

**PROJECT CLOSE-OUT REPORT: ADVISORY COUNCIL FOR HUMAN
RESOURCES DEVELOPMENT (CADERH)**

Project Number: 522-0257
Date of Authorization: 07/26/84
PACD: 07/15/94

Background

USAID/Honduras established an advisory committee with representatives from the Honduran private and labor sectors in 1982 to assist the mission in identifying high priority human resource development opportunities. The advisory committee identified management and vocational training as two of the highest priorities for Honduras, along with continuing investments in primary education for children. Based on these recommendations, and with the consensus of the mission and the government of Honduras (GOH), three new projects were designed and implemented:

- 1) A management training project managed by members of the advisory committee with the Association of Honduran Managers Entrepreneurs (GEMAH: 1984-89);
- 2) A vocational training project managed by the members of the advisory committee acting as the "Advisory Council for Human Resources Development" (CADERH: 1984-94); and
- 3) The Primary Education Efficiency Project with the Ministry of Education (PEEP: 1986-95).

During the process of identifying strategies for the implementation of vocational training activities, the advisory committee and the mission reviewed alternatives for investments with the public sector. Both parties concluded that without strong private sector leadership the probabilities would be low for achieving significant improvements in the quality, efficiency, or relevance of vocational training.

Consequently, members of the advisory committee formed the "Advisory Council for Human Resources Development." The Advisory Council functioned as a committee under the Foundation for Investment Development and Research (FIDE). USAID signed a Grant Agreement with FIDE to execute a pilot project in vocational education; the implementation of the project was managed by the Advisory Council. In 1986 the Advisory Council formalized its existence, obtained its own legal status as a nonprofit institution (the "Centro Asesor para el Desarrollo de los Recursos Humanos de Honduras: CADERH), and the Grant Agreement with FIDE was amended to make CADERH the implementing agency.

Following pilot activities to develop competency based training materials and trade certification exams with CADERH, a major Grant Agreement Amendment was signed in 1986 to expand the project's activities to provide financial and technical assistance for PVO and municipal vocational training centers. A second major Grant Agreement Amendment was signed in 1988 to provide financing for industry specific training programs with export oriented businesses.

Project Goal and Purpose

The goal of the project was to generate increased employment opportunities (approximately 15,000 person years) through the improvement of the quality and relevance of vocational and managerial training. The purpose of the project was to create a technically and financially viable institution to provide mechanisms for responding to private sector training needs and priorities.

Project Description

The project was initiated on July 26, 1984 and was completed on July 15, 1994 with \$6,325,000 in financing from USAID, \$7,800,000 from the Government of Honduras (GOH), and a \$11,674,415 counterpart contribution from CADERH.

Over 25,000 people were trained over the life of the project (LOP). About 9,000 individuals received skill upgrading training and over 16,000 trainees received entry-level training, which resulted in over 35,000 person years of employment. CADERH also developed strategies to encourage higher levels of female participation, particularly with in-plant training activities for export oriented business. These strategies resulted in 35% of the total number of trainees being female.¹

The project provided support for two types of training programs: (1) entry-level and skill upgrading training programs executed by PVOs and municipalities for low income, unemployed and underemployed youth and adults; and (2) industry specific, in-plant training to provide increased employment opportunities and enhance the competitiveness of Honduras in the region. The project had three components.

1) Component I built, remodeled, and equipped sixteen vocational training centers sponsored by PVOs and municipalities; trained the centers' staff and provided ongoing technical assistance; and developed competency based instruction (CBI) materials and trade certification exams for 31 trades.

¹Female participation in the economically active population of Honduras is only 20%.

2) Component II provided industry specific training, which was usually in-plant training for export oriented firms. Approximately 5,500 people received technical training under this component with USAID assistance and an additional 2,000 were trained by CADERH after USAID participation in this component was terminated. Over 80% of the trainees were females, many of whom were single mothers who would have experienced difficulties in obtaining gainful employment without this training. A final evaluation of this project concluded that this training had a direct and rapid impact on the productivity and quality of production.²

3) Component III provided low-cost, high quality training materials through printing and distributing CBI and audiovisual training materials for vocational instruction. A Training Materials Bank served as a clearinghouse and source of training materials for firms, individuals and the training centers assisted by the project.

Outputs

1) Component I: Over 3,000 unemployed and underemployed youth and adults receive training annually in the training centers assisted by CADERH. Training costs in the PVO/municipal centers are only \$0.12 (L7 = \$1) per participant hour of instruction. Retention rates and job placement rates are also very high at 90% and 87%, respectively, as a consequence of CADERH's provision of efficient and relevant vocational training for the participants enrolled in these training centers. There were no significant differences in completion and job placement rates between genders.

According to the final evaluation of the project³, the competency based instruction (CBI) materials developed by CADERH for 31 trades are comparable to the best of other countries worldwide. The trade certification exams developed are of high quality, generally easy to use, and reflect a functional balance of theory and practice.⁴

The final evaluation of the project also concluded that the PVO and municipal training centers are meeting the training needs of some of the least privileged sectors of society, are improving employment opportunities for lower income sectors (with a 90% job placement rate), and that the CBI and trade certification systems serve as effective quality control mechanisms for the vocational training centers assisted by CADERH.

²Dennis Herschbach and David Eding, Final Evaluation of the Honduran Advisory Council for Human Resource Development (Washington, D.C.: DEVRES Inc., April 1994).

³Ibid.

⁴Ibid.

2) Component II: CADERH was to become a training broker to meet private sector training needs under the original design of the project. Technical assistance, initial training personnel, materials, technologies and equipment to develop and enhance local in-plant training capabilities were to be financed by the project with other local training entities providing industry specific and in-plant training for the private sector.

Other training entities, however, did not accept the competency based, criterion-referenced evaluation system CADERH was promoting for the evaluation of training. These entities also declined to accept other conditions for receiving assistance from the project. Consequently, CADERH assumed direct responsibility for training, with USAID approval, and achieved excellent results.

USAID's participation in this activity, however, was terminated in September of 1992 because of the anticipated requirements of Section 599 of the FY 1993 Foreign Operations Appropriations Act, which in turn stemmed from the concerns of the U.S. Congress that successful training programs for export industries could result in a reduction in jobs for U.S. workers. CADERH subsequently continued this activity with no further assistance from USAID.

3) Component III: This component achieved its objectives and USAID support for this activity ended by 1992. More than 200,000 training modules and audiovisual units were reproduced and distributed by CADERH to training centers and sold to firms and individuals. The component is now financially self-sustainable through the sale of services and products, and also markets CBI and audiovisual training materials to vocational training programs.

4) Institutional Development: CADERH's institutional capabilities evolved over the life of the project. The final evaluation of the project concluded that the institution was responsive to recommendations and is capable of accommodating changes. The evaluators noted that CADERH is achieving financial sustainability by providing training and other services for clients who can afford to pay for these services. A major concern, however, is the degree to which CADERH will be able to continue to finance nonprofit development activities for the benefit of lower income sectors of society over the long-term.

Inputs

Total project financing was \$25,799,415 (\$6,325,000 USAID, \$7,800,000 GOH/ESF, and \$11,674,415 CADERH). Three institutional contractors were utilized over the LOP to assist CADERH in developing and executing project activities in the areas of developing competency based instructional materials, criterion-referenced/competency-based trade certification tests, training needs analyses, and in-plant training programs. Two long-term and several short-term technical advisors provided approximately 12 person years of technical assistance over the LOP; assisting in project implementation, the training of trainers, and providing technical assistance to PVO and municipal training centers.

Outcomes Planned but not Accomplished. CADERH surpassed all of its major outputs with the exception of training 6,500 people under Component II (Industry Specific Training) while receiving assistance from USAID. The project had trained 5,500 people when USAID terminated financing for this component in 1992 in response to the requirements of Section 599. CADERH, however, continued this activity with its own financing and trained an additional 2,000 people; thereby surpassing the goal of training 6,500 people under Component II.

Financial Status

1) DA Funds

Authorized: \$ 6,325,000 (100%)
Obligated: \$ 6,325,000 (100%)
Expended: \$ 6,321,169 (99.94%)

2) GOH/ESF Funds

Authorized: \$ 7,800,000 (100%)
Obligated: \$ 7,800,000 (100%)
Expended: \$ 7,800,000 (100%)

3) CADERH Counterpart Funds

Planned: \$ 11,100,000
Actual: \$ 11,674,415 (105%)

Results of Evaluations

Semi-annual internal evaluations were initially conducted by CADERH and USAID from 1984-88, followed by annual internal evaluations from 1989-94. Internal evaluations focussed on assessing progress in achieving project goals and objectives, the execution of semi-annual and annual work plans, and the identification of actions and strategies to overcome difficulties in project implementation. Internal evaluations were complemented by four external evaluations conducted in 1987, 1988, 1989, and 1993/94.

1) **1987 External Evaluation:** The first external evaluation was conducted in 1987 following the completion of the initial pilot project with CADERH and the initiation of activities with PVO and municipal training centers. The evaluation identified three major concerns:

a) The project's initial institutional contractor was not providing timely and effective technical assistance in the development of training materials and trade certification;

b) CADERH had an identity problem (was CADERH an institution which was expected to become an independent, financially sustainable entity or was it a donor-financed program for providing vocational training for low income sectors?)⁵; and

c) There was a need for CADERH to strengthen its service delivery and marketing capabilities, and to develop an asset base to achieve financial sustainability.

As a consequence of the evaluation the institutional contractor's contract was terminated; CADERH began to define its longer-term identity, priorities, and activities; plans and alternatives for financial sustainability were developed; and CADERH began to strengthen its marketing and service delivery capabilities for its income-generating activities.

2) 1988 Financial Sustainability Study: Based on the concerns about financial sustainability expressed in the first external evaluation, a study was conducted in 1988 by external consultants to provide a deeper focus on this subject. The study provided guidance for CADERH to further define its future activities and marketing strategies, and recommended an endowment to facilitate financial sustainability. CADERH's membership and personnel developed a five year plan and USAID began negotiating an ESF-financed endowment with CADERH. The endowment, however, was not granted because new Agency guidelines were issued which required that ESF-funded activities be requested by the GOH, rather than by a nongovernmental grantee. CADERH, consequently, began negotiations with the GOH for an endowment.

3) 1989 External Evaluation: The third external evaluation was the project's midterm evaluation. The major recommendations were:

a) Tensions between realizing project goals and CADERH's future identity (project goals vs. increasing income-generating activities) should be resolved;

b) Continuing emphasis should be placed on future plans for financial sustainability;

c) An endowment should be created to allow CADERH to continue its training activities for lower income sectors which cannot afford to pay for CADERH's services;

d) Female participation as beneficiaries should be increased;

e) CADERH should consider terminating the contract of the project's second institutional contractor based on marginal performance during the latter stages of the contract;

f) Training materials and trade certification exams should be refined to focus only on the most critical work requirements for specific trades and delete less critical information; and

⁵This was an ongoing issue over the LOP and received considerable attention during subsequent internal and external evaluations.

g) CADERH should streamline its administration and develop an integrated accounting system.

As a consequence of the evaluation and CADERH's negotiations with the GOH, the GOH requested that the GOH and USAID program ESF-generated local currency to capitalize an endowment for CADERH. The mission's macroeconomic policies and high demands for ESF, however, did not allow funds to be programmed for this purpose in 1990. With declining levels of ESF in subsequent years, the endowment was not established. CADERH developed strategies to encourage higher levels of female participation, particularly with in-plant training activities for export oriented businesses. Tensions between realizing project goals and working with low income groups vs. increasing income-generating activities were temporarily reduced by assigning project implementation activities to CADERH's Technical Director, while a marketing director was contracted to assist in marketing and managing the institution's income-generating activities. The institutional contractor's contract was terminated, training materials and trade certification exams were revised to focus on essential skills and knowledge, an integrated accounting system was developed, and the institution began to reorganize its administrative system to become more responsive to clients.

4) 1993/94 External Evaluation: The fourth and final external evaluation of the project was conducted in late 1993. The final evaluation report was issued in April 1994. It concluded that the technical design of the project was sound. Competency-based instruction (CBI) strategies were functional for conditions in Honduras, given the student population served, the limited availability of trained teachers, and limited resources. CADERH had become a technically and financially viable institution, capable of responding to private sector training needs, and had established its long-term potential to provide training, contribute to economic growth, and enhance significantly the employment prospects of its trainees. The recommendations from the final evaluation included:

a) USAID should consider additional financial assistance for CADERH to replace and upgrade some of the equipment and tools in the training center assisted by the project, provide ongoing in-service training and technical assistance programs for training centers, and expand the use of CBI and trade certification examinations by promoting the acceptance of national certification examinations through linkages with relevant worker and employer groups.

b) CADERH should encourage the formation of a professional organization for the personnel of training centers with the long-term goal of institutionalizing self-directed professional development activities among vocational training instructors and training centers.

c) CADERH should review its organizational structure and mix of activities to achieve greater cohesion among cost centers, concentrate resources on activities in which CADERH has a comparative advantage, and establish marketing and public relations programs to expand markets for CADERH's services.

d) CADERH should expand its membership to achieve national recognition, increase the number of stakeholders, and enhance linkages with other entities.

e) CADERH should address its high rate of staff turnover.

The recommendations from the final evaluation of the project are being acted on by USAID and CADERH. A second project with CADERH is being developed with USAID financing to establish fifteen additional PVO and municipal training centers. The new project will also provide financing to update the tools, equipment and the facilities of the sixteen vocational training centers previously assisted by CADERH. Ongoing staff training and technical assistance will be provided after the PACD of the new project for approximately 30 PVO and municipal training centers by establishing a dollar-funded endowment to finance the salaries of CADERH personnel to provide this assistance as well as associated logistic support.

The new project will also promote a national trade certification system and involve training center personnel in defining their respective training needs. These needs, which are expected to center on the requirement for self-directed professional development, will be met during the LOP with project funding and over the long-term (i.e., an additional 15 years) by the endowment. The remaining recommendations are being acted on by CADERH:

- * CADERH is expanding its membership, particularly on the north coast;
- * Professional development and salary strategies are being developed to reduce staff turnover;⁶
- * CADERH is reviewing its ongoing activities to prioritize activities, achieve greater cohesion among cost centers, and concentrate resources on activities where CADERH has a comparative advantage.

Summary of Lessons Learned

The three principal lessons learned were: (1) the importance of a long-term commitment, management consensus, and continuity for a project of this nature; (2) the tensions that can be caused by seeking to achieve financial sustainability while meeting the training needs of low income sectors; and (3) the difficulties associated with using "training broker" strategies.

⁶It is anticipated that staff turnover among key technical personnel will be reduced with these strategies, but many technical and administrative personnel will continue to find more financially rewarding employment in the private sector after having been trained by CADERH. Consequently, lower level technical personnel will continue to be trained by CADERH as required, with the anticipation that they will remain with the institution for several years prior to seeking more remunerative employment in the private sector.

1) Long-Term Commitment and Continuity: The key elements for achieving project goals and the overall success of the project were associated with:

- * The long-term continuity and stability of CADERH's membership and Board of Directors, and USAID project management;
- * Clearly articulated policies, objectives, and goals during the implementation of the project; and
- * The long-term commitment of USAID and the grantee to implement the project.⁷

2) Tensions Between Realizing Project Goals and Financial Sustainability: The final evaluation of the project concluded that a decade was a relatively short period of time to establish an institution like CADERH and expect it to achieve financial sustainability. The mission and CADERH, however, do not believe that "time" was the most important factor. An additional five years of traditional donor support would not have a significant affect on CADERH's longer-term ability to meet the training needs of lower income, unemployed and underemployed people who cannot afford to pay for CADERH's training services. Continued long-term GOH or donor support, and/or a modest endowment strategy, will be required to meet the development needs of lower income groups who cannot afford to pay for these services.

This has important implications for other projects which are designed to achieve financial sustainability while meeting the development needs of lower income sectors. For example, CADERH's need to achieve financial sustainability may limit the institution's development potential. To achieve financial sustainability CADERH must sell its products and services to clients who can afford to pay for these products and services. Business concerns, consequently, must often take priority over meeting the training needs of less privileged sectors of society.⁸

In summary, while lower income sectors can pay only a relatively small portion of the total costs of training and can contribute to the financing of their training in other ways (e.g., by integrating production activities with vocational instruction as CADERH has done), USAID should be cautious in developing projects which are to achieve financial sustainability while meeting the development needs of lower income groups.

⁷See Herschbach and Eding, Op.Cit.

⁸The importance of training for lower income groups in Honduras is evident. The training centers assisted by CADERH achieve a 90% job placement rate and average income increases of \$1,000 annually for trainees as a consequence of training, while 45% of the economically active population of Honduras is unemployed or underemployed, and 70% lives in poverty.

3) Training Broker Strategies: The original design for the project called for CADERH to become a "training broker." The training broker strategy did not achieve its anticipated impact because local training institutions were not accustomed to accepting the external controls over their curricula and the external evaluation of participants needed for quality control. CADERH, with USAID concurrence, subsequently assumed direct responsibility for providing training.

It appears that the training broker strategy also failed to achieve its anticipated impact with the USAID financed FEPADE Project in El Salvador. Several years of project implementation time and resources might have been saved had different strategies been utilized from the inception of these projects. Other USAID missions should be cautious in utilizing "training broker" strategies when local training institutions are autonomous entities and/or unaccustomed to external supervision and evaluation.