribution: Planned: \$ 6,228,889
 Actual: \$ 405,431
 % LOP Elapsed: 29%
 % of Total Auth. Oblig.: 31%
 % of Total Oblig. Exp.: 26%
 % of Total Auth. Exp.: 8%

II. PROJECT PURPOSE

Strengthen and expand environmental protection and natural resource management activities carried out by non-governmental organizations (NGOs) in Honduras.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O. No. 2: Effective Stewardship of Key Natural Resources. The project is largely responsible for Program Outcome No. 2.3. "Improved Management of Protected Areas/Watersheds." Project funded training, technical assistance, and grants to local and international NGOs through Fundación VIDA will result in long-term sustainable management of critical resources and local environments.

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

III. PROJECT DESCRIPTION

The project provides the VIDA Foundation with technical assistance and other resources to develop its capacity to serve as a clearinghouse and funding source for emerging local NGOs, in collaboration with international environmental NGOs, involved in executing environmental and natural resource management projects consistent with a series of criteria established under the project. The project also provides a portion of the funds for financing such joint projects, together with other sources, including a large fund established by the GOH in response to a debt forgiveness agreement as well as other donor resources. Priority will be given to activities emphasizing (1) sustainable management of watersheds and (2) conservation of ecosystems and protection of biodiversity.

IV. PROJECT STATUS

A. Planned EOPs

- Substantial majority (75% or more) of funded sub-projects showing measurable positive impact upon the environment.
- Environmental degradation significantly reduced in areas covered by sub-projects.

Progress to Date

- In progress. Assessment pending.
- In progress. Assessment pending.

B. Major Outputs

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
1. Percentage of population aware of environmental issues	(Baseline and targets to be determined CY95)						
2. VIDA generating additional outside funding	(Baseline and targets to be determined CY95)						
3. Short-Term Training (Participants)	50	2	2	1	0	0	0% M
	50	2	2	1	0	0	0% F
4. Seminars or Observational Tours (Participants)	20	3	3	2	6	6	30% M
	20	2	2	4	2	2	10% F
5. NGO Sub-Projects Approved	20	4	5	2	2	3	15%
6. Sub-Projects Completed by NGOs	15	0	0	0	0	0	N/A

47

1/1

October 1, 1994 - March 31, 1995

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

This reporting period was marked by considerable progress in project implementation. With the direct and effective collaboration of the Planning Assistance/Chemonics technical assistance (TA) team, VIDA identified five potential sub-projects. This process concluded with the approval and signing of sub-grants with ODEF/KATALYSIS, AMITIGRA and ALDEA GLOBAL for the implementation of the following three sub-projects: Green Heritage, Conservation and Management of La Tigra National Park and management of Cerro Azul Meambar National Park and its Buffer Zone, respectively. VIDA initiated disbursements to the aforementioned NGOs for sub-project implementation in March, 1995. VIDA anticipates that two additional sub-projects will be started during the next reporting period: the Management of Microwatersheds in Lempira (COCEPRADIL/CRS) and the Community Forestry Development in Mocoron, La Mosquitia (MOPAWI/WWF).

To date, environmental guidelines for five sub-projects have been prepared to identify potential environmental impacts and create plans to mitigate any negative impacts thereby identified. This requirement is part of the sub-project selection and approval process and meets federal environmental impact assessment guidelines.

Social soundness is also among the subproject appraisal and selection criteria. Key aspects such as the participation of local residents in project planning and implementation; and recognition of how both men and women will participate in, and benefit from, subprojects, are taken into consideration during subproject design, approval and implementation. Project monitoring data will be gathered into an integrated information system with input from the NGOs. Information on subproject participants, level and type of community participation, and beneficiaries will be gender-disaggregated.

In November, 1994, Fundación VIDA, together with the TA team, conducted a four-day strategic planning workshop. The outcome of this event was a draft "Strategic Plan for 1995-1997" that included a detailed operating plan and budget for 1995. A major priority of the 1995 operating plan is to approve and begin implementation of five co-ventures between US and Honduran NGOs. Other actions contemplated in the plan are to systematize and consolidate the application and approval process, establish priorities, revise the project selection criteria, and identify potential US and Honduran partners for implementation of selected projects. USAID concurred with the 1995 operating plan and budget in February 1995.

Fundación VIDA recognized the need to create and implement a program for small environmental sub-projects. In response to this perceived need Planning Assistance provided short-term TA to define the guidelines and procedures for a program that would fund sub-projects with local currency to a maximum of US\$50,000 equivalent. Drafts of two manuals were prepared by consultants in collaboration with VIDA staff, selected NGOs and the TA team. The program was approved by VIDA's Board of Directors and has USAID concurrence.

A training needs assessment was conducted by Planning Assistance/Chemonics in collaboration with VIDA staff during January-February, 1995. This activity led to the design of a training plan for VIDA and participating NGOs geared to increase their technical and professional skills. It includes an adequate mix of types of training activities and events on a series of training subject areas and technical topics as called for by the USAID contract with Planning Assistance/Chemonics. Implementation of the training plan will begin in the next reporting period.

During the reporting period, VIDA organized a series of training events. An observational tour to Costa Rica was arranged during which VIDA and AMITIGRA technical staff had the opportunity to observe the management of a cloud forest reserve, and to thereby gain information that AMITIGRA utilized to prepare its final sub-project proposal. Another event was organized by VIDA for its board members to visit Washington D.C. where they attended Planning Assistance's annual board meeting and met informally with its board members, and visited The Nature Conservancy, World Wildlife Fund, and Conservation International, among others. They also attended an intensive workshop on the structure and function of NGO boards given by the Center for Non-Profit Boards.

Under its institutional development program for NGOs, VIDA financially supported 24 small projects that directly benefitted approximately 995 persons of which 335 were women. Design grants were approved for four NGOs.

D. Problems and Delays

1. The project continues to experience implementation delays and lower than planned cumulative expenditures (26% of total obligations expended) because of the: a) lack of experience with USAID procedures on part of both Fundación VIDA and other local NGOs; b) application of a cumbersome process of approving initial disbursements by VIDA to NGOs for executing already approved sub-projects, and c) change by USAID from quarterly to a monthly advance liquidation procedure which has caused some confusion.

2. While the arrival of the TA team has spurred rapid improvements during the semester on the technical side of the sub-project design and approval process, the lack of participation by technical advisors on administrative/institutional issues has resulted in somewhat of a bottleneck vis-a-vis getting implementation underway. The TA team has not completely fulfilled its scope of work, i.e. it has not been able to participate in the design of workplans and budgets, work closely with NGOs, and to provide assistance in streamlining the project review and approval process.

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

1. VIDA approves two additional environmental sub-projects, signs the respective sub-grant agreements and continues to disburse funds according to the 1995 operating plan and disbursement schedule.

2. The VIDA training plan is initiated.

3. VIDA conducts the North Coast Environmental Encounter, which will bring together several Honduran and US NGOs and observer organizations to explore environmental sub-projects and to develop Honduran/U.S. NGO partnerships for their implementation.

4. TA is provided by Planning Assistance/Chemonics for review of VIDA's organizational structure, its board of directors and the membership of the foundation.

5. The Planning Assistance/Chemonics TA team dedicates significant time to working with VIDA's technical staff to systematize and consolidate the application and approval process, establish priorities, revise the project selection criteria and continue to identify potential US and Honduran partners for implementation of selected projects.

6. Mission conducts a CONT/FARS Review.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B X C ___

I. BACKGROUND DATA

Project Title: Health Sector II
 Project Number: 522-0216
 Date of Authorization: original 05/25/88
 Date of Obligation: original 06/30/88
 PACD: original 10/01/95
 Implementing Agencies: Ministry of Health (MOH), National Autonomous Water and Sewerage Authority (SANAA), and various PVOs.
 Major Contractors: Management Sciences for Health (MSH) and the Academy for Educational Development (AED).
 Project Manager: David Losk
 Project Support Officer: Marcela Moya
 Status of CPs/Covenants: The original CPs and Covenants have been met. The MOH is in the process of meeting two new covenants related to use, control and maintenance of project vehicles (see section IV, part 1.c. below), and one related to achieving and reporting on implementation benchmarks.
 Date of Last Evaluation: 09/02/91
 Planned No. of NFAs: 4
 Date of Last Audit: 04/01/91
 Amendment 09/26/94
 Amended to 09/30/96
 Next Evaluation: 4/95
 NFAs Contracted/Completed: 1
 Next Audit: 05/95

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$57,300,000
 Amount Obligated: DA Grant: original \$ 7,110,000 amended to \$54,159,000
 Amount Committed: Period: \$ 1,113,901
 Cumulative: \$49,793,948
 Accrued Expenditures: Period - Projected: \$ 4,155,000
 Period - Actual: \$ 3,344,977
 Cumulative: \$47,472,083
 Period - Next: \$ 4,269,000
 Counterpart Contribution: Planned: \$26,016,500
 Actual: \$21,330,241
 % LOP Elapsed: 82%
 % of Total Auth. Oblig.: 95%
 % of Total Oblig. Exp.: 88%
 % of Total Auth. Exp.: 83%

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION'S STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O. The efficient, sustainable, and effective delivery of basic health and RW&S services to the Honduran population is a necessary condition for achieving the S.O., "Improved Family Health."
 B. PERCENT OF LOP FUNDS RELATING TO S.O. 100%

- 8. Reduce the cholera fatality rate to less than 1% of reported cholera cases. 8. In progress. Assessment pending.
- 9. Reduce % of outpatient visits of children under 5 to health centers due to diarrhea from 17.5% in 1990 to 13.0% in 1996. 9. In progress. Assessment pending.
- 10. HIV prevalence maintained at 0.3% or less in Region 1; 1.5% or less in Region 2; 3.6% or less in Region 3; and 1.4% or less in Region 6. 10. In progress. Assessment pending.

III. PROJECT DESCRIPTION

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

IV. PROJECT STATUS 1/

A. Planned EOPs (revised)

- | | |
|---|-------------------------------------|
| 1. 40% reduction of the child mortality rate (1-4 yrs.) from 4.3/1000 to 2.6/1000. | 1. In progress. Assessment pending. |
| 2. Reduced level of malnutrition among children (12-13 months) from 21.6 in 1987 to 17.0 in 1996. | 2. In progress. Assessment pending. |
| 3. An 80% decrease in morbidity rate of the following diseases: measles (13.4 cases/100,000), whooping cough (7.4 cases/100,000), tetanus (1.6 cases/100,000), maintain diphtheria at 0 ('87 baseline). | 3. In progress. Assessment pending. |
| 4. 70% of the rural population in Health Regions 3,5, and 6 in communities with 2,000 or fewer people have access to potable water and latrines. | 4. In progress. Assessment pending. |
| 5. Decrease acute respiratory infections as the principal cause of mortality in hospitals by 30% (between 1988 and 1996). | 5. In progress. Assessment pending. |
| 6. Reduce fertility rates of women (15-44 yrs.) from 5.6 in 1987 to 4.6 in 1996. | 6. In progress. Assessment pending. |
| 7. Increase in % of rural women who had a prenatal visit at a health center during her last pregnancy from 67.1% in 1991 to 80.1% in 1996. | 7. In progress. Assessment pending. |

Progress to Date

B. Major Outputs

	Planned				Accomplished		% of LOP
	LOP	Period	Cum.	Next Period	Period	Cum.	
1. Rural Health Centers (HC):							
- Supply System (No.)	693	20	740	20	0	720	104%
- Contraceptives (%)							
Condoms							
- in posts with MD	90	90	N/A	90	100	N/A	111%
- in posts with nurse	90	90	N/A	90	68	N/A	76%
Pills							
- in posts with MD	90	90	N/A	90	100	N/A	111%
- in posts with nurse	90	90	N/A	90	71	N/A	79%
- ORS (%)	90	90	N/A	90	100	N/A	111%
- Cold Chain (%)	80	84	N/A	88	88	N/A	110%
2. % Children <1 Year							
- Measles Vaccinated	95	85	N/A	96	96	N/A	137%
3. % pregnant women (high risk) attended							
- referrals by community	90	53	N/A	53	53	N/A	59%
- referrals by aux. nurses	90	60	N/A	60	60	N/A	67%
4. % voluntary personnel							
- distributing oral contraceptives and condoms							
- health guardians	60	58	N/A	58	58	N/A	97%
- traditional midwives	60	30	N/A	30	30	N/A	50%
5. Water Systems (No.)							
- Aqueeducts	780	45	608	45	96	659	90%
- Wells	1000	50	907	50	24	881	88%
- Latrines (000)	77.0	5.65	83.89	5.65	6.07	84.31	109%
6. Rural Health Centers (HC):							
- Supply System (No.)	693	20	740	20	0	720	104%
- Septic Tanks	73	7	79	0	1	73	100%
- Women Ages 10-44 with domestic access to safe water (000)	84	6.00	83.55	6.00	10.91	88.46	105%
7. Area Warehouses	24	0	15	0	0	15	63%
8. Training (Persons)	20	2	18	0	2	18	75% ^M
- Long-term	20	2	15	0	2	15	58% ^M

1/ Planned EOPs and Outputs were revised in Project Agreement Amendment No. 19 dated August 26, 1994. Accomplishments prior to that date are reported in previous SARs.

49

52

51

October 1, 1994 - March 31, 1995

A ___ B X C ___

C. Other Accomplishments and Overall Status

This institution-building project is the mainstay of the Mission's strategy to improve the health of the Honduran population, particularly children under the age of five years and fertile age women. The project increases decentralization and the capacity of the regions and subregions of the MOH to program, execute, supervise and evaluate the delivery of primary health care and rural water and sanitation services.

The Mission's major focus during FY94 was the development, negotiation and execution of a "sustainable support systems" policy dialogue. During the first half of FY94, the Mission developed and negotiated a policy agenda with the new MOH authorities. Over the second half of FY94, the Mission's health office personnel and their MOH counterparts prepared, agreed to by means of Project Agreement (PROAG) Amendment No. 19, and began the execution of revised technical assistance (TA) and MOH project work plans. Although the policy dialogue continues, the major focus of the Mission during FY95 has been the execution of the TA and project work plans, as discussed below. Given that PROAG Amendment No. 19 revised selected project outputs and indicators, this SAR and those following will report on these changes. The 'B' classification of this SAR is based on the relatively successful (there are typical implementation delays as noted in Part D., below) execution of the revised TA and project work plans.

During this reporting period, the Mission and MOH project personnel initiated discussions on further defining the implementation benchmarks agreed upon in PROAG Amendment No. 19. Progress towards meeting those benchmarks will be reported in the next SAR.

1. Major project accomplishments during this period include the following:

- a. Administrative/technical tasks for initiating TA for child survival and AIDS prevention and control (with the AID/W central projects, BASICS and AIDSCAP, respectively) were completed on schedule. BASICS completed the technical preparatory work for providing TA in the areas of integrated maternal/child health and community management of Acute Respiratory Infections.
- b. The ongoing policy dialogue with SANAA led to the completion of formal procedures for the decentralization of budget control and decision making to two regional offices, El Progreso and La Ceiba. In addition, the MOH officially requested TA to develop more efficient institutional structures for environmental health activities.
- c. The forms and schedule for the new covenant dealing with the use, control and preventative maintenance of project vehicles assigned to the MOH were established in a PIL.
- d. Corrective actions were implemented to sustain contraceptive availability in MOH health centers.
- e. BASICS completed an evaluation of the community-based oral rehydration program, the results of which were enthusiastically received and implemented by the MOH.
- f. The CHA firm working to improve the internal control structure of the MOH's project coordinating unit (PCU) completed its diagnostic report, a personnel management system, a three-day workshop on internal control, draft reports documenting an automated financial reporting system and internal control structure, and assisted the PCU to procure the equipment and software to implement the new control systems.
- g. A one-year evaluation of the Operation and Maintenance Technicians (TOMs) program was completed. The evaluation concluded that the TOMs program is successfully contributing to the sustainability of the water systems constructed by the SANAA portion of the project.
- h. A scope of work for the project evaluation and assistance in the design of a funded amendment to the project was completed. Contractual negotiations for staffing and scheduling of the evaluation/design work were initiated.
- i. The IEC materials for reproductive health, including gender issues, were reviewed and negotiations for changes in the materials were initiated.

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

2. In the area of Sustainable Support Systems:

- a. Diagnostic reports on the organizational structure, functions and operational procedures of the MOH's central level financial administration, including recommendations for improvements, were contracted and completed by Etna Avila Associates as a prerequisite for the installation of an automated financial management information system.
- b. Training activities for the control, use and preventative maintenance of project vehicles were executed in all MOH Health Regions.
- c. The central Health Communications project provided TA to the MOH in the design of a communications strategy for Oral Rehydration Therapy for adults (as a part of ongoing project assistance to increase the effectiveness of the MOH's cholera prevention and treatment efforts), and for assisting the MOH to formally define its health education/social communication policy.
- d. Preparatory work for the National Family Health and Epidemiology Survey (EFHS) was initiated. The MOH, ASHONPLAFA, the Honduran Census Bureau and the Mission (with TA from the U.S. Centers for Disease Control) coordinated to define the sample, update maps and develop the questionnaire.
- e. The MOH and the Mission agreed to establish a committee to oversee the institutionalization of the "sustainable support systems", to assure that by PACD, these systems are indeed sustainable.

3. In the area of Health Technologies:

- a. With technical assistance from the central Wellstart project, the MOH convoked a special interagency coordinating meeting to review progress in the national breastfeeding program. Commitments for contributions from the various participating donors to the program were clarified and confirmed.
- b. The national micronutrients initiative cosponsored by UNICEF, INCAP/PAHO and the International Eye Foundation cosponsored a two-day retreat with representatives from the Ministries of Economy and Finance, and the central and local levels of the MOH. The retreat reviewed progress to date in fortification and supplementation, and achieved important intersectoral commitments to overcome existing obstacles and problems.
- c. The AIDSCAP/Honduras resident advisor was named and major steps taken to establish an office in Tegucigalpa.

4. In the area of Rural Water and Sanitation:

- a. SANAA inaugurated its 500th project-assisted water system, thereby officially completing the original target. The President of Honduras and the U.S. Ambassador were present at the inauguration.
- b. SANAA/USAID initiated water systems construction activities with the PVO World Vision. The PVO will fund the construction materials required for these systems.
- c. The Mission continued to dialogue with SANAA concerning the streamlining of operations to achieve greater efficiency and increase the likelihood of obtaining funding from other donors to expand water and sanitation coverage in rural areas.

5. In the area of private sector activities:

The project supports six PVOs implementing activities to provide sustainable domestic access to safe water for rural communities not served by the MOH or SANAA, and ten PVOs conducting child survival activities in remote communities not adequately served by the MOH. Currently, these PVOs are providing basic health care services to approximately 150,000 people in 18 communities and sustainable domestic access to safe water to 132,600 people in 365 communities who would not have had these services absent the project's support.

October 1, 1994 - March 31, 1995

A ___ B X C ___

6. In the area of gender considerations:

The role of women as participants/beneficiaries of the project components is considerable. Under "Sustainable Support Systems," the rural health centers, which form the backbone of the MOH primary care systems, are staffed by auxiliary nurses, about 90% of whom are women. They benefit from in-service education and short-term training courses financed by the project. Under "Health Technologies," the goal of reducing maternal mortality rates by improving the health of women and extending the interval between pregnancies ensures that women are direct beneficiaries of the health services supported by the project. Under RW&S, the project has provided easy access to safe water to a total of over 84,310 rural women who have traditionally hauled water (of dubious quality) from distant sources.

D. Problems and Delays

1. A major delay in the delivery of PVC pipe continued to slow down the construction of rural water systems and latrines.
2. TA from the central Data for Decision Making Project to develop a detailed implementation plan for improving the collection and use of data at the regional, area and local levels was canceled due to a MOH request for more preparation time.
3. Communication between MOH officials and the Mission's health project managers has been weak with respect to a new MOH initiative for strengthening community participation in health care delivery and MOH local (health center and area level) human resources. This new MOH initiative would appear to be the major thrust of the current MOH administration, and to fit within USAID policy.
4. The PIL for further defining the implementation benchmarks agreed upon in PROAG Amendment No. 19 and establishing reporting formats has not been issued.
5. In spite of corrective project interventions, contraceptive availability in rural health posts without a MD continues to decline.

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

1. Complete the second mid-term evaluation. Prepare a Project Paper Supplement and PROAG Amendment authorizing extension of the PACD to May 1998 and increasing the planned LOP USAID contribution to \$68.3 million.
2. Continue dialogue on the Sustainable Support Systems policy agenda with the GOH; establish a joint MOH/Mission task force to define priorities, initiate action and report on progress.
3. Continue discussions with the MOH and SANAA on new directions for RW&S programs.
4. Initiate the field data collection work for the EFHS.
5. Issue a PIL further defining the implementation benchmarks and establishing reporting formats required to monitor progress in achieving them, as required by Covenant No. 5.11 of PROAG Amendment No. 19, and use the first MOH semiannual report in the next SAR.
6. Monitor the implementation of the norms established in the project vehicle use, control and preventative maintenance PIL.
7. Sustain the corrective actions to increase contraceptive availability in MOH health centers.
8. Continue working with the MOH to increase the effectiveness of its cholera prevention and treatment efforts.
9. Continue dialogue with the MOH on the transfer of responsibility for operation and maintenance of the heavy equipment purchased for Vector Control to CARE.
10. Monitor the execution of TA to improve the internal control structure of the PCU.
11. Continue monitoring progress of the TOM pilot program.
12. Coordinate with the evaluation/design team to improve communications with the MOH regarding the new MOH initiative in the area of community participation and local level MOH human resources development. Jointly develop the appropriate kind of TA for this effort.
13. Complete negotiations for any needed changes in the MOH IEC materials for reproductive health, including gender issues.
14. Initiate the national micronutrients-nutrition baseline survey.
15. Complete the opening of the local AIDSCAP office, elaborate DIPs for the four programmed health regions, identify and sign agreements with the implementing agencies in each region.

16. Establish the project management unit for the automated financial management information system.
17. With TA from BASICS, conduct a retreat to define and initiate implementation of integrated maternal-neonatal health strategies.
18. Monitor implementation of BASICS recommendations for the improvement of quality assurance in community-based oral rehydration therapy.
19. Initiate BASICS TA efforts in the following areas: a) follow-up on UROCs evaluation; b) development of implementation and evaluation plan for pneumonia treatment equipment in area level hospitals; c) evaluation and development of plan for improving the pilot community-level interventions to reduce pneumonia mortality; d) evaluation of training activities for institutional personnel in Standard Case Management of pneumonias and diarrhea/cholera; e) implementation of feasibility study for social marketing of soap and chlorine to reduce diarrheal diseases, including cholera.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B X C ___

I. BACKGROUND DATA

Project Title: Private Sector Population II
 Project Number: 522-0369
 Date of Authorization: original 06/29/89
 Date of Obligation: original 07/21/89 Amendment 02/29/92
 PACD: original 06/30/94 Amendment 03/31/96
 Implementing Agencies: Asociación Hondureña de Planificación de Familia (ASHONPLAFA)/ Foster Parents Plan (Plan en Honduras)
 Major Contractors: The Population Council
 Project Manager: David Losk
 Project Support Officer: Marcela Moya
 Status of Cps/Covenants: All have been met

Date of Last Evaluation: 10/30/94 Next Evaluation: 00/00/00
 No. of NFAs planned: 0 NFAs contracted/completed: 0
 Date of Last Audit: 00/00/00 Next Audit: 00/00/00

A. FINANCIAL DATA

Amount Authorized: DA/ESF Grant: original \$16,000,000
 Amount Obligated: DA/ESF Grant: original \$ 957,000 amended to \$15,230,681
 OYB transfer (contraceptives): \$ 675,000
 TOTAL OBLIGATED \$15,905,681
 Amount Committed: Period: \$ 2,274,670 (AID/W)
 Cumulative: \$13,705,993 \$14,380,993 (TOT.OYB)
 Accrued Expenditures: Period - Projected: \$ 1,446,000
 Period - Actual: \$ 1,304,846 \$ (AID/W)
 Cumulative: \$11,174,730 \$11,849,730 (TOT.OYB)
 Period - Next: \$ 1,576,000
 Counterpart Contribution: LOP Planned: \$ 9,072,905
 Actual: \$17,724,400
 % LOP Elapsed: 85%
 % of Total Auth. Oblig.: 99%
 % of Total Oblig. Exp.: 75%
 % of Total Auth. Exp.: 74%

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVE:

A. SPECIFIC LINKAGE TO S.O.: The project relates directly to Strategic Objective No. 3. Improved Family Health, by reducing reproductive related risk for women and children. The project is responsible for Program Outcome 3.1. Its objective: increased percentage of Hondurans who practice family planning.

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

III. PROJECT DESCRIPTION

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

IV. PROJECT STATUS

A. Planned FOPs

- | | |
|--|---|
| <p>1. Expansion of Community Distribution of contraceptives to 1,760 posts.</p> <p>2. Reorganize and expand Contraceptive Social Marketing Program.</p> <p>3. ASHONPLAFA clinical services available at five regional centers.</p> <p>4. Expand the Information, Education, and Communication Program.</p> | <p>1. Accomplished and surpassed. The number of distribution posts has increased from 1,450 at project onset to 1,997 to date.</p> <p>2. Accomplished. Products are now in nearly 100% of pharmacies.</p> <p>3. Accomplished. All five centers are fully operational.</p> <p>4. Communication strategy has been developed and is being implemented.</p> |
|--|---|

B. Major Outputs

	Planned				Accomplished		
	LOP	Period	Cum.	Next Period	Period	Cum.	% of
<u>ASHONPLAFA</u>							
1. a) Voluntary Surgical Contraception (new users)							
Total	84,700*	7,450	61,192	7,809	6,208	59,950	71%
Women	83,850*	7,360	60,526	7,613	6,152	59,318	71%
Men	850*	90	666	196	56	632	74%
b) Temp. Methods(CYP)**	94,500	15,750	45,426	21,788	10,182	39,858	42%
CYP= Couple Years Protection							
2. <u>Contraceptive Social Marketing (CSM) Sales (000s)</u>							
Pills (PERLA)	1,005*	80	837	87	56	813	81%
Pills (LD)	825	65	583	70	46	564	68%
Condoms	5,245*	450	4,258	450	264	4,072	78%
LD-Low Dose							
3. <u>Community Services (000s)</u>							
Pills	4,540*	400	3,700	414	358	3,658	81%
Condoms	3,205*	270	2,610	300	260	2,600	81%
Foam Tab.	***	***	***	***	***	***	***
<u>FOSTER PARENTS PLAN</u>							
1. <u>Referrals</u>	2,400	550	2575	350	486	2,511	105%
2. <u>Training</u>							
Short Term	384	85	765	22	53	733	191% M
	1536	341	3059	88	210	2928	191% F

*Life of Project major outputs have been changed due to extension of PACD from 6/30/95 to 3/31/96.

**This indicator has been adjusted to reflect only IUD Couple Years Protection as of January, 1993.

*** Foaming tablets will no longer be counted since USAID no longer provides them to ASHONPLAFA and their use and effectiveness is too low to have significant impact.

October 1, 1994 - March 31, 1995

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

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

During this period, a non-funded extension was approved from June 30, 1994 to March 31, 1996 of both the PACD and the expiration date of the Cooperative Agreement with ASHONPLAFA. The principal reason for this extension was to allow sufficient time for the construction of a new ASHONPLAFA clinic in San Pedro Sula. ASHONPLAFA has since purchased the land where the new clinic will be built, and construction is scheduled to begin in approximately six months.

The following is a summary of major project accomplishments during this semester:

The final evaluation of the project was completed in October 1994. Preliminary debriefings and the first draft report indicate that activities as delineated in the Cooperative Agreement are on track and that the goals of the project are being accomplished. Two recommendations, in particular, will be given careful follow-up during the remaining life of project. The team recommended that (1) a management information system, which would include cost accounting, should be in place and functional as a precondition to the planned Private Sector Population III Project, and (2) ASHONPLAFA should re-initiate technical assistance (TA) with SOMARC, revise and update its social marketing plan, resolve problems with Perla and Norminest and re-launch Lo-Rondal and Protektor, again, as a precondition to the new project. All other final evaluation recommendations will be incorporated into the design of the new project.

A second significant set of activities involved preparatory work for the design of the Private Sector Population III Project. In February 1995, two local firms were contracted to do two preliminary studies: the first examines the knowledge, attitudes and practices of men and adolescents toward family planning, reproduction, sexuality and HIV/STDs, while the second explores reasons for the alarming increase in natural method prevalence between the 1987 and 1991 Epidemiology and Family Health Surveys. Both studies will be completed by late May, 1995. Additionally, the centrally funded POPECH project was contracted to assist in the design of the new project. Design work will begin in late May 1995.

ASHONPLAFA continued to receive TA from the centrally funded Family Planning Management and Development (FPMD) Project. FPMD worked intensively with ASHONPLAFA in the areas of cost accounting and management information systems. FPMD also developed and facilitated an interactive workshop on "Total Quality and Worker Productivity."

ASHONPLAFA also initiated a two-part study on pricing strategies for non-family planning services offered at the different regional clinics with TA from Family Health International. Part one of the study has been completed. Interviews were conducted at all regional clinics to determine "ability to pay" of those ASHONPLAFA clients seeking non-family planning services at the regional clinics. Analysis of results will be done, and price increases will be made accordingly during the next semester.

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

In the **Social Marketing Program** (commercial retail sales of contraceptives), sales dropped somewhat, in part due to institutional price increases as of January, 1995, and in part due to changes in management. Oral contraceptive sales for the main brand Perla were 70% of the target. Sales for the low dose pills, Norminest and Lo-rondal, met 70% of target, while condom (brand names Guardian and Protektor) sales met 58% of target.

The **Medical/Clinical Program** met 83% of its target for voluntary surgical contraception (VSC), 64% of its target for IUD insertion, and performed 17,573

cytologies and 8,213 laboratory tests. The Medical Clinical Program also initiated "Saturday Rounds" in La Ceiba during which a clinical nurse visits rural communities and provides IUD insertion and cytology services. Finally, the Medical Clinical Program inaugurated temporary methods clinics in Tocoa and Danil.

The **Community Services Program** distributes contraceptives through neighborhood volunteers, who receive a percentage of the sales revenues. The program met 89% of its sales goals in oral contraceptives, met 104% of its sales goals in condoms, provided a total of 66,000 couple years of protection, reached a total of 1,790 new family planning acceptors, and opened 58 new community distribution posts.

The **Department of Promotion, Education and Training** began to integrate HIV/STD and Adolescent Life Projects into all regional activities as of January 1995.

Foster Parents Plan International (PLAN) is a major grantee under this project. Its five-year operational program grant of \$355,700 aims to integrate family planning activities into its regular program. USAID and PLAN extended the end date of this grant through June 30, 1995. PLAN continued to present family planning educational sessions to 1,393 fertile aged women (15-45) and 415 men. Also, PLAN met 88% of target for voluntary surgical sterilization and intrauterine device (IUD) referrals.

The **Population Council** approves and manages small grants to local PVOs for family planning activities. The INOPAL II Project, the centrally funded project under which USAID/Honduras had originally contracted the Population Council, ended, and the INOPAL III Project began. Consequently, a new buy-in to the INOPAL III Project was negotiated with the Population Council. Under the current buy-in, the Population Council will manage two small grants with Save the Children Honduras and CARE.

D. Problems and Delays

1. Due to delays at the Futures Group, participating agencies were unable to hold the two high-level seminars of the updated RAPID model (Resources and Awareness of Population Impact on Development).
2. Delays in the implementation of the institutional marketing plan combined with increased prices resulted in surprisingly low sales in the Social Marketing Program. ASHONPLAFA recently let go of its Social Marketing director due to his extremely slow reaction time to decreasing sales. It is anticipated that the new Social Marketing director will be more aggressive.
3. Because the draft of the Final Evaluation Report was of very poor quality, the contractor has not yet submitted to the Mission the final version of the document.

E. Major Activities or Corrective Actions During Next Six Months**ALL PARTICIPATING AGENCIES:**

1. Hold two high-level seminars of the updated RAPID model (Resources and Awareness of Population Impact on Development).

ASHONPLAFA:

1. Continue TA from FPMD to improve ASHONPLAFA management information systems and cost accounting.
2. Open an ASHONPLAFA temporary methods clinic in Santa Barbara, Olanchito, Comayagua, El Progreso y Nacaome.
3. Continue TA from Family Health International to create a new pricing strategy that will allow ASHONPLAFA to better recover costs.
4. Follow-up on the final evaluation recommendations.
5. Initiate TA with the centrally funded SOMARC III Project.

FOSTER PARENTS PLAN:

1. Continue to increase the number of referrals for family planning services.
2. Close out grant.

POPULATION COUNCIL:

1. Sign and implement sub-contracts with Save the Children Honduras and CARE.
2. Begin a Reproductive Health working group, made up of ASHONPLAFA, other NGO and the Ministry of Health Officials.
3. Teach an Operations Research class at ASHONPLAFA.

USAID/HONDURAS (AND PARTNERS):

1. Design and authorize the Private Sector Population III Project.

PROJECT STATUS REPORT

October 31, 1994 - March 31, 1995

A ___ B_X C ___

I. BACKGROUND DATA

Program Title: PL-480 TITLE II
 Program Manager: Marta Larios
 Program Support Officer: Marcela Moya
 Cooperating Sponsors: CARE
 Institutional Counterparts: Cooperative Housing Foundation in Honduras (CHF)
 Ministry of Health (MOH)
 Ministry of Education (MOE)
 National Social Welfare Board (JNBS)
 Selected Municipalities

	TOTAL	Distribution	Monetization
FY95 Program Amount:	10,260 MT	8,180 MT	2,080 MT
Value of Commodities:	\$3,904,210	\$3,633,810	\$ 270,400
Transportation Costs:	\$1,149,000	\$ 993,000	\$ 156,000
Total Value Approved Program:	\$5,053,210	\$4,626,810	\$ 426,400

Title II Local Currency Generated from Monetization
 FY95 Monetization: \$ (It will take place in April, 1995)
 Pipeline Previous Monetizations: \$ 534,200
 Total Local Currency Available: \$ 534,200

Date of Last Evaluation: 05/94 Next Evaluation: 00/00
 Planned No. of MFAs: 0 MFAs Contracted/Completed: 1
 Date of Last Audit: 10/94 Next Audit: 00/00/00

FINANCIAL DATA

STATUS OF FOOD PROGRAMMED FOR FY95

Authorized Amount: 10,260 MT
 Amount received in Honduras: 2,882 MT as of March 31, 1995
 Balance to be received: 7,378 MT = 5,298 for direct distribution and 2,080 for monetization

STATUS OF FOOD DISTRIBUTION FOR FY95

Distributed amount: 4,254 MT
 Amount available to be distributed: 5,298 MT
 Amount to be monetized: 2,080 MT
 Total amount: 11,632 MT

The difference between the tonnage authorized (10,260 MT) and the total amount in food distribution for FY95 (11,632 MT) is because the last FY94 distribution took place in October 1994 (FY95).

II. PROGRAM PURPOSE

CARE:

The program purposes are: (1) School Feeding (SF): to increase school enrollment and attendance of low income children; (2) Maternal Child Health (MCH): to improve nutritional status of both children under six and pregnant and nursing women, and increase coverage of Ministry of Health services for these beneficiaries; and, (3) Drought Emergency Project (DEP): to improve community infrastructure services, generate employment in selected municipalities and to improve the capacity of the municipal authorities and local district councils to initiate and implement further community-based development programs on their own.

CHF:

CHF's Family Sanitation and Health Project (FSH): to improve family sanitation and increase health and hygiene awareness of low-income Hondurans.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: This program contributes to the Mission's Strategic Objectives No. 1 Enhanced Economic Participation and Increased Incomes of the Poor, No. 3 Improved Family Health, and No.4 More Responsive Democratic Processes with Greater Citizen Participation by increasing coverage of health services, improving nutritional status of beneficiaries, promoting increased school attendance and improving infrastructure services and municipal and community capacities.

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

III. PROGRAM DESCRIPTION

CARE:

The SF and MCH components are implemented by CARE in coordination with the JNBS, the MOF and the MOH. CARE manages the inflows of Title II commodities into the country and supervises their distribution through schools, health centers, and JNBS feeding centers.

Annually, the SF component provides food for approximately 300,000 school children beneficiaries in nine of the 18 departments of the country. The MCH component

provides food in the form of dry rations at 116 health centers and at 460 on-site feeding centers sponsored by the JNBS. Approximately 8,300 mothers and 76,500 children benefit annually from the MCH component.

The DEP, implemented by CARE during 5 months in the southern department of Valle, was initiated in November 1994, in response to the drought which practically wiped out the entire first crop of beans, corn and sorghum. CARE distributed food rations in exchange for labor devoted to improving community infrastructure, especially roads. The institutional counterparts were the departmental governor and the mayors of the nine municipalities in Valle.

CARE's Title II program is funded from four sources: Title II monetization, Section 202(E) Grant, GOH counterpart and CARE Atlanta unrestricted funds. CARE receives an annual counterpart contribution (Title III local currency funds) from the GOH to manage the Title II resources. Additional funds generated under the Title II Monetization Program are also used to defray the costs of CARE's and the government's operations, and payment of salaries of GOH employees working in the three agencies that manage food distribution centers.

CHF:

CHF's FSH project (FY94-96) is financed entirely with monetization funds. It addresses the sanitation and public health needs of low income households in the marginal communities of Tegucigalpa by working with local NGOs to develop, finance, and construct low-cost shelter and sanitation systems. CHF provides institutional support and strengthens local non-profit organizations through provision of technical assistance and financial credit.

54

54

October 31, 1994 - March 31, 1995

A ___ B_X C ___

IV. PROGRAM STATUS**A. Planned EOPS**

- CARE:**
1. All food for three distributions for SF and MCH Programs arrived Honduras by September 30, 1995.
 2. Counterpart funds fully disbursed December 31, 1995.
 3. MCH commodities delivered in three distributions to 70,000 malnourished beneficiaries in CY95.
 4. SF commodities delivered in two distributions to 300,000 pre-school children in CY95.
 5. 2,256 families benefitted through the DEP by March 31, 1995.

Progress to Date

28% accomplished. See Financial Data above.

As of March 31, CARE has not received any counterpart funds.

33% of commodities distributed to approximately 44,421 beneficiaries. There are two distributions pending.

SF commodities distributed to 277,287 children. There is one distribution pending.

8,000 families benefitted through the DEP as of March 31.

- CHE:**
1. Improved sanitary conditions in 777 low-income households.

185 sanitation/housing improvement loans provided.

B. Other Accomplishments and Overall Status**CARE:**

In FY94 USAID/W indicated that future Title II allocations would depend on a program consistent with the Agency's new Food Security Policy and reoriented to demonstrate measurable impact on food security. Pending CARE's re-design of the program, the FY95 Title II program was approved by USAID/W on October 15, 1994. However, the FY95 tonnage level was cut by 37%, through an 80% reduction in the monetization component (from 10,570 MT to 2,080 MT).

During this reporting period, USAID, CARE and the GOH continued working closely in the reorientation of the Title II program. The following steps were taken to redesign and improve the program:

- A Rapid Food Security Assessment (RFSA), supported by USAID and CARE Headquarters, was conducted in September-October 1994 to guide the redesign. The assessment was carried out by a multidisciplinary team integrated by CARE; the Ministries of Health, Education, Finance, and Planning; the National Social Welfare Board; the World Food Program; and other PVOs.
- A CARE Food Security Committee was created in October 1994;
- Pre-assessment reports of Honduras' food and nutrition security (November 1994) were reviewed;
- A Food Security workshop linked with CARE's Long Range Strategic Plan was conducted in December 1994;
- Meetings were held with GOH authorities, September 1994-March 1995;
- An Intersectoral Food Security Workshop was conducted in January 1995 to finalize design of the refocused Title II program. CARE worked closely with the GOH counterparts and USAID/W in preparing this workshop. The multidisciplinary team that participated in the needs assessment also attended.

The final report of the RFSA was submitted in December 1994. The results identified the vulnerable groups in the region as single women-head of households, children under 5 years of age, and landless farmers or farmers with limited access to land. (According to poverty maps and other official secondary data, the most food insecure population in Honduras lives in the western region of the country, and therefore this region was selected as the focus of the RFSA.) The results also identified possible interventions to enhance household food security focused towards achieving the following objectives: 1) ensure access to factors of production (land, technology, capital); 2) invest in human capital (training/education); 3) preserve and rehabilitate the natural resource base; 4) improve household access to adequate primary and reproductive health services; 5) enhance local economic opportunities and encourage market integration; and 6) promote community organization to encourage greater participation in solving local problems.

As a result of the above activities, CARE/Honduras prepared its FY 1996-2000 Title II Development Project Proposal (DPP) which was submitted to USAID/Honduras on March 15, 1995. Following is a summary of CARE's DPP:

Final Goal: to improve, on a more sustainable basis, the food security of vulnerable populations, especially in extremely poor municipalities of western and southern Honduras.

Target group: it is divided into two geographical levels:

- I. Highest priority: Intibucá, Lempira and La Paz Departments
- II. Second priority: Copán, Comayagua, Santa Bárbara, Ocotepeque, Choluteca, Valle and Francisco Morazán Departments

Proposed Interventions:

- Reduce the MCH program from the 9 departments approved for FY95 (Categories 1 and II above with the exception of Francisco Morazán) to only the 3 highest priority departments.
- Reduce the SF program from the 9 approved departments to the same 3 highest priority departments.
- Initiate intensive employment/production and infrastructure food-for work (FFW) interventions in the 3 highest priority departments to address the three main elements of food security (availability, access and utilization).
- Implement interventions in the remaining 7 second priority departments supported primarily by FFW during the hungry season or when indicators suggest a significant deterioration in food security.
- Program 70% of the commodities for direct distribution in FFW, 15% in MCH and 15% in SF.
- Develop viable programming alternatives to improve food security in the third priority area -La Mosquitia and periurban areas- using monetization funds.

CARE's DPP was reviewed by the Mission on March 24, 1995. Summarized below are USAID/Honduras' comments on the proposal:

- CARE should leave open the mix of interventions pending the results of the public works component and comparative analysis with MCH, SF, coupons, etc. of the LAC/HNS cost-effectiveness study. It should be clear in the proposal that all FFW projects in all departments will have a strong maternal and child health intervention incorporated.
- CARE should consider as a final goal indicator not only nutritional status (consistent with USAID's S.O. #3, "Improved Family Health") but some of USAID's other strategic objective performance indicators and program outcomes, such as increase in agricultural productivity among small farmers.
- CARE should look at the GOH's Family Allotment Program (PRAF) coverage and if it covers the same target departments which CARE MCH is currently covering. CARE could use the coupon program as a way of phasing out of clinic-based MCH, if the results of the LAC/HNS cost-effectiveness study substantiate that the coupons are as effective an incentive to health center attendance as food.
- CARE should clarify in the proposal that only the five most needy "municipios" of Francisco Morazán will be assisted. It was also agreed that given resource constraints, La Mosquitia and periurban areas should not be included in the DPP.
- In this year's DPP CARE will maintain the current MCH ration and state that it will analyze the size and composition of the MCH ration over the next year and adjust it to the program needs. CARE should list the questions on which the ration analysis will be based. CARE should revise the FFW ration (large rice ration) and determine it based on usual consumption patterns.
- CARE should include a section in the DPP that focuses attention on other donors' activities. In that section, CARE should mention the strategies that it will develop to assure that other donors' efforts will not be duplicated. One of these strategies should be to elaborate an inventory of donors and NGOs working in the target area. Also, it should be clear that CARE will work in the more isolated areas in those departments, and that there will be more flexibility among all ten target departments in deciding what interventions to implement and where.

CARE agreed to submit a revised DPP by April 17th. The proposal is due in Washington on May 1.

Data collection was completed for the cost-effectiveness study of food distribution programs vs. food coupon programs. The data collection for the public works component was delayed and ultimately deemed not possible under the LAC/HNS contract due to the unavailability of sites where FFW and cash for work could be studied concurrently. The results of the MCH and school components are expected by September, 1995. CARE

October 31, 1994 - March 31, 1995

A B X C

will use the results of the study to further define interventions in the Title II program.

CARE and the GOH counterparts continue working to close the recommendations of the Mission contracted non-Federal audit of FY90 monetization funds. The first draft report of CARE's contracted audit of the FY91 and FY92 monetization funds will be presented by the auditing firm Price Waterhouse in April 1995.

The series of conferences on gender that CARE initiated in FY94 has been temporarily canceled due to the redesign of the program. However, the proposed DPP includes a Gender Considerations section in which CARE indicates how this issue will be addressed in the redesigned program.

CHF:

During the reporting period, CHF project accomplishments included: a) three contracts signed with NGOs; b) 185 sanitation/housing improvement loans provided to individual households; c) 5 NGOs receiving technical assistance; d) 479 health promoter visits completed; and d) 27,040 person hours of employment generated.

C. PROBLEMS AND DELAYS

The JNBS has neither improved its poor implementation record, nor been able to present supporting documentation to questionable costs identified in the two monetization audits. Furthermore, as expected, now that the refocusing has begun, the JNBS is resisting these changes and delaying the signing of the GOH-CARE agreement for CY95 operations.

The Mission and CARE have decided that the continuation of the JNBS in the Title II program will be contingent upon the JNBS meeting performance criteria. These criteria will be given to the JNBS in a letter signed by the USAID and CARE Directors.

The MOH is also facing problems in reaching the level of beneficiaries approved. CARE and the MOH plan to extend the MCH program to other centers in three departments (Leopira, Intibucá and La Paz) of the region that are not currently being benefitted by other programs. However, the first step for doing this is improving the health centers' storage infrastructure. Also, health personnel in these areas need to be trained in the programs' norms and in food handling. MOH expects to reach the level of beneficiaries approved by December 1995.

D. MAJOR ACTIVITIES OR CORRECTIVE ACTIONS DURING THE NEXT SIX MONTHSCARE:

1. Culminate negotiations and get the CY95 CARE-GOH agreement signed.
2. Resolve issues from the review of the FY 1996-2000 DPP and recommend approval to USAID/W.
3. Continue meeting with politically influential GOH officials to win their support for the refocus of the program.
4. Inform the JNBS about the performance criteria for continued partnership.
5. Close recommendations of the FY90 and FY91-FY92 monetization audits.
6. Review and finalize the monitoring and evaluation plan for CARE's FY 1996-2000 Program.

CHF:

1. Provide 472 additional sanitation/housing improvement loans to low-income households.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B_X C ___

I. BACKGROUND DATA

Project Title: Strengthening Democratic Institutions (SDI)
 Project Number: 522-0296
 Date of Authorization: original 08/10/87 Amendment 9/29/92
 Date of Obligation: original 08/12/87 Amendment 9/30/93
 PACD: original 08/31/91 Amended to 9/30/96
 Implementing Agencies: Supreme Court of Justice of Honduras
 Honduran National Congress
 Contractors: National Elections Tribunal (TNE)
 Georgetown University (GU)
 Dual & Associates
 American Institute for Free Labor
 Development (AIFLD)
 Project Managers: Ronald L. Glass/H. Ricardo Callejas
 Project Support Officer: Lisa Valenzuela
 Status of CPs/Covenants: Initial project and interim disbursement CPs met.
 Date of Last Evaluation: 10/90 Next Evaluation: 9/95
 Planned Number NFAs: 1 No. NFAs Contracted/Completed: 0
 Date of Last Audit: 00/00/00 Next Audit: TBD

A. FINANCIAL DATA

Amount Authorized: DA/ESF Grant: original \$ 7,500,000 amended to \$21,800,000
 Amount Obligated: DA/ESF Grant: original \$ 3,400,000 amended to \$20,400,000
 OYS Transfer (DUAL): \$ 500,000
 Total Obligated: \$20,900,000
 Amount Committed: Period: \$ 1,910,467
 Cumulative: \$18,077,134 \$18,577,134 (TOTAL)
 Accrued Expenditures: Period - Projected: \$ 1,766,000
 Period - Actual: \$ 365,462
 Cumulative: \$16,181,695 \$16,681,695 (TOTAL)
 Period - Next: \$ 1,174,000
 Counterpart Contribution: Planned: \$18,906,000
 Actual: 14,488,900
 % LOP Elapsed: 84%
 % of Total Auth. Oblig.: 96%
 % of Total Oblig. Exp.: 80%
 % of Total Auth. Exp.: 77%

II. PROJECT PURPOSE

To improve the capability of key democratic institutions (Judiciary, Congress, and National Elections Tribunal/National Registry), and increase the knowledge and participation of the Honduran population in the democratic process.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: More Responsive Democratic Processes with Greater Citizen Participation. Activities focus on the accountability, transparency, and accessibility of government institutions; on a strengthened justice system based on rule of law; on respect for human rights; on citizen internalization of democratic values and participation in democratic processes, and on the strengthening of the citizenry's "right to petition" grievances vis-a-vis government, at the national and local levels.

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

III. PROJECT DESCRIPTION

Through the end of 1994, project activities emphasized institution-building, e.g. strengthening Judicial and Congressional administration and electoral systems. As a result of a new strategy developed during this reporting period, the project will have a fundamental shift in objectives, focusing on the development of more ethical and effective prosecutorial and judicial systems. The project is now reoriented to a) strengthen the newly established Public Ministry, b) assist the COH to prepare laws and implementing regulations that reduce political influence in the judicial system and reform basic judicial procedure, and c) encourage the allocation of more resources to the justice system.

IV. PROJECT STATUS

A. Planned EOPs

1. 70% of public believes 1993 elections were free, fair, and open.

2. Increased public confidence in judicial system.

Progress to Date

1. Opinion polls following 1993 national elections showed that the LOP goal has been exceeded with 81% (41% men & 40% women) of the Honduran public believing the elections were free, fair and open.

2. As of October, 1994, 18% (8.7% men and 9.3% women) believed that judges are honest, representing a decrease in confidence from both the 28% of the last report and the baseline of 34%. These fluctuations are attributed, in part, to the highly publicized investigations of the new Public Ministry, working with the Court's IG.

B. Major Outputs

	Planned		Next		Accomplished		% of LOP
	LOP	Period	Cum.	Period	Period	Cum.	
1. Increased percentage in public perception that the judicial system is more independent of vested political and economic interests.	50%	18%	n/a	20%	18%	18%	3%
2. Increased number of cases prosecuted by the Public Ministry:							
- Corruption by COH functionaries	50	35	n/a	15	24	24	24%
- Crimes against Women	240	80		80	60	60	75%
- Other crimes	500	300		2500	2503	2503	500%
3. Increased number of cases as in ... adjudicated by the Court:							
- Corruption by COH functionaries	48	12	n/a	5	0	n/a	0%
- Crimes against Women	165	25		40	not avail	not avail	not avail
- Other crimes	487	109		1250			
4. Increased number of Court Officers investigated by the IG of Tribunals and sanctioned by the Court:			(1994)	(1995)			
- Complaints	1025	250	450	150	151	675	66%
- Investigations Completed	779	188	338	120	19	557	71%
- Complaints sanctioned	114	25	37	20	63	79	69%
5. Increased number of Court Officers prosecuted by the Public Ministry.	185	10	10	35	31	31	17%

* These indicators are new and represent the new "Rule of Law" orientation of the SDI project in its final years, as per the SDI strategy approved by the Mission Director on February 14, 1995.

57

57

C. Accomplishments and Overall Status**JUDICIARY - COURT SUCCESSES AND OBSTACLES:**

CAREER LAW COMPLIANCE: The Supreme Court's integration and full financing of the former "Experimental programs" for Public Defenders and Judges has produced positive and measurable results. Career Law criteria for selection, retention and dismissals appears to be within **RESULT** levels agreed to by the Court, more than 75% for Judges and Public Defenders; however, it is almost **non-existent** for Court Clerks.

The new members of the Court Judicial Career [Grievance] Council have completed the first concerted effort to reduce the backlog. **RESULTS** this period include bearing over 878 grievance cases filed before the Council since 1989 and approving payment of **PRESTACIONES** in 615 cases.

INSPECTOR GENERAL PROGRAM: the Inspector General of Tribunals Office (IG) was expanded from 5 to 10 inspectors in the continuing emphasis on anti-corruption initiatives; however significant budgetary problems in the Court forced a serious reduction in funding for investigation trips for IG personnel, contributing to a decrease in IG activity in remote areas. Nevertheless, IG activity 1994 **RESULTS** were impressive: 319 cases initiated of which 258 were investigated and 61 pending investigation, 63 functionaries were permanently removed from their jobs (34 Judges, 1 Public Defender, 19 Court Clerks, 1 Property registry officer, 8 administrative personnel).

PUBLIC DEFENDERS: The number of Public Defenders providing free services to the poor has doubled to 104 PDs nationally. Concrete case management **RESULTS** have been achieved this reporting period: of 2450 cases managed this period by PDs, sentences were issued in 202 cases and PDs obtained an additional 127 dismissals for lack of merit. Judges granted PD requests for 136 prisoners to be "conditionally" released pending trial, and 435 prisoners were "permanently" released.

DECENTRALIZATION OF ADMINISTRATION: the Court continues to attack bureaucratic bottlenecks by promoting decentralization of administrative responsibilities and authority in a newly designated, competitively selected "Court Administrator" while continuing to place oversight responsibilities with Supreme Court Magistrates in the important functional areas of the major Court programs and initiatives. A pilot program to provide the Titular Judge of the busiest Criminal Court in Honduras with delegated budget and contracting authority for specialized technical assistance/expert consultants was initiated this period.

TRAINING SUPPORTING THE REFORMED CRIMINAL PROCEDURES CODE: In March 1995, the Judicial School was finalizing the master training plan and budget (L. 4 million in ESF) for implementation of the training related to the new Criminal Procedures Code reforms. This joint Court/Public Ministry training effort is scheduled to commence in June 1995 based on one program plan supported by two separate (Court ESF and PM MOU) activity budgets. The SDI legal reform program is supported the Court/Public Ministry drafting Commission, which elaborated the bill for the CPC. This bill is expected to be presented to the Honduran Congress in mid-May 1995. According to regional experts who worked on similar codes for Costa Rica, Guatemala and El Salvador, the version submitted provides for the most advanced adversarial type system in Latin America.

PUBLIC MINISTRY - TRANSITIONAL SUPPORT FOR THE NEW ORGANIZATION:

USAID is providing support to the Fiscal General (Attorney General) of the Public Ministry, through program financing in 5 major areas: 1) Logistical support and administrative strengthening to meet partially the initial requirements to furnish and equip the offices of Administration, Prosecutors and Forensic Medicine while providing systems and training to improve accounting, budget, personnel and other administrative functions; 2) Support the Public Ministry's efforts to develop draft bill proposals to bring existing laws and codes into conformity with the operational requirements of the new organization; 3) Strengthen Prosecutor and Forensic Medicine Directorates; 4) Public Awareness Campaigns in the areas of public access to justice, knowledge of reforms by legal professionals, and encouragement of the passage of necessary reforms to the laws affecting successful operations of the Public Ministry; 5) Development of a 1995 Action Plan for Criminal Prosecutions to assess the prioritization of types of cases (not specific cases) of national impact to be prosecuted.

The MOU with the Public Ministry was signed November 3, 1994 but an approved Public Ministry workplan and budget for the five major activities was not received and

approved by the Mission until March 28, 1995.

The **Strengthening PM Logistic and Administrative Support** activity has **RESULTED** in the administrative, financial, budget procedures being in place and fully operational. Furniture, office equipment and a LAN system supporting 196 prosecutors has been delivered. LAN system certification and associated training were in progress in late March 1995.

Activities for Strengthening the PM Prosecutor's Office were slowed due to the immense load of cases confronting prosecutors nationally and a reluctance of senior management to dedicate time to "planning" as opposed to "operations". **RESULTS** statistics provided by the PM for February and March 1995, show that in this two month period alone, PM prosecutors handled 2587 criminal cases, 2817 civil cases, documented 1291 complaints and engaged in 764 other legal actions on behalf of Hondurans. This compares favorably to when the Public Ministry, under the Court, managed to prosecute less than 40 cases a year. Noteworthy, as reflective of achievement of program indicators for prosecutor program success: in the February/March 1995 timeframe, 24 cases for "Abuse of Authority" were filed against government functionaries; crimes against women being handled by prosecutors included 60 cases of rape; also, 415 cases of assault and 25 homicides. [Note: the PM has not yet refined its system for gender disaggregation of cases being handled, but will be doing so commencing approximately June 1995.]

The organizational effectiveness of the National Prosecutor's and Regional Prosecutor's offices is still weak and is being specifically addressed by program funded technical assistance and training which has been and will continue to be provided throughout 1995.

Strengthening support to the PM Forensic Medicine Department will be comprised primarily of short-term training in Costa Rica in specialized forensic medicine subjects.

Public Awareness Campaigns for the Public Prosecutor's Offices are in the final stages of development by the PM communications office with anticipated "kick-off" in June of 1995. The role of the PM, functions of special prosecutors, and how the public can access to PM services are core elements of the campaigns.

DEMOCRATIC LEADERSHIP**AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT**

The grant agreement with AIFLD expired on November 30th, 1994. No further activities with AIFLD are planned.

EDUCATIONAL DEVELOPMENT CENTER (EDC)

Last year's radio transmission of civic education lessons started on May 4, 1994 due to delays occasioned by the change in government and the substandard quality of script content. Radio lessons aired through November 16, 1994.

FOUNDATION FOR DEMOCRACY AND DEVELOPMENT OF HONDURAS (FDDH)

USAID ongoing assistance to FDDH, a non-profit, nonpartisan public interest NGO promoting democracy and justice in Honduras, is oriented to strengthen the following four major areas: (1) Rule of Law (justice sector reforms); (2) Electoral Process; (3) Educating for Development; and (4) a Multi-Media Public Awareness Campaign related to the other three areas. USAID is providing support for the Foundation's administrative expenses. Currently pending approval is an amendment of the USAID Cooperative Agreement with FDDH, to extend the Agreement's expiration date by six months, to December 31, 1995; increase the Agreement's authorized amount by \$120,000, to \$304,741; and to revise the program description and related financial plan, per the above elements of USAID's assistance.

D. Problems and Delays

Project expenditures were slower than expected due to delays in executing an agreement with the Public Ministry and subsequently approving its administrative procedures under host country contracting regulations. However the project's pipeline has been significantly reduced in this last period and will continue to be reduced during the upcoming period. Agreement with the COM administration on the re-design of the project was delayed this past period as a result of two factors: 1) the need to assess the viability of the new Public Ministry within the context of a major restructuring of the justice system it represents, and 2) the related need for the USAID SDI project strategy committee to complete a comprehensive strategy, now

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B ___ C X

approved, which shifted significant project resources to the target of opportunity presented by the Public Ministry and reoriented activities supporting procedural reforms within the judicial system. An MOU with the Public Ministry was signed during this period and implementation of the activities described therein began. A Project Paper Supplement modifying activities and reflecting the new strategy with the Court, MOOs, the Congress and the FDDH has been drafted and is in circulation. Its final approval is expected early in the next reporting period.

Judiciary

1. Political pressures from the Congress and other quarters, to name party activists and friends without regard to professional qualifications, continue to be brought to bear against the Court's merit oriented selection process. As previously mentioned, while the Court has carefully attempted to comply with the Judicial Career Law precepts at the level of judges, the problem of non-compliance is especially serious at the level of Court Clerks. Of 311 Court Clerks named in 1994, only one took an examination.

Of 138 judges named in 1994, 80% took exams. However, those new judges integrated were not necessarily selected in order of merit by test scores; also, background checks for the judges (which under an agreement between USAID and the Court are to be carried out using inspectors of the Inspector General of Tribunals) have not been fully implemented by the Career Law administrator of the Court.

The adverse budgetary impact of politically motivated "dismissals" of Court employees is significant. Of 878 Court employees who left the Court in 1994, 38 were dismissed for cause, 186 ostensibly "resigned" voluntarily. A total of 615 persons dismissed (not voluntarily and/or not for cause) were authorized prestaciones (termination salary benefits) which cost the Court some L. 4.7 million lempiras or 5% of its national funds budget. Some 298 Court Clerks and 283 Judges were authorized prestaciones, often an indication they were removed to "make space for new employees", i.e. for political reasons.

56
1
Of additional concern are indications that the IG of Tribunals office has been potentially compromised by both personnel and budget issues. There have been recent attempts by second tier Court management to take advantage of future IG inspector expansion by politicizing the office. Achievement of IG program indicators may be adversely affected by the fact that budget authority for inspections and investigations has been "temporarily" rescinded by the Pleno of Supreme Court Justices, ostensibly because of overall budget constraints.

2. While the Supreme Court has now approved all related administrative procedures and regulations for the MUNIS system, full implementation continues to be delayed due to the need to train new Court personnel in the system and ensure that new Department managers have mechanisms in place to check and ensure disciplined adherence to published procedures. Important to future progress is the fact that a new, competitively selected, Director of Administration has assumed duties this reporting period and is beginning to address the problem of getting MUNIS fully operational.

Congress

The new CIEL Director remains faced with a Special Administrative Commission (SAC) which has never met. Under the Congressional law forming the CIEL, the SAC is to provide oversight functions and support. The SAC has failed to meet; the result has been a CIEL which has provided important services under excellent leadership of the Director but without any support by Congressional leadership. The Director will be hard pressed to finance improvements in the Center over the remainder of this year given the SAC's abandonment of its responsibilities, which include support of budget analysis and justification to Congress leadership. USAID hopes that the naming of the CIEL as the Central American Institute for Legislative Studies (ICEL) will act to invigorate the Honduran Congressional leadership to more fully support the CIEL.

TNE/RNP

Understanding that the TNE is going through a period of political and financial turmoil, USAID developed a plan for final disposition of remnant election commodities and has now delivered all commodities to the TNE.

2. Major Activities or Corrective Actions During the Next Six Months1. Cross-Cutting Actions

- a. Project Paper and ProAg Amendments completed reflecting revised strategy.
- b. Secure short-medium term non-PSC consultant technical assistance in support of administration of justice activities.

2. Supply Sidea. Court

(1) PILs programming project ZSP local counterpart for Judicial School, Inspector General of Tribunal and Career Law activities signed if benchmarks achieved or renegotiated.

(2) Supreme Court is actively involved in supporting legislative changes to the Constitutional Amendment for Selection of Supreme Court Magistrates.

(3) Supreme Court reasserts itself with the Court's personnel office to guarantee maximum possible adherence to precepts of Career Law selection, retention and dismissals in accordance with its previous commitments to USAID for the same.

(4) Supreme Court internal regulations approved strengthening the authority of the Office of Inspector General for Tribunals.

(5) Supreme Court cancels suspension of travel funds for the IG of Tribunals.

(6) Supreme Court approves training plan for Judges and Public Defenders in the reformed Criminal Procedures Code and uses rigorous written and practical testing to evaluate suitability of participants for promotion, transfer and retention in the Court.

b. Public Ministry

(1) Public Ministry approves training plan for prosecutor, in the reformed Criminal Procedures Code and uses rigorous written and practical testing to evaluate suitability of participants for promotion, transfer and retention.

(2) Modification to MOU with Public Ministry providing additional program funds for prosecutor training in the new Criminal Procedures Code and oral/public trials.

(3) MOU Achievement Targets for the second six months met.

c. Congress

Support groups within the Congress will be identified to promote legislation, including constitutional changes, which promotes required reforms in the justice sector and will be acting as the linkage with agents of change in the Judicial system and with agents of change (NGOs) on the demand side of AOJ issues.

c. Other Organizations

Consultation process with other donors and reform entities (e.g. BID, FDDH) will be established and support for legislative and constitutional changes will be reflected in strong advocacy by these organizations for such changes.

3. Demand Side

a. Agents of change identified and a working to support constitutional change for the selection of the Supreme Court Magistrates and approval of the modified CPC.

b. Indirect linkages established with interest groups seeking redress via the Public Ministry on cases of special significance for the political, social and economic development of Honduras.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A X B ___ C ___

I. BACKGROUND DATA

Project Title: Municipal Development
 Project Number: S22-0340
 Date of Authorization: original 06/29/90
 Date of Obligation: original 06/29/90
 PACD: original 06/28/97
 Implementing Agencies: Ministry of Finance (MFFC), Municipalities of Honduras, Ministry of Government, SANAA, Asociación de Municipios de Honduras (AMHOW), Fundación para el Desarrollo Municipal (FUNDEMUN), Universidad Tecnológica Centroamericana (UNITEC).
 Project Manager: Sigifredo Ramirez
 Project Support Officer: Leon S. Waskin
 Status of CPAs/Covenants: CPAs for First Disbursement - all met.

FINANCIAL DATA

Amount Authorized: DA Grant: original \$10,000,000
 Amount Obligated: DA Grant: original \$ 1,000,000 amended to \$9,344,000
 Amount Committed: Period: \$ 1,324,289
 Accrued Expenditures: Cumulative: \$ 7,510,432
 Period - Projected: \$ 655,000
 Period - Actual: \$ 585,161
 Cumulative: \$ 5,983,882
 Period - Next: \$ 550,000
 Counterpart Contribution: Planned: \$13,139,046
 Actual: \$ 2,401,666

Date of Last Evaluation: 09/23/94 Next Evaluation: 06/96
 Planned No. of Non Federal Audits: 3 NFAs contracted/completed: 2
 Date of Last Audit: N/A Next Audit: TBD

% LOP Elapsed: 68%
 % of Total Auth. Oblig.: 93%
 % of Total Oblig. Exp.: 64%
 % of Total Auth. Exp.: 60%

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O. The project contributes to S.O. No. 4 - More Responsive Democratic Processes, with Greater Citizen Participation. The project is responsible for Program Output 4.2 - More Responsive and Effective Municipal Governments.

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

III. PROJECT DESCRIPTION

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

IV. PROJECT STATUS

A. Planned POPs

1. Active involvement of patronatos and community groups in local government dialogue.

2. Municipalities are analyzing, anticipating needs, and planning solutions with citizen input.

3. The public looks to the municipality to meet its basic urban service needs.

4. Greater municipal responsibility and authority for delivery of public services.

Progress to Date

1. The municipalities and the communities are attaching increasing importance to participation in local development activities. The practice of organizing "cabildos abiertos" continues to expand among project municipalities. Twelve (12) municipalities, assisted by FUNDEMUN, organized over 40 "cabildos abiertos" during the period, to resolve communications problems.

2. In 16 MDP municipalities 1995 budgets (in full implementation now) and investment plans have been approved after consulting with the communities. Investment plans respond to community priorities.

3. Municipalities, in agreement with their communities, have given basic sanitation projects first priority. For the first time, local governments have made water, sewerage and sanitation projects their priority in investment plans.

4. The decentralization process continues at a steady pace. Not only the central but also the municipal governments have realized that democracy starts at the local level.

B. Major Outputs

	Planned			Accomplished		% of LOP
	LOP	Period	Next Period	Period	Cumulative	
1.- Average attendance per town meeting	200	180	170	164 ⁽¹⁾	164	82%
2.- Proportion of municipal budgets going to capital projects	60%	40%	35%	33.8%	33.8%	56%
3.- Percent coverage: provision of water, sewerage and refuse collection services	30%	29%	30%	29.3%	29.3%	97%
4.- Number of persons attending training events ⁽²⁾	2040	360	1200	2036	5679	278%

(1) Of the 164 average participants, participation is equally divided between males and females.

(2) Of the LOP 2040 trainees, 1632 are male and 408 female. Of the 2036 trainees in the period, 1320 were males and 716 were females.

60

1

13

14

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

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

The project seeks to change the manner in which municipalities approach and react to the concerns of their communities. The project implementation strategy seeks to address a number of different constraints to decentralization and municipal autonomy both at the national and at the local level. At the national level, change is being addressed with the central government and selected ministries or autonomous agencies which play a role in municipal operations. At the local level the project works with selected economically significant municipalities to improve their planning and operational capacities to better respond to their citizenry. On a less intensive basis, the project works with other municipalities in specific areas of technical assistance and training.

The following is the status of major activities programmed for the period:

1. The MOU with the FHIS for the investment of counterpart resources in water and sanitation projects in the MDP municipalities was signed on December 23, 1995. As of the date of this report, six (6) water and sanitation programs, benefiting six municipalities have been approved, two (2) of which will be bid early next period.
2. The UNITEC Cooperative Agreement to finance the initiation of three (3) intermediate extension careers (Administration, Accounting and Data Processing) and for the provision of short term courses on Municipal subjects was signed on October 15, 1994. UNITEC will provide more than 500 scholarships for municipal staffers and community members. The scholarship program was initiated by awarding 28 scholarships late this period. The short courses will be initiated on 05/05/95.
3. The Project Paper Supplement and Project Agreement Amendment have been completed and are in the process of being reviewed by the Mission/GOH. The documents are now in the hands of the Office of Development Finance (DF).
4. After lengthy discussions the responsibility to call the Donors meeting was given to AMHON which intends to convene it during the next reporting period.
5. The Evaluation Summary (ES) was completed after a number of discussions and revisions. As of the date of this document is in the hands of the Office of Development Programs which controls the approval process. USAID expects that this document will be signed by the Mission Director early next period.

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

1. At the national level:
 - a. A meeting of project participants (22 mayors, FUNDEMUN, AMHON, UNITEC, FHIS) took place to review project progress and the activities of those institutions affecting the participating municipalities.
 - b. AMHON's Cooperative Agreement (CA) was amended to fully fund its activities. CA benchmarks were reviewed and no operational expenditures will be funded out of USAID funds. Grant resources will only be used for a Legal Defense fund and to promote the Municipal Law amendment. (See below)
 - c. An agreement between CABEI and FHIS for the use of HG resources to build basic infrastructure in MDP municipalities is being signed. With this agreement and the ESF counterpart resources, project investment in sanitation will be over L. 140.0 million.
 - d. MDP continues to push SANAA for devolution of water services to municipalities. On April 8, 1995, the Puerto Cortés water system was devolved to the local authorities.
 - e. AMHON's and FUNDEMUN's audit recommendations have been closed out.
 - f. AMHON's Annual Conference took place in Tegucigalpa. The Conference approved a Mayor's Ethics Code and the analysis and presentation of an amendment to the Municipal Law to enhance the Mayor's legal situation when dealing with administration and managerial claims and to restrict the power of the "Corporación Municipal" to increase operating expenditures (mainly salaries) without community approval.

2. At the local level:

- a. With the cooperation of the HOPS/CAPS program, a group of twenty five (25) MDP "Regidores" will be sent to a training program in the US. At the present time, they are in Pre-departure training, with their training in the US expected to begin in June 1995. Of the 25 "regidores" to be sent 13 are males and 12 are females.
- b. By the middle of this past period budgets in all participating MDP municipalities were approved. Of significant importance was the fact that the communities actively participated in the budget process and also that a high percentage of Municipal resources were earmarked for basic infrastructure.
- c. Gender aspects continue to be very important in project implementation. Male participation in "Cabildos abiertos" continues to improve. In this reporting period participation was equally divided between men and women. The UNITEC courses also continue to give females training opportunities. Of the 28 scholarships awarded at the end of this period 18 were for males and 10 for females.
- d. A sewerage project for Juticalpa and a water project for Choloma have been approved by the FHIS "Operations Committee" out of MDP ESF resources. The projects will be out for bids early next period.

D. Problems and Delays

Decentralization activities continue to be very slow due to the new GOH Administration's policies. Even though the Decentralization Subcommittee of the "State Modernization Committee" was reactivated, no significant initiatives have been announced.

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

1. Project Paper Supplement approved and ProAg signed with the GOH.
2. A second meeting with the Municipalities and participating institutions (AMHON, FUNDEMUN, UNITEC, FHIS) to compare progress will be held.
3. An amendment to the Municipal Law will be presented to the National Congress.
4. A group of 25 Regidores will be sent to the US, returned and their training program evaluated.
5. Three (3) FHIS/MDP basic infrastructure projects will be initiated.
6. Project Evaluation Summary (ES) will be approved by the Mission and implementation of recommendations will begin.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B X C ___

I. BACKGROUND DATA

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

Date of Last Evaluation: 09/93
 Planned No. of Non Federal Audits: 0
 Date of Last Audit: 00/00/00

Next Evaluation: 01/98
 Non Federal Audits contracted/completed: 0
 Next Audit: TBD

A. FINANCIAL DATA

Amount Authorized: ESF Grant: original \$15,000,000
 Amount Obligated: ESF Grant: original \$ 1,216,800 amended to \$ 6,816,800
 Amount Committed: Period: \$ 986,183
 Cumulative: \$ 6,354,996
 Accrued Expenditures: Period - Projected: \$ 741,000
 Period - Actual: \$ 562,185
 Cumulative: \$ 5,030,254
 Period - Next: \$ 736,100

Counterpart Contribution: Planned: N/A
 Actual: N/A

% LOP Elapsed: 60%
 % of Total Auth. Oblig.: 45%
 % of Total Oblig. Exp.: 74%
 % of Total Auth. Exp.: 34%

II. PROJECT PURPOSE

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

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVES

A. SPECIFIC LINKAGE TO S.O.: The project addresses the need for improving the ability of individuals to participate fully in society and the economic life of Honduras. By training leaders and potential leaders in technical and academic fields, the project will contribute to the Mission's S.O. No. 4 of More Responsive Democratic Processes with Greater Citizen Participation.

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

III. PROJECT DESCRIPTION

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

IV. PROJECT STATUS

A. Planned EOPB

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

Progress to Date

- All 121 returned scholars are either employed by their nominating institutions or self-employed.
- All returned scholars have enhanced their leadership roles in their communities.
- All scholars have undertaken challenging responsibilities as a consequence of increased knowledge and expertise.
- Most scholars have maintained contact with instructors and host-families in the U.S.

B. Major Outputs

	Planned				Next		Accomplished				% of LOP		
	LOP	Period	Cum.	Period	Period	Cum.	Period	Cum.	Period	Cum.			
Persons beginning Pre-Departure Training	M	E	M	E	M	E	M	E	M	E	M	E	
1. Long-term	60	40	0	0	55	32	0	0	0	0	55	32	92% 80%
(a) Technical	12	8	0	0	17	3	0	0	0	0	17	3	141% 37%
(b) Academic	48	32	0	0	38	29	0	0	0	0	38	29	79% 91%
2. Short-term	240	160	39	39	81	76	14	11	18	9	60	46	25% 29%
Persons in U.S. Training	M	E	M	E	M	E	M	E	M	E	M	E	
1. Long-term	60	40	0	0	54	31	0	0	0	0	54	31	90% 78%
(a) Technical	12	8	0	0	19	3	0	0	0	0	19	3	150% 37%
(b) Academic	48	32	0	0	35	28	0	0	0	0	35	28	73% 88%
2. Short-term	240	160	13	13	54	50	32	20	0	0	41	37	17% 23%
Returned Peace Scholars	M	E	M	E	M	E	M	E	M	E	M	E	
1. Long-term	60	40	4	2	30	11	12	10	5	3	31	12	51% 30%
(a) Technical	12	8	0	0	18	3	-	-	0	0	18	3	150% 37%
(b) Academic	48	32	4	2	12	8	12	10	5	3	13	9	27% 28%
2. Short-term	240	160	0	0	41	37	32	20	0	0	41	37	17% 23%

62

October 1, 1994 - March 31, 1995

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

The HOPS II Project has awarded a total of 193 scholarships. 40% of the Peace Scholars are females. This percentage of female participation would have been higher if Peace Scholars in technical training were not predominately male, for traditional and cultural reasons.

An internal evaluation of the HOPS II Project led to a consensus that the project is meeting its training objectives and contributing significantly to development efforts, especially in rural communities throughout the country. The predeparture training component has reinforced the commitment of Peace Scholars to dedicate their training, professions and volunteer time to the needs of disadvantaged communities in Honduras. Areas requiring improvement included: need for improved documentation of information concerning actual and former Peace Scholars; need for improved communication of program activities and achievements with USAID and other private and public sector institutions; need for increased lead time for the preparation of training courses, especially for the promotion of each course and selection of trainees; and need for advanced notice from USAID concerning availability of funding for training.

A training program in adult education and literacy was sponsored jointly by the HOPS II Project and the Primary Education Efficiency Project, PEEP (522-0273). 27 persons were selected based on their experience in adult education and their commitment to this field, including a blind person and a nun who has been working with adult education programs for 13 years. The group travelled to Tampa to receive U.S. training from the Consortium for Service to Latin America. The group will return on April 19, to begin implementing adult education programs with PEEP and with PVOCs.

In coordination with the Mission's Municipal Development Project, a training program was developed for training of Honduran city council members in improved municipal management. 24 city council members representing 14 municipalities were selected jointly by HOPS II and MDDI staff. They will begin their predeparture training on April 1, and depart for the U.S. in June.

The final report of the Honduran workforce study conducted by specialists financed by USAID/Washington in collaboration with HOPS II Peace Scholars was received by the Mission and distributed to individuals representing the private and public sectors interested in using the conclusions to plan future training programs.

Grades from the 49 HOPS II academic Peace Scholars range from very good to excellent. 8 have perfect GPA's (4.0), only 3 have GPA's below 3.0, and GPA's for the rest range from 3.2 to 3.7. Eight Peace Scholars completed their studies between December 1994 and January 1995 and returned to their work in Honduras. A growing number of scholars have arranged internships in Honduras as part of their academic programs. This has been encouraged by the HOPS II Project because of the savings resulting from reduced tuition and living expenses during internships in Honduras, and also because it ensures more direct application of applied research to Honduran needs.

CAPS and HOPS I follow-on activities are integrated into HOPS II. During this reporting period, over 6,340 people benefitted directly from HOPS II follow-on activities, bringing the cumulative total of follow-on beneficiaries to 18,763. Indirectly, through the multiplier effect these efforts are having on primary school students, their parents, rural residents in need of health services, small business owners, community/municipal development, environmental conservation, and agriculture, the number of Hondurans benefitting from the project exceeds 250,000 persons. The major follow-on activities during this period are summarized below:

- The primary school teachers who received training in the U.S. provided seminars to share their new skills and knowledge with over 3,000 colleagues in primary education with a rate of female participation of roughly 60%.
- 312 municipal employees and community leaders representing 13 municipalities received training in municipal management and community development. (50% female)
- 150 small and micro-business entrepreneurs (85% female) received training in total quality management through in-country seminars financed by VOCA (Volunteers in Overseas Cooperative Assistance).
- A returned Peace Scholar was hired to coordinate activities related to environmental issues in coordination with Peace Scholars and Peace Corps Volunteers throughout Honduras. One objective is to formulate projects for funding from sources independent of USAID.
- Peace Scholars of the health sector have organized practical and motivational seminars to improve health services in rural communities and within the Ministry of Health and Social Security System. Almost 100% of the nurses are women.

- A Fulbright Scholar is completing her 10 month research project on the impact HOPS II training is having on the quality of education in rural areas at the primary and community level and will present her findings during the next reporting period. One summer intern from Princeton's Woodrow Wilson School will join the HOPS Project in June to assess the needs of returned Peace Scholars working in horticultural cultivation, processing, and marketing. The needs identified by his research will be shared with the Florida International Volunteer Corps, with a request for expert volunteers from the U.S. to provide follow-on training for Peace Scholars working in agriculture and other fields.

Follow-on activities and cost-sharing strategies have been developed in collaboration with technical offices of USAID (the Municipal Development, Agriculture and Natural Resources, Health Sector, and Primary Education Efficiency Projects). Closer ties have also been established with the technical offices of the Peace Corps, leading to linkages between HOPS II and Peace Corps, with P.C. volunteers being placed in communities where Peace Scholars are located. Collaborative efforts have also been promoted between USAID and U.S. Embassy scholarship recipients. More than 200 scholars of different scholarship programs participated in a seminar at the U.S. Ambassador's residence to focus on integrating commitments to volunteer social work.

D. Problems and Delays

Funding levels for HOPS II are substantially below the amounts originally projected for the project. Final funding levels are uncertain, but the project may receive only 50% of the authorized amount of \$15,000,000. The project's institutional contractor in the U.S. (AED) is also experiencing significant increases in training costs; 68% for short-term training and 43% for long-term training. With the increased training costs, combined with the contractor's increased administrative costs and reduced levels of funding for the project, the number of scholarships that can be awarded is being significantly reduced. Nearly all of the obligated balance of funding under the project will have to be utilized to assure that the 50 long-term Peace Scholars currently in the U.S. will be able to complete their studies over the next eighteen months. If this situation persists, HOPS II will not be able to award the 400 short-term scholarships originally contemplated under the project.

As a consequence of increased costs and reduced levels of funding for the project, future short-term technical scholarships awarded under HOPS II will be prioritized based on the Mission's strategic objectives and the degree to which other Mission projects, or other entities, will be able to provide a financial counterpart contribution to help cover training costs for Peace Scholars.

Actual accrued expenditures are below projections due to a group of 27 short-term technical trainees which were scheduled to depart for U.S. training in January of this year but were not able to depart until early April.

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

1. Implement 3 pre-selection seminars and predeparture training in priority areas defined by the technical offices of USAID/Honduras.
2. Organize and execute follow-on activities in the following areas:
 - Primary, adult, and vocational education;
 - Environmental conservation, education and communication;
 - Basic health services;
 - Agriculture (horticulture and livestock) production, processing and marketing;
 - Micro and small business management;
 - Municipal and community development;
 - Self-help opportunities/strategies for blind and handicapped individuals; and
 - Leadership and volunteer social work with long-term academic Peace Scholars.
3. Implement recommendations from the project's internal and external evaluations.
4. Negotiate a budget amendment with the project's institutional contractor (AED).
5. Conduct training impact evaluations with the assistance of U.S. volunteer interns.
6. Publish directory of U.S.-sponsored trainees from Honduras from 1985-1995.
7. Encourage Peace Scholars to maintain contact with staff and friends in the U.S.

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B ___ C X

I. BACKGROUND DATA

Project Title: Strengthening Accountability Systems
 Project Number: 522-0381
 Date of Authorization: original 09/29/93
 Date of Obligation: original 09/30/93
 PACD: original 09/30/96
 Implementing Agencies: Comptroller General of the Republic (CGR)
 Major Contractors: Mario Andrade, Audit Specialist
 Project Manager: H. Ricardo Callejas
 Project Support Officer: Marcela Moya
 Status of Cps/Covenants: CP to first disbursement: Met
 Other Cps (3): Not met
 Covenants (4): Not met consistently

Date of Last Evaluation: N/A Next Evaluation: TBD
 Planned No. of NFAs: 3 NFAs Contracted/Completed: 0
 Date of Last Audit: N/A Next Audit: TBD

A. FINANCIAL DATA

Amount Authorized: DA Grant: original \$2,500,000
 Amount Obligated: DA Grant: original \$ 458,000
 Amount Committed: Period: \$ 25,816
 Cumulative: \$ 176,029
 Accrued Expenditures: Period - Projected: \$ 124,000
 Period - Actual: \$ 53,730
 Cumulative: \$ 142,683
 Period - Next: \$ 245,000
 Counterpart Contribution: Planned (LOP): \$1,428,000 (L9,867,480)
 Actual Cumulative: \$ 59,417 (L 410,574)*
 % LOP Elapsed: 50%
 % of Total Auth. Oblig.: 18%
 % of Total Oblig. Exp.: 31%
 % of Total Auth. Exp.: 6%

II. PROJECT PURPOSE

To strengthen the Government of Honduras's (GOH) auditing capability and accountability.

RELATIONSHIP TO MISSION STRATEGIC OBJECTIVE

A. SPECIFIC LINKAGE TO S.O.: The project is to address the critical problem of weak public accountability as a result of poor management and corruption. By improving the GOH's auditing capability and accountability, the project is to contribute to the Mission's S.O. of More Responsive Democratic Processes with Greater Citizen Participation.

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

III. PROJECT DESCRIPTION

The Project consists of four interrelated components: (1) promoting overall staff stability and proficiency in the CGR, (2) augmenting the CGR's auditing capability, primarily in areas relating to the environment, investment projects and financial operations, (3) developing an investigatory capacity in the CGR and (4) developing public awareness of the costs associated with misuse of public resources and the role of the CGR in controlling fraud and corruption in government.

IV. PROJECT STATUS

A. Planned EOPS

Progress to Date

1. CGR audits conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).
Audit Specialist's work of revising and implementing GAGAS still ongoing. USAID/IG written assurance that the CGR ensures that the standards are being met is pending.
2. Audited GOH institutions have taken corrective actions recommended in CGR audit reports.
Assessment pending.
3. CGR investigatory cases involving fraud and corruption are prosecuted to the fullest extent of the law.
No cases reported.
4. Three specialized audit offices, an investigations office and a public trust awareness office operational.
Audit and investigations offices created (thus far three women, four men appointed). Audit Specialist on board. Investigations Specialist no longer sought.

B. Major Outputs

LOP 1/	Planned		Next		Accomplished		% of
	Period	Cum.	Period	Period	Period	Cum.	
1. Decrease in turnover rate among CGR supervisory auditors	50%		(Timing of assessment)	TBD			
2. Increase in the number of professionally completed CGR audit reports	100%		(Timing of assessment)	TBD			
3. Issuance of RIG's final certification of the CGR's auditing capability	1	0	0	0	0	0	0
4. Total public fraud/corruption complaints received by the CGR	65	7	9	8			**
5. Public fraud/corruption complaints resulting in audits/investigations	40	4	6	5			**
6. Investigatory cases submitted to public attorney/prosecutorial offices	20	2	2	3			**
7. Investigatory cases accepted by public attorney/prosecutorial offices for prosecution	14	1	2	2			**

1/ Subject to revision by a formal baseline assessment, if any.
 * Pending certification by the Mission Controller's/FARS Office.
 ** Updated certified information pending CGR's Progress Reports for quarters ending 12/31/94 and 03/31/95.

1 - 76

PROJECT STATUS REPORT

October 1, 1994 - March 31, 1995

A ___ B ___ C X

C. Other Accomplishments and Overall Status

Notwithstanding the CGR's 1994 Constitutive Law which empowered it to fulfill various operational, audit and investigative requirements, thus significantly enhancing public accountability, the expected CGR impact remains to be felt.

In first organizing itself to lay the groundwork for project implementation, the CGR established three specialized audit offices (environment, public works and financial operations) and an investigations office. These offices were limited mainly to test cases that, as envisioned, would set performance standards for the future. While preliminary work was done by these offices, over time their level of production and impact decreased considerably. For instance, the Environmental Audit Office and the Public Works Audit Office continued performing a few audits but without clear end results. Similarly, investigative efforts produced no tangible results. During the period the CGR continued doing work toward strengthening its overall organizational, managerial and staffing-pattern structures. However, the CGR has not furnished assessments of progress/accomplishments, if any, in these areas. Regarding project-related personnel appointments, the gender balance (three women, four men) has been maintained.

The project contemplated the contracting of two long-term specialists in the fields of audit and investigations. The Mission-contracted Audit Specialist, on board since the beginning of 1994, continued his work on strengthening the CGR's overall auditing capabilities. His major accomplishments for the period include: (1) being a major contributor to the first GOH "Manual for Governmental Auditing"; (2) drafting the CGR Regulations of the "Center for the Schooling for Public Auditors and Administrators", still under review by CGR management; (3) issuing various guides on the administrative and quality control aspects in governmental auditing; (4) working on the development of a CGR audit-recommendation tracking system; (5) providing technical support to CGR offices in carrying out limited on site audits/investigations; (6) training CGR auditors (38 men and 42 women) through seminars and workshops, one of which, on operational auditing, was conducted in coordination with personnel from Colombia's Comptroller General's Office; and (7) working on a first draft of the Career Law for Auditors.

Given the CGR's long-standing ambivalence as to whether the Investigations Specialist was actually needed, the Mission finally decided against financing this technical assistance. The Specialist will not be contracted.

The Mission Controller's/FARS Office continued its financial review/reconciliation of project counterpart expenditures, as of September 30, 1994. However, as of March 31, 1995, the corresponding report had not been issued.

Mission efforts continued during the period to have the CGR enter into cooperation agreements with other GOH public attorney/prosecutorial offices (such as the State Attorney's Office and the Public Ministry), but to no avail.

D. Problems and Delays

The Project is being classified a "C" project because it continues to have significant problems requiring senior management's attention. These problems include: (1) project implementation being significantly behind schedule; (2) the CGR's continued disregard for the terms of the Project Agreement and, related to this, (3) the Mission's decision to slow down and cut back financial assistance.

Project activities, except for those relating to the Audit Specialist's work, came to a virtual halt during the reviewing period. Most evident during the period was the CGR's disregard for the terms of the Project Agreement, despite, as has been well-documented, continued Mission efforts to ensure timely compliance. Notwithstanding the Mission's guidance and issuance of a Project Implementation Letter detailing the project's implementation process and the CGR's role in it, the CGR failed again to meet basic implementation requirements. To this end, the CGR accomplished none of the project activities planned for the period. Moreover, the CGR's continued unresponsiveness toward pressing project demands prevented the Mission from initiating activities key to the project's sustainability and albeit limited success, as described below.

As regards Project Agreement covenants, the CGR failed to submit the project's Implementation Plan and Budget for CY95, due in January 1995, and since December 1994 chose to no longer submit quarterly progress reports, despite detailed Mission guidance to upgrade the quality of these reports. (The CGR had previously submitted reports that were considerably substandard.)

In relation to conditions precedent to disbursements, the CGR failed to provide evidence that it had submitted to the Ministry of Finance an annual budget request for the GOH FY95 to finance salaries of staff assigned to the offices created under the project. Failure to comply with this CP precluded USAID from further disbursing grant funds under the project, except for such excepted items as technical assistance. Similarly, the CGR postponed submitting an independent evaluation of its automated data processing (ADP) equipment needs, a requisite for USAID disbursing any grant funds for such equipment. Other areas neglected by the CGR included fostering human resources development within the institution and promoting a public awareness campaign on the issue of public trust, which the Mission had actively supported.

In response to such CGR disregard for Project Agreement terms and manifest reluctance to combat fraud and corruption in government, and as a result of USAID budgetary constraints for FYs 95 and 96, the Mission decided to limit project financing to the current \$458,000 obligation. The Mission so advised the CGR in mid-December 1994. However, the Mission required that for the release of funds still available under the project (about \$300,000), the CGR submit a limited-scope implementation plan within the framework of the Project Agreement. CGR-USAID meetings were held to that effect. Yet the CGR did not approach the Mission with its financing requests until late March 1995. Specifically, the CGR was interested in Mission financing for (1) the ADP equipment, (2) training abroad for CGR employees (under an agreement with Puerto Rico's Comptroller General's Office) and (3) the Audit Specialist. However, no justification supporting these requests was submitted to the Mission. Moreover, the CGR was interested in renegotiating the project's counterpart budget for CY94, which was approved by the Mission in August 1994 after long negotiations with the CGR. Given the approved work plans and good performance produced by the Audit Specialist, the Mission agreed to finance this item only. A decision relating to the other grant financing requests is pending the CGR's submission of the required justifications.

The Mission has targeted the project for termination at the end of the current Fiscal Year--a year sooner than anticipated and with only marginal accomplishment of objectives. On the positive side, financial risk has been minimized as the bulk of authorized grant resources has been saved for better use.

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

1. Complete the local currency counterpart expenditures reconciliation process (a CONT/FARS ongoing action).
2. Undertake formal project closeout procedures.

PROJECT STATUS REPORT: October 1, 1994 – March 31, 1995

Regional Technical Aid Center Project (RTAC II)

Project No. 598-0791 (Formerly 597-0011)

Strategic Objective: More Responsive Democratic Processes with Greater Citizen Participation.

Goal: Improve higher education in Spanish-speaking America.

Purpose: To increase U.S. cooperation with Latin American institutions by providing high quality U.S. published textbooks and technical information, in Spanish at affordable prices, for Latin American universities, technical schools, libraries and professionals.

PACD: 09/24/96

Authorized Amount: \$43,000,000

USAID/Honduras: \$ 500,000

Project Managers: Ned van Steenwyk and Paul Shiftan

Project Status: The Regional Technical Aid Center I Project (RTAC I) ended in 1979 after twenty years of assistance to the Latin American publishing industry and the distribution of over 1,000,000 books. RTAC II began in 1986 with the goal of distributing 4,000,000 books throughout Latin America.

USAID provided \$30,000 to assist the RTAC II Center in establishing and equipping its offices during this reporting period, and to cover its recurrent costs for a period of eight months (January – August of 1995). Offices were established, personnel were contracted, accounting and administrative manuals were developed and approved by FARS, and the center began operations as planned.

Approximately 35,000 university textbooks were distributed during this reporting period and orders for an additional 15,000 were received by the newly established RTAC II Center, with counterpart contributions of approximately \$80,000 from the nine new institutions participating in RTAC II. The total number of books ordered by the RTAC II program in Honduras is now 435,000.

Approximately \$30,000 annually will be required to finance the recurrent costs of the RTAC II Center. Financial self-sustainability is to be achieved by a 5% surcharge on RTAC publications. At this rate, RTAC will require orders of about 60,000 RTAC publications annually to achieve financial sustainability.

University textbook orders exceeded 50,000 over the past twelve months. The 5% surcharge on these orders provided \$25,000 for the RTAC II Center to continue operations after USAID's initial financing of the institution's recurrent costs ends in August 1995. The institutions now participating in the RTAC II program are listed below.

Private Sector Institutions

Escuela Agricola Panamericana (EAP)*
Universidad Tecnologica Centroamericana (UNITEC)
Universidad Jose Cecilio del Valle
Universidad de San Pedro Sula
Universidad Catolica
Centro Cultural Sampedrano
Gerentes y Empresarios Asociados de Honduras (GEMAH)
Centro Asesor para el Desarrollo de los Recursos Humanos (CADERH)

Public Sector Institutions

Universidad Nacional Autonoma de Honduras (UNAH)*
Universidad Pedagogica Nacional (UPN)*
Escuela Nacional Agrícola (ENA)
Instituto Nacional de Formacion Profesional (INFOP)

*Original Institutions Participating in the RTAC II Program

Gender Issues: Approximately 50% of the beneficiaries of the RTAC II program are females enrolled in universities and post-secondary training programs in Honduras, and the President of the Board of Directors of the RTAC II Center is a female.

Problems and Delays: The Centro Cultural Sampedrano (CCS) is having second thoughts on joining the RTAC II program because the books they are most interested in require special orders and are not typical university or technical publications. The regional RTAC agent is negotiating prices for CCS's orders and a final decision will be made on CCS's participation during the next reporting period.

Major Activities and Corrective Actions for the Next Reporting Period

- 1) Distribute the 15,000 books ordered during this reporting period.
- 2) Reach a final decision on the participation of CCS in the RTAC program.
- 3) Reduce the mission's direct involvement in the RTAC II Center with the termination of the mission's RTAC II Coordinator's contract in August 1995.
- 4) Assign the balance of USAID/Honduras' funding (approximately \$40,000), for RTAC II rotating accounts, to the RTAC II Center's rotating account.