

A.I.D. EVALUATION SUMMARY - PART I

PD-ABM-465

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS. 98160
 2. USE LETTER QUALITY TYPE, NOT DOT MATRIX TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office <u>USAID/Honduras</u> (ES# <u>FY95-8</u>)	B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input type="checkbox"/> Slipped <input checked="" type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>94</u> Q <u>3</u>	C. Evaluation Timing Interim <input type="checkbox"/> Final <input checked="" type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project Program	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
522-0207	Export Development and Services (Fundación de Inversiones y Desarrollo (FIDE) Component)	84	8/94	7,670.7	7,670.7

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director	Name of Officer Responsible for Action	Date Action to be Completed
Action(s) Required		
1. Provide counterparts copy of final evaluation.	VDíaz	Done
2. Share with counterparts principal recommendations and lessons learned in this ES.	VDíaz	Done
3. Proceed with the project's close out.	VDíaz	01/31/96

APPROVALS

F. Date of Mission Or AID/W Office Review Of Evaluation: (Month) (Day) (Year)
 April 27 1995

G. Approvals of Evaluation Summary And Action Decisions:

Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission of AID/W Office Director
Signature	<i>V.D.E.</i>	Norman Garcia	C.Zambrana	E.Brineman
Date	10/25/95	1/22/96	11/30/95	1/30/96

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

The purpose of the Export Development and Services (EDS) project was to promote economic growth and employment through promotion of nontraditional exports, both manufactured goods and agriculture. The Foundation for Research and Business Development (FIDE) was established in February 1984 to implement the component of the project concentrating on nontraditional manufactured exports. The purpose of the final evaluation was to draw conclusions about the overall success of the FIDE component of the EDS Project since the midterm evaluation, a period covering roughly the last six years of the project. Funded under the Latin American Trade and Investment Project, the evaluation team comprised two individuals, including the Chief of Party -- an experienced consultant with substantial USAID and Honduran background -- and an economic specialist.

The evaluation concluded that:

- FIDE had become a highly competent professional institution with influence within Honduras well beyond its small size.
- FIDE had achieved financial self-sufficiency enabling it to maintain in the future its core program of investment promotion and export development without need for additional external assistance.
- FIDE had met its economic targets: creating 35,000 new jobs, promoting export sales of nearly \$400 million, accounting for 99 new investments of nearly \$200 million, and, most important, contributing between 6 and 8% of Honduras' GDP.
- FIDE is helping to reduce poverty within Honduras. Nearly half of the new hires in the export apparel operations supported by FIDE were previously unemployed; 70% of the new hires were women compared to women labor participation rates of 30% nationally in the formal sector; wages were 80% higher than previous earnings level including 20-30% over the current minimum wage; and quality of life indicators had improved significantly in areas where the apparel assembly operations were located.
- Finally, FIDE had contributed to a positive economic policy environment for exports. Among a number of accomplishments, the most important may have been the role it played in securing passage of the investment code in 1993 which provides for a one-stop window for investors. Also, a comprehensive economic policy document prepared for the new Reina administration was extremely well received.

Lessons learned include:

- Successful investment promotion requires a favorable economic and social climate. Government of Honduras (GOH) reform efforts, begun in earnest in 1990, contributed importantly to FIDE's success in promoting investments.
- While successful investment promotion need not be terribly expensive nor require a large supporting institution, it does need a good product. In the case of Honduras, this is a readily available, low cost, reasonably productive labor force in a country within good proximity to the U.S. market.
- Investment promotion concentrated on export assembly industries is a very efficient means for achieving significant increases in employment and foreign exchange in the near term.
- Focusing on one or two subsectors is the most efficient way of pursuing investment promotion, precluding the dissipation of scarce resources.
- General trade and investment promotion institutions cannot be sustained solely through user fees but must look to other sources for additional funds.

COSTS

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
Wesley Boles	Nathan Associates	LAG-0797-C-00- 2046-00 TSO No.015	87.869	LAC Trade and Investment Development Project
Philip Rourke	Nathan Associates			

2. Mission/Office Professional Staff 25
Person-Days (Estimate) _____

3. Borrower/Grantee Professional 15
Staff Person-Days (Estimate) _____

A.I.D. EVALUATION SUMMARY – PART II

SUMMARY

J. Summary of Evaluation Findings – Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

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| <ul style="list-style-type: none"> ● Purpose of evaluation and methodology used ● Purpose of activity(ies) evaluated ● Findings and conclusions (relate to questions) | <ul style="list-style-type: none"> ● Principal recommendations ● Lessons learned |
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Mission or Office
USAID/Honduras

Date This Summary Prepared:
11/18/94

Title And Date Of Full Evaluation Report:
Final Evaluation for Fundación de Inversiones y Desarrollo de Exportaciones (FIDE), October 1994

Purpose of the Project

The component of USAID/Honduras Export Development and Services (EDS) Project which promoted nontraditional manufactured exports was implemented by the Foundation for Research and Business Development (FIDE) which was established in February 1984 to promote economic growth and employment. This was to be achieved through investment promotion and, to a lesser extent, economic policy dialogue.

Purpose and Methodology of the Evaluation

The purpose of the final evaluation was to draw conclusions about the overall success of the FIDE component of the EDS project since the midterm evaluation, a period covering roughly the last six years of the project. The evaluation sought to (a) determine the relevance, effectiveness, efficiency, impact, and sustainability of the FIDE component, (b) assess the degree to which the component accomplished its purpose, and (c) identify lessons learned that may be applied to other future USAID projects. The evaluation was undertaken by a two person team funded through the Latin America and Caribbean Trade and Investment Project and consisting of a Chief of Party with considerable experience with USAID and on Honduras and an economic specialist. The Chief of Party was responsible for the overall direction of the evaluation, while the economic specialist assessed and quantified the results obtained by FIDE in its investment promotion efforts. The team secured information through a combination of (a) review of documents available at USAID and FIDE, (b) personal interviews, and (c) visits to export processing zones in northern Honduras and several other Honduran institutions.

Background

The EDS Project was part of USAID/Honduras' strategy to cope with the difficult economic and social situation then existing in the country. The 1982 restoration of democracy was still new. Neighboring countries were in civil insurrection. World economic conditions in the 1979-1981 period resulted in a decline in the GDP in real terms and a more precipitous decline in per capita income. The reluctance of the GOH to undertake macroeconomic reforms made matters worse. To help preserve Honduras' newly emerging democratic institutions, maintain social harmony and reverse the economic decline, USAID chose to promote nontraditional exports, which involved directing Honduran industry towards export markets while seeking to reform macroeconomic policy.

FIDE was one of two institutions funded through the EDS project to promote nontraditional exports. (The other was FPX, an institution focusing on nontraditional agricultural exports.) End of Project Status (EOPS), as originally established, did not distinguish between FIDE and its agricultural counterpart. It called for (a) a favorable policy environment, (b) development of export institutional capability, (c) increases in employment and exports, and (d) adequate financial services for exporters. The project envisaged that FIDE would engage in four broadly defined activities in support of these objectives, including nontraditional export development, promotion of "labor-intensive" exports, assistance to exporters to obtain financing and improvement of the Honduran climate for business and investment. FIDE was also expected to achieve financial self-sufficiency over the life of the Project.

During its initial three years of operation, FIDE concentrated on export development, with emphasis on wood and tobacco products, achieving modest results. During this period, FIDE was involved in assisting industry obtain financing through certification of eligibility for access to an export credit line set up as part of the EDS Project. More important, at this time FIDE's institutional support division dedicated substantial effort to improving the legal framework for export development and was principally responsible for the amendment of the law permitting duty-free temporary import of materials to be processed and exported and a law permitting privately-owned export processing zones.