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STRATEGIC PLAN
(FY 1998-2003)
USAID/HONDURAS



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USAID/HONDURAS STRATEGIC PLAN

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EXECUTIVE SUMMARY

The proposed new strategy for USAID/Honduras builds upon the Mission's past achievements while focussing on new opportunities. The new strategy is similar to the current portfolio in that it seeks sustainable improvements in economic access and participation, stewardship of natural resources, family health, and democracy. However, it differs in that it limits its objectives to conform with new budget realities; budgets for all strategic objectives have been reduced, except for democracy which has a significant increase. New initiatives in the strategy concentrate on newly identified opportunities or on ensuring the sustainability of past achievements. The strategy focuses on the goal of **"A More Stable and Prosperous Honduras"** and is bound together by the common themes of poverty reduction and support for Honduras' transition to an open economy and a more participatory democracy.

The economic growth - poverty reduction strategy (SO1) seeks **"expanded and equitable access to productive resources and markets"** by improving the policy environment conducive to poverty reduction, improving market access and competitiveness by the poor, and increasing educational attainment. In the policy area, the Mission will continue economic policy work, reduce support for agricultural policy analysis capability in the GOH which is essentially complete, and initiate new activities focused on reducing transaction costs for the poor and expanding the culture of open markets and entrepreneurship. This latter effort will address a problem which repeatedly surfaced during the strategy development process.

The natural resources and environment strategy (SO 2) seeks **"effective stewardship of key natural resources for sustainable economic growth"** by improving sustainable pine forest management, hillside agriculture, and management of protected areas. The strategy continues current Mission commitments until their completion and thus contemplates a narrowing of focus with the completion of commitments to hillside agriculture in 1998.

The health strategy (SO3) seeks **"sustainable improvements in family health"** by increasing use of reproductive health services including family planning, sustaining use of child survival services via health reform, increasing use of STD/AIDS prevention practices, and improving household food security in the poorest areas on Honduras. An important change from the current strategy is a shift to health reforms needed to sustain Honduras' impressive child survival gains when donor assistance declines in future years.

The democracy strategy (SO4) seeks **"consolidated democracy"** by strengthening rule of law and respect for human rights, making municipal government more responsive and effective, and making political processes more genuine and competitive. This strategy builds on the Mission's current successful rule of law and municipal government activities which are facing a critical period. Rule of Law efforts are closely linked to the new Criminal Procedures Code which is expected to pass this year and essentially revolutionize the justice system in Honduras. This, and the changing of judges and the Attorney General following the November 1997 election, mean that continued strong support by USAID, other donors, and civil society is crucial. The election will also bring to office a new set of mayors and thus the sustainability of all our democracy gains at the municipal level could be jeopardized. It is extremely important that sufficient support be provided this new set of mayors and their municipal boards. Given USAID budget constraints, efforts in this arena will be limited to assisting civil society groups working on needed reforms.

I. SUMMARY ANALYSIS OF ASSISTANCE ENVIRONMENT AND RATIONALE FOR FOCUSING ON PARTICULAR AREAS

Introduction

This document presents the proposed USAID Strategic Plan for Honduras from FY 1998 to FY 2003. Implementation of the Plan will require about \$22M per year in Development Assistance (DA) funds, combined with P.L. - 480 resources averaging \$3.5M per year in Title II and \$5M per year in Title III. These resources will be used to support U.S. objectives in the Summit of the Americas, other U.S. foreign policy goals in Honduras, the achievement of USAID global objectives, and Honduras' efforts toward broad-based sustainable development.

A. U.S. FOREIGN POLICY INTERESTS

Honduras continues to be strategically important to U.S. national interests. These interests, which are driven by its proximity and historic ties to the United States, focus on the nation's political and economic stability and advancement.

Honduras is not a mature democracy, though it has had four open and fair elections with peaceful transfers of power since 1981. Important U.S. foreign policy interests include the need to encourage deeper roots for the democratic process, protection of human rights, the minimization of corruption, and increased respect for law and order. Domestic crimes, such as theft, assault, bombings, and kidnappings, have risen due to economic frustration, the availability of weapons, a growing drug culture, and weak public security and justice systems. The United States supports Honduras as it continues to strengthen its democracy through justice system reform and support for a professional, well-trained civilian police and Public Ministry as well as by encouraging increased civil participation during the ongoing transition from authoritarian to democratic rule.

The United States also supports Honduras in its pursuit of other Summit of the Americas initiatives such as "promoting prosperity through economic integration and free trade" and "eradicating poverty and discrimination in the hemisphere." As the fourth poorest country in Latin America, Honduras suffers from high unemployment and underemployment. An open market economy generating private-sector led growth would expand opportunities for U.S. business and investors, decrease Honduras' dependency on foreign aid, and increase the incomes of the poor. With more job opportunities, poverty-driven illegal immigration to the United States would decrease. Honduras ranks in the top ten source countries world-wide for illegal immigration to the United States, and is number two in the world for deportations from the United States. Thus, the United States has a significant interest in helping Hondurans break the cycle of poverty.

Threats to health and the environment are also a U.S. concern. Since infections and diseases know no borders, all nations have a vested interest in the health of their neighbors. Increasing access to basic health services, including those aimed at child survival, maternal health, family planning, and sexually transmitted diseases improves the standard of living of Hondurans and prevents or diminishes health threats to nearby countries. Combatting and/or preventing pollution, especially with proper waste disposal, also contributes to disease prevention and child survival. Working to protect watersheds, forests and biodiversity helps Honduras ecologically and economically; thus, providing a better future for Honduras and other nations in the Americas.

B. THE DEVELOPMENT CONTEXT: HONDURAS IN TRANSITION

1. Introduction and Summary

Honduras is undergoing a number of profound transitions that are readying it for rapid development in the 21st century. One of the most important transitions is moving the country toward a liberal economy, open to international trade and to disadvantaged groups which previously were largely excluded from the economic mainstream. Equally important to future development is a trend toward dramatically improved human resources, particularly in the areas of education and health. Another crucial transition is a move from a closed, elitist, authoritarian political system to a more transparent and just system which encourages the participation of all members of society. These transitions and trends are opening opportunities for rapid economic growth and significant reductions in poverty.

Honduras is making difficult economic policy choices in an effort to improve its competitiveness in international markets and build the framework for more rapid growth in the future. Since reforms started in earnest in 1990, resistance has gained strength as some powerful groups have tried to maintain their privileged and protected economic interests and populists urged simple, unrealistic solutions. Despite this resistance, real progress has been made and considerably more is expected in the years ahead. In addition to creating the appropriate policy regime, Honduras' economic future also largely depends on how well it manages its natural resources, which are concentrated in its forests, long coastline, and very rugged mountain terrain. Much of the natural resource base already has been destroyed through exploitation, but this is changing as economically and environmentally sustainable natural resource practices are taking hold.

Human resources are another important key to Honduras' future. Honduras had the lowest UN Human Development Index in Latin America in 1994, except for Haiti. This index combines national income with measures of adult literacy and life expectancy to obtain a composite measure of human progress. However, Honduras is making dramatic progress and has the highest vaccination rate against childhood diseases in Latin America and among the highest primary school enrollment ratios. If current rates of improvement continue for the next couple of decades, Honduras will have the human resources it needs for rapid development in the next century.

The roots of the transition to open, participatory democracy in Honduras date from 1980 when Honduras returned to civilian rule after 17 years of military rule. However, the military maintained enormous power through the 1980s. It is only in the last few years that the transition has really taken off. The military, which used to control the country and government, is now under the control of the elected civilian government. Dramatic changes are underway in the electoral process and truly revolutionary changes are being made with respect to rule of law.

The current transitions underway give Honduras considerable potential for rapid development in the 21st century; however, to fulfill this potential will require genuine commitment and considerable hard work on the part of all Hondurans, especially its leaders.

2. Economic Environment

The reform program of the GOH is stimulating the transition to an open, globally competitive economy. While policy reforms are changing the rules of the economic game, progress to date has been slow and has had limited impact on the structure of the economy, the overall growth rate, and the prevalence of poverty.

According to the Central Bank of Honduras Annual Report for 1996, the GDP for Honduras in 1996 was around \$3.7 billion. With an estimated population of 5.6 million persons, the per capita GDP was about \$667. Based on this per capita GDP, Honduras is the fourth poorest country in Latin America and the Caribbean. Agriculture, including forestry, comprises the backbone of the economy, accounting for around 26% of the national output, 50% of national employment, and 75% of export earnings. Structurally, this sector is organized dualistically, with an overwhelming majority of small, poor farmers and a tiny minority of larger, wealthier ones. The next largest economic sectors are manufacturing (18%), other services (11%), and commerce (11%). Estimated annual growth in GDP for the total economy in 1996 was 3.0%, compared to annual rates of 3.6% in 1995, minus 1.6% in 1994, 5.0% for 1991-93, and 1.8% for 1980-90.

The current account deficit in 1996 (\$197M) remained relatively constant to that of 1995 (\$195M); the current account deficit in 1994 was \$368M. Total exports of all goods and services reached \$1.9 billion in 1996, compared to \$1.8 billion the previous year. The traditional Honduran exports of coffee and bananas, comprising roughly 22% and 20% of total exports, respectively, increased in volume in 1996. Non-traditional exports expanded to \$504M in 1996, an increase of 18.5% over 1995. Transfers from abroad (\$275M) added to the positive side of the current account. Importation of goods and services, which were around \$2.4 billion (65% of GDP), increased the current account deficit.

Inflation for 1996 was 25.4%, the highest in Central America. For the third year in a row annual inflation was greater than 25%, compared to only 6.5% and 13.0% in 1992 and 1993, respectively. The Central Government's deficit was 3.1% of GDP in 1996 (not including Central Bank losses of another 1.0% of GDP); this represents an improvement over the 4.4% deficit in 1995. External public debt was roughly \$3.3 billion which is roughly 174% of total exports of goods and services. These figures suggest that the GOH cannot continue to increase public expenditures without finding a way to increase government revenues, especially in the face of its large public debt and decreasing foreign aid.

This dilemma of having to reduce the public debt and the fiscal deficit, either through reductions in government expenditures and/or increases in tax revenues, becomes more critical in light of the widespread poverty that exists in Honduras. Alarming, recent surveys show 68.7% of the Honduran households at the national level in 1996 were living in poverty; this is its highest level since 1992, when it was 69.9%. The 1996 rural poverty rate was 75.3%, while poverty in Tegucigalpa and San Pedro Sula was 61.7% and 51.0%, respectively. Therefore, the key problem for the GOH is how to increase employment, incomes, and welfare of the poor, while simultaneously reducing the fiscal deficit.

In this environment of decreased public investment, the GOH began an economic transition in 1990 with a series of structural reforms. These included some preliminary attempts to set priorities on current and capital investments, and to allocate more resources to high priority sectors (e.g., education and health). They also began the politically difficult task of decreasing public sector employment and privatizing many state-owned enterprises. The GOH undertook

reforms to liberalize the economy and allow free-market competitive forces to determine resource allocations. Although there have been some recent temporary policy reversals in the name of food security (e.g., a prohibition on exporting beans, corn, and chickens, and direct purchases of beans and corn by the government), the recent legislative policy reform efforts of the GOH have been impressive.

Over the past two years the GOH has enacted several new laws that make the economy more friendly to private investment, both domestic and foreign, and more open to global market competition. These laws include the following: the General Agreement regarding Customs and Trade Tariffs (that adopts the international code and standards for a modern Customs Service and establishes a uniform Tariff Code); the elimination of tax on beef exports and on sugar production; the reduction of taxes on coffee exports and on income from banana production with new investment to refurbish aging banana plantations; the Law to Promote Production (that lowers tariffs on imported capital goods and facilitated credit to agricultural and marketing activities); the new Common Tariff Law that lowers tariffs on imported raw materials from outside the Central American Common Market to 3% on May 1, 1997 and 1% as of December 1, 1997; and the expansion of the benefits of the Government Free Zone of Puerto Cortes to other cities in the country. Also, the recent laws to open up the electricity and telecommunications subsectors will help private investors, not only to increase investment in these specific sectors, but in all those activities requiring these critical services. The likely passage of a new mining law in 1997 already has motivated new investors in this sector. The number of firms involved in mineral exploration in Honduras, especially for gold, zinc, silver, and copper, has increased from five to over twenty in the last two years.

Investors obviously responded in 1996 to these policy reforms, as net private investment increased by 17.2% despite the prevailing high real interest rates of around 12%. Unfortunately, these reforms have the negative short-run effect of increasing the government deficit, mostly by reducing government revenues. This effect runs exactly counter to one of the primary conditions stipulated in the three-year Enhanced Structural Adjustment Facility (ESAF) agreement that the GOH signed with the IMF in July 1992. The signing of an agreement on the second-year program was delayed until January 1995, because of the increase in GOH fiscal deficits resulting from the excessive government spending in the election year of 1993 and the drought and energy crisis of 1994. The agreement on the third-year program was delayed until 1997, pending the outcome of the GOH's economic program in 1996. Because the GOH could not meet IMF conditions, originally set in 1992, for the third-year ESAF program, the IMF and the GOH agreed in April 1997 to adopt a one-year IMF Staff Monitored Program (SMP) instead.

This SMP did not allow the IMF to disburse the programmed third-year ESAF funds to the GOH, but the World Bank is disbursing close to \$50M in the 2nd quarter of 1997 that was frozen pending an agreement with the IMF. The SMP complements the required policy reforms included in the State Modernization Program of the IBRD and IDB as well as the IDB's Energy Project that will reduce government expenditures and increase its revenues. The Policy Analysis Unit of the Economic Cabinet (UDAPE), which is supported by USAID and coordinates GOH programs with the IMF, IBRD and IDB, is the primary Honduran institution analyzing and monitoring the impacts of these policy reforms. UDAPE plays a key role in recommending needed policy adjustments to achieve the GOH's primary objectives of lowering the fiscal deficit, stabilizing monetary policy, reducing inflation, and providing for greater broad-based economic growth.

3. Natural Resources

Honduras has traditionally "given away" its natural resource patrimony, largely as a result of inappropriate economic incentives and general disregard for issues of environmental sustainability. For example, the forest sector has long been characterized by gross inefficiencies, skewed resource allocation, incorrect pricing, confusing laws and regulations, and ample opportunities for collusion and corruption (especially regarding the harvest of public forest resources). For many generations the relatively low population density and continuous availability of land disguised the toll which resource deterioration was taking on the natural endowment. Only recently have the negative effects of poor resource management begun to register on the collective conscience.

Honduras has initiated fundamental changes in the forestry sector; for example, instituting transparent auctions of standing timber on public lands, and developing sustainable forest management plans. Still, much remains to be done to consolidate and expand these recent gains. Traditional hillside agriculture continues to be both an economic and resource management problem. Water supplies are endangered by inadequate rural watershed management and poor municipal sewerage and refuse disposal.

Environmental protection, a relatively new concept for Honduras, has not been a high priority for government or the public. As a developing nation with multiple priorities for resource allocation, Honduras has been unable to dedicate adequate public or private investment to protecting its environment and natural resources. Although numerous sites have been loosely identified as "protected areas," very limited funds have been allocated to manage them for biodiversity, watersheds, or tourism. Furthermore, while the GOH has established a basic legal framework, mechanisms to redress abuses are weak, and technologies for sustainable management of natural resources are not yet widely practiced.

The challenge now involves raising environmental awareness and concern, providing incentives for public and private actions, and supporting aggressively the application of sustainable resource management practices.

4. Human Resources

The quality of the Honduran workforce is improving rapidly, but continues to be a constraint to sustainable development. It is estimated that until 90% of the children complete 6th grade, 50% of the youth finish secondary education, and 80% of the population is literate there is little hope for rapid economic development and poverty alleviation in a country.¹ The transition to a better educated workforce is underway. Though Honduras is the second poorest country in the Central American region, it has the highest gross primary school enrollment ratios in the region. Now, over 70% of Honduran children graduate from sixth grade compared to only 50% ten years ago. Unfortunately, secondary and vocational schools can accommodate only 35% of the children graduating from primary school. In some rural municipalities, no secondary school is available. Honduras' adult literacy rate of 73% (for both men and women) in 1995 was higher than the regional average of 69.9%. In 1970, Honduras trailed the regional average by 5% (53% to 58%).

¹USAID/Washington, Bureau for Global Programs, "Strategic Plan for the Center for Human Capacity Development," March 1995.

The Ministry of Education has extended basic education to cover grades 7-9, has started placing junior-high teachers in former elementary grades-only schools, and is building the necessary classroom additions to accommodate more students. In order to improve educational attainment and literacy over the long term, Honduras needs to increase primary education completion, quality, and efficiency (35% of all first graders are repeaters), as well as expand access to pre-school, secondary, and vocational education.

The health situation in Honduras continues to make solid progress. Infant mortality per 1,000 live births decreased from 85 in 1979, to 42 in 1993, second only to Costa Rica in the region. Recent data indicate that maternal mortality, which previously was the fourth highest in the hemisphere, has declined considerably. Due to increased contraceptive use, fertility declined from 5.2 live births per woman during 1989-91 to 4.9 during 1993-95. A 1996 survey indicates an increase (not statistically significant) in acute childhood malnutrition (low weight-for-age) probably due to the difficult economic situation since 1993. On the positive side, the survey shows a significant reduction in chronic child malnutrition (stunting or low height for age - a better measure of long term nutritional trends). Recent data also indicate that the spread of HIV/AIDS in Honduras, the epicenter of the disease in Central America, has essentially been stabilized. In summary, while health progress is impressive, infant and maternal mortality, fertility, and malnutrition remain unacceptably high.

5. Political Environment

Honduras is in the midst of a dramatic democratic transition. Reforms are drastically changing election and judicial systems, eliminating corruption, reducing the military's grip on society, decentralizing political power, improving public participation, and promoting civil society.

After almost 17 years of military rule, Honduras returned to democracy with a 1980 election that established a National Constitutional Convention, tasked with drafting and enacting a Law of Elections and Political Organizations as well as a new Constitution. This transition period led to the 1981 general elections which returned Honduras to civilian rule. During the 1981, 1985, and 1989 general elections voters cast a single vote for a combined ballot for presidential, congressional and municipal authorities. This forced the electorate to cast an all-purpose vote on a strict political party basis. The winning party at the national level placed all their mayoral candidates in office and controlled the congress with a number of seats proportional to their margin of victory.

In the 1990's active civil society and municipal sector lobbying called for separate voting for mayors. The success of these efforts marked a critical milestone as municipal governments are the branch of government closest to the people and have the potential to be more responsive to local needs. Mayors, who in 1993 for the first time were elected separately from the national ticket, now are more responsive to constituents instead of party bosses. Dramatic improvements in local government are evidenced by growing attendance at open town meetings, increased municipal revenues, improved administration, and by expanded provision of needed public services such as water, sewerage and refuse collection at least in the larger municipalities. However, municipalities must be strengthened to assume adequately these responsibilities.

The next step forward in the Honduran electoral transition is the breaking up of congressional slates into candidates running for individual congressional seats accountable to, and being voted in or out by, the constituents in their departments (congressional districts). The step is in

process and is expected to be in place by the 2001 election. This election reform is just part of a wider decentralization process. For example, decentralization is occurring within GOH ministries such as health, education, and agriculture as well as within agricultural cooperatives and other private sector entities. Municipalities are being given increasing responsibilities such as natural resource protection, basic public services, and protection of children.

The judicial sector has been a leader in the Honduran transition to a consolidated democracy. Until a few years ago, there was no real rule of law in Honduras, nor attempts to achieve it. Powerful elites essentially had full control of the court system and could pretty much do as they pleased. Corruption was widespread, not only in the courts, but throughout government since the legal system was incapable of prosecuting corrupt officials. Common citizens had no real access to legal justice. Elites, with the backing of the corrupt court system, could readily take property from its rightful owner, and literally get away with murder. As a result, foreigners and others lacking control of the Honduran court system have been very reluctant to invest. Environmental destruction was rampant as powerful enterprises "mined" the forests and other natural resources. The whole corrupt system contributed to dependent patron-client relationships between the all-powerful elites and the powerless masses.

The Honduran justice system is now undergoing fundamental, historic, even revolutionary reforms. For the first time in history, the GOH, through its new Public Ministry, is actively investigating and prosecuting criminal cases against corrupt judges, powerful civilians, and military officials, some of whom have been incarcerated. Congress is about to pass a new Criminal Procedures Code (CPC) which will radically reform the system of criminal justice. The adversarial system under the new CPC, which will take many years to implement fully, will result in rule of law practices that are far more open, transparent, and equitable. The abuses so common in the past will be reduced enormously under the new system. As a result, common citizens will finally have access to real justice, ameliorating some of the country's principal human rights problems. Property owners and investors will have real property rights and security. These fundamental changes to the justice system are expected to stimulate increased investment leading to economic and employment growth as well as poverty reduction.

The Honduran elections scheduled for November 1997 will have serious political and economic implications which could affect implementation of the new USAID strategy. The election year and the first year of the new administration traditionally represent a period characterized by increased fiscal deficit, slow implementation, rampant politicization and increased corruption. During the election year, ministerial rank officers usually resign by mid-year to dedicate their time to political campaigns. In many cases, economic structural reforms are forgotten during the election years, as evidenced by increased fiscal deficits and inflation rates. Lack of a stable civil service means that many –perhaps the majority– of government bureaucrats become distracted from their work trying to align themselves for jobs in the new administration. Others spend their last months in office trying to use their position to maximize their personal gain. Strong pressures for Government partisan spending contribute to deficits and inflation. Many decisions are made on a political basis adversely affecting ongoing development and economic programs.

Historically, the year after the election, when the new government takes power, is chaotic and inflationary. High turnover in personnel can limit the pace of government work for a period of 6 to 8 months. Excesses during the election year usually are followed by economic downturns in the year following the election. Per capita GDP growth rates in the years following the last four elections (1982, 86, 90, and 94) were -4.3%, -2.3%, -2.9%, and -4.1%, respectively. The per capita growth rates for all the other years between 1982 and 1996, except 1983, were

positive. Given pre-election excesses, previous incoming administrations often had to adopt unpopular, restrictive fiscal policies to obtain help in restabilizing the economy from international financial institutions (IFIs).

While Honduras' recent elections have had an adverse impact on economic performance, indications are that this time it could be different. Though the year is just beginning, it looks as if 1997 might be different from past Honduran election years. Both the Reina administration and the private sector are attempting to maintain economic discipline. Efforts are being made to limit election year excesses. It looks like the current administration intends to maintain discipline and stick to its agenda. Assuming this happens, current projections are for positive growth in 1998.

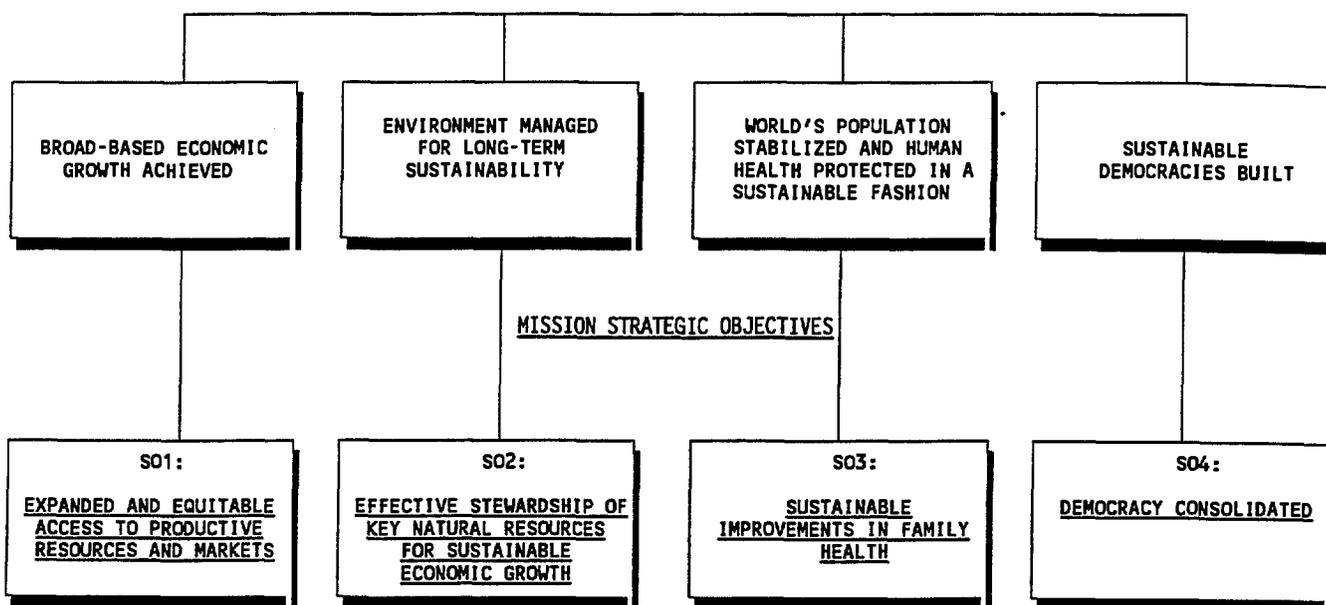
C. CUSTOMERS, PARTNERS, AND RATIONALE FOR FOCUSING ON PARTICULAR AREAS

In order to develop an effective strategic plan for Honduras, the Mission worked closely with its customers and partners from the earliest stages of the planning process to the final product. Initially, the Mission divided itself into three strategy groups: Environmentally Sustainable Economic Growth, Improved Health, and Democracy. Each group brainstormed on the basic development issues facing Honduras. The results of these brainstorming efforts were then assessed against U.S. foreign policy goals, Agency goals and objectives, the development priorities of the GOH and Honduran society, as well as existing trends and opportunities. The ideas that emerged then were screened against the programs of other donors and experience, comparative advantages and budget resources of USAID/Honduras.

Throughout this process, the Mission strategy groups consulted with their partners and customers. Numerous meetings were held with various partners ranging from GOH counterparts, other donors, NGOs, coops, private sector enterprises, bankers, the military, "campesino" groups, women's groups, the press, and ultimate customers. Consultants investigated specific problem areas drawing on information from partners, customers, as well as the usual published sources. Virtual team members from Washington were involved at different stages and provided useful feedback and insights to the strategy development. Coincidentally, the Interamerican Development Bank (IDB) and UNDP were developing new assistance strategies for Honduras early in CY 1997, so the Mission collaborated with them as well. Because partners and customers participated in the strategic planning process, their priorities are reflected in this document; thus, USAID/Honduras, its partners, and customers are ready to embark on the new strategic plan.

USAID/HONDURAS STRATEGIC FRAMEWORK

AGENCY GOALS



INTERMEDIATE RESULTS

- | | | | |
|---|---|--|--|
| <p>1.1 Improved Policy Environment Conducive to Poverty Reduction through Economic Growth</p> <p>1.2 Improved Market Access and Competitiveness by the Poor</p> <p>1.3 Increased Educational Attainment</p> | <p>2.1 Sustainable Pine Forest Management Practices Extended</p> <p>2.2 Sustainable and More Productive Hillside Agriculture</p> <p>2.3 Improved Management of Protected Areas(PAs)</p> | <p>3.1 Increased Use of Reproductive Health Services, Including Family Planning</p> <p>3.2 Sustained Use of Child Survival Services via Health Reform</p> <p>3.3 Increased Use of STI/AIDS Prevention Practices</p> <p>3.4 Improved Household Food Security in Title II Target Areas</p> | <p>4.1 Strengthened Rule of Law and Respect for Human Rights</p> <p>4.2 More Responsive and Effective Municipal Government</p> <p>4.3 More Genuine and Competitive Political Processes</p> |
|---|---|--|--|

II. PROPOSED NEW STRATEGIC PLAN

A. STRATEGIC GOAL AND COMMON THEMES

Strategic Goal: "A More Stable and Prosperous Honduras"

The overall goal is to reinforce and accelerate current Honduran transitions and trends leading to "a more stable and prosperous Honduras." A more stable and prosperous Honduran economy will provide more jobs and, thus, increased incomes across all socio-economic classes, but especially for the poor. In order to take full advantage of such job opportunities, Honduran children and adults will possess increasingly higher levels of education in rural and urban areas. Many jobs will be dependent upon the appropriate and sustainable use of Honduras' natural resources. The protection of watersheds and biodiversity will also assure a better quality of life for future generations. In order to provide a better environmental, financial and educational future for their children, Honduran families will choose to have fewer children. With better educated and employed parents, these children will enjoy improved health in the home through safe water and sanitation systems, good nutrition, and basic home health care. However, when needed, more professional primary health care facilities will be accessible. Stability and prosperity within the Honduran family will extend to the community. Hondurans will enjoy a more open and equitable justice system and will participate in government through a variety of means including more representative elections, open town meetings, and interaction directly with government officials. They will elect municipal and national officials who will work for justice and adequate public services at all levels. Thus, Honduras will become a more stable and prosperous neighbor, contributing to a more stable and prosperous hemisphere.

Common Themes and Transitions

In order to achieve a more stable and prosperous Honduras in the long-term, certain revolutionary transitions that are already underway must continue and accelerate. Support for these transitions and the reduction of poverty provide the common themes that run through the entire USAID/Honduras strategic plan. We believe that by supporting these transitions, the Mission and our development partners can contribute to a *reduction in Honduran poverty* and greater prosperity for all in the long term.

Transitions

- from authoritarianism to a participatory democracy ⇒
- from a closed economy to an open economy ⇒

Goals

- stability and democratic participation
- prosperity/poverty reduction

Transition to a More Participatory Democracy. The Honduran political system, as in other Latin American countries, has traditionally been very closed. From Spanish conquerors to "caudillos" to military dictators, authoritarian figures have been in charge of making and/or forcing decisions on the generally poor populace. However, the paternalistic, closed, centralized, elitist, authoritarian political system is giving way to an open, decentralized system with broad citizen participation. In order to support and accelerate this transition, all USAID programs stimulate community participation and, thus, "deepen" democracy in Honduras and enable the poor to participate fully in political and economic systems.

While support for this transition runs through the whole strategy, the Mission's democracy strategy (SO4) focuses most explicitly on accelerating the transition. USAID continues to support the new Public Ministry, which is responding to citizens' complaints and prosecuting criminal cases against powerful elites who block access to political and economic systems by illegally controlling them. The new Criminal Procedures Code (CPC) will radically reform the system of criminal justice resulting in rule of law practices that are far more open, transparent, and equitable. USAID's municipal development program will continue strengthening municipal government, increasing public participation in local government, and improving provision of local public services in low-income areas. Furthermore, the proposed new focus on more genuine and competitive political processes will directly address the problem of lack of access to, and participation in, government. Together, these SO4 programs will contribute significantly to Honduras' transition to a more open and participatory democracy.

The Mission's other three SOs will also contribute to this transition. For example, activities with agricultural cooperatives, microenterprises, NGOs, health care providers, and public education all focus on decentralized decision-making, empowerment, and self-reliance. Matters of public interest include such topics as public investments, use of tax revenues, farm loans, credit, cooperative management, basic health care, water and sanitation services, refuse collection, and school construction. When decisions on such matters are made in the community, through departmental (state) offices, or through local cooperatives rather than at a national bank or ministry located in the distant capital, then all citizens are more empowered to participate and cease to be dependent upon inaccessible leaders. Through increased participation, the voice of the poor will be heard and felt in social, political, and economic decision-making. Thus they will gain more control over the decisions which affect their lives and will improve their opportunities for escaping poverty.

Transition to an Open Economy. The Honduran economic system, like its political system, has historically been closed as powerful elites controlled the economy, greatly limited international and domestic competition, and enjoyed near monopoly situations which provided no incentives for increased investment and productivity. One example is the forestry sector, where well-connected companies were allowed to "mine" the pine forests using very inefficient, but profitable, practices which returned virtually nothing to the national treasury and left the hillsides barren and ripe for erosion. Another example is poor Honduran corn and bean farmers who faced GOH border closings which prevented them from selling their products for higher prices in neighboring Central American nations.

Fortunately, the situation is changing. The transition to an open economy really started in 1990 with a series of structural reforms. These early reforms included setting priorities on current and capital investments, allocating more resources to education and health, decreasing public sector employment, privatizing state-owned enterprises, liberalizing the economy, and allowing free-market competitive forces to determine resource allocations. While full implementation of these reforms was often opposed (and sometimes blocked) by special interest groups, considerable progress has been made. In the last two years, the GOH enacted new legislation to improve the incentives for domestic and foreign investment and increased exports. Investors are responding to these reforms; total private investment grew by 17.2% in 1996, and exports were up 5.8%. Continuation of USAID-assisted reforms and investment growth will lead to increased labor-

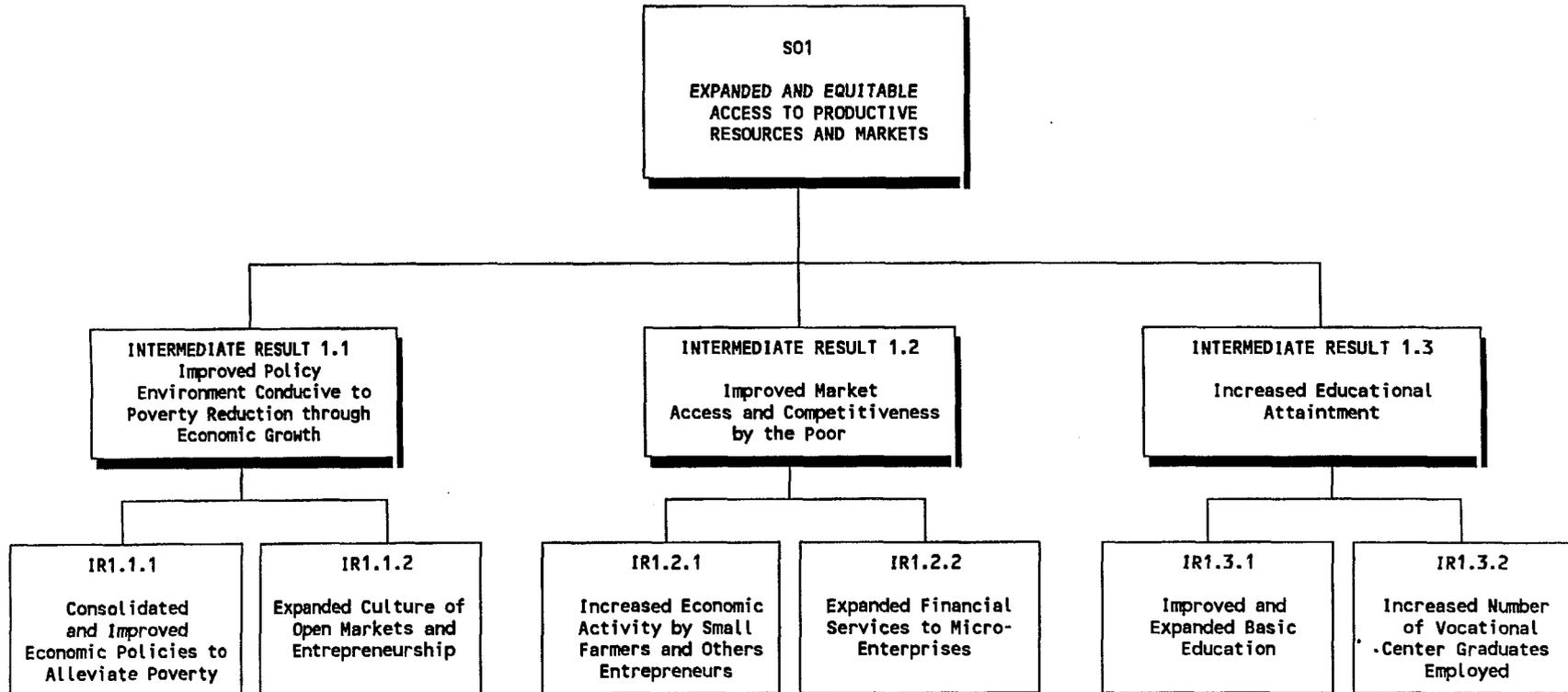
intensive production, exports, employment, and increased incomes of the poor. The transition to an open economy will increase opportunities for all Hondurans and is essential to Honduras' efforts to become more stable and prosperous.

All of the new strategy's SOs support the transition to an open economy. The Mission will continue working with the GOH to consolidate economic reforms that promote free trade and an open, competitive economy, and that help level the playing field for the poor. In order to prepare poor Hondurans for increased employment and economic opportunities, we and our partners will improve access to market information, technology, management skills, marketing know-how, and financial resources. Through radio learning and vocational training programs, which reach even the most remote areas, poor Hondurans are gaining tools needed for full participation in an open economy. Forestry activities support implementation of a transparent, competitive timber auction system and sustainable pine forest management practices involving local communities. Better health among poor Hondurans enables them to participate more actively as economic agents in an open economy. Privatization of selected municipal enterprises will improve efficiency and promote competition. A stronger, more accessible justice system capable of protecting private property will remove an important constraint to increased private investment at all economic levels.

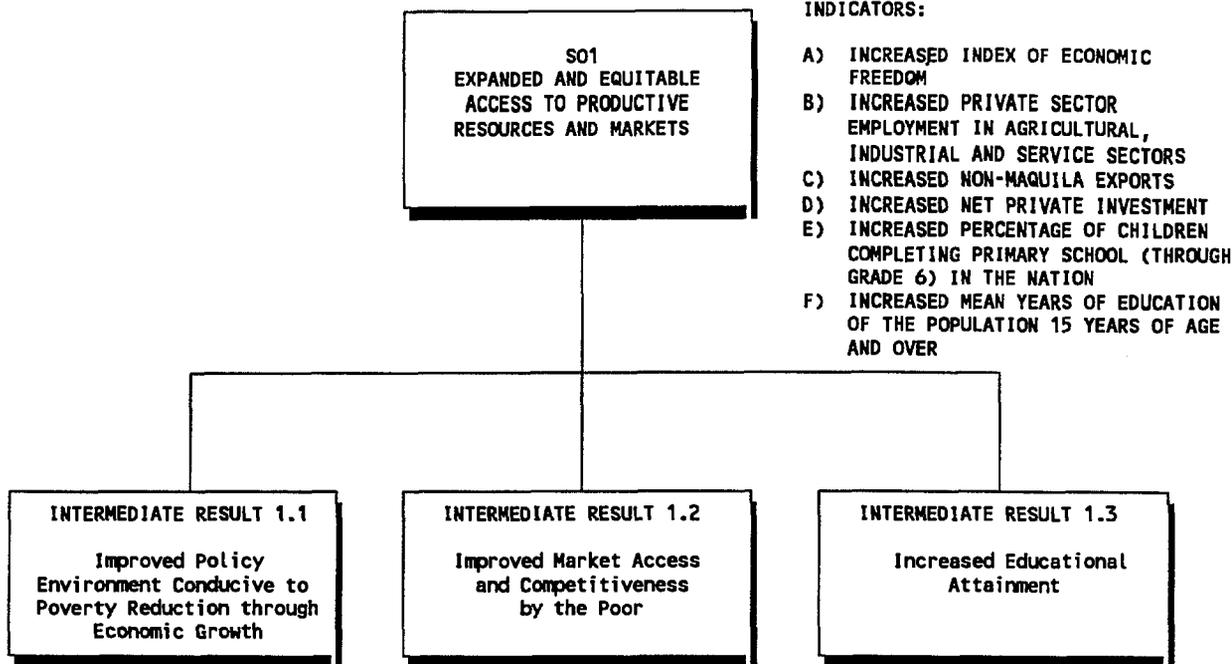
All of the new strategy's SOs directly support Agency goals as indicated in the graphic. The specific linkages of the Mission's SOs and first level IRs to the Agency's goals and objectives are indicated by footnotes in the strategic narratives for each SO.

As the transitions to an open democracy and an open economy move forward in the years ahead, many Hondurans will be able to break out of poverty through better access and better economic opportunities, as well as through their own empowerment resulting from increased democratic participation in all facets of life.

RESULT FRAMEWORK: STRATEGIC OBJECTIVE 1



S01 PERFORMANCE INDICATORS



INDICATORS

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> a) Maintained Consolidation of Trade, Pricing and State Non-Intervention Policies. b) Increased Progress Toward Meeting Conditions for Accession to FTAA. c) Improved Public Opinion on Economic Opportunities | <ul style="list-style-type: none"> a) Increased Number of Jobs Created in USAID Assisted Enterprises. b) Increased Incomes of USAID Assisted Enterprises. c) Increases Number of Deals Facilitated by USAID. d) Increased Economic Activity as Measured by Deposits and Disbursements of Financial Institutions in Selected Secondary Cities. e) Increased Number of Savers in USAID Assisted Microenterprise Financial Organizations. f) Increased Number of Borrowers in USAID Assisted Microenterprise Financial Organizations. | <ul style="list-style-type: none"> a) Increased Percentage of Enrolled Students Successfully Passing Grade Levels through the Alternative Basic Education Delivery Systems. b) Increased Number of Students Successfully Passing Grade Levels through the Alternative Basic Education Delivery Systems. c) Average Standardized Test Score for Levels 1-9 in the Alternative Basic Education Delivery System. d) Increased Percentage of Enrolled Students Successfully Passing Grade Levels through the Regular Basic Education Delivery System. e) Increased Number of Vocational Center Graduates Employed. |
|--|--|---|

B. STRATEGIC PLAN FOR ECONOMIC GROWTH AND POVERTY REDUCTION

1. The Challenge: Overview of Situation and Trends

The Honduran economy has been largely stagnant for over a decade, growing modestly at a rate that only slightly surpasses population growth. Although some sectors and some subsectors have advanced – the *maquila* industry and selected non-traditional agricultural exports, for example – success stories of economic dynamism have been the exception, not the rule. Honduras lags its Central American neighbors in most economic and social indicators, including the Human Development Index (UNICEF), Economic Freedom Index (Wall Street Journal), and the Policy Structure Efficiency Index (IDB). Honduras' per capita income, slightly ahead of Nicaragua's, is less than half that of its other neighbors. Available survey data suggest that overall poverty has been relatively stable at about 67-68% since 1993. Alarming, in 1996 rural poverty increased to over 75% compared to 71-72% in 1994/95.

Rural Areas—Centers of Poverty or Prosperity? Although it enjoyed relative peace during the 1980s compared to most of its neighbors, Honduras has been unable to achieve comparable economic growth rates. Its rich human and resource endowments remain underutilized. In principle, Honduras' future economic growth could originate in any sector of the economy. In fact, growth is most likely to be greatest where value added is built on a primary sector – agriculture, forestry, mining or tourism. These primary sector activities are concentrated in rural areas and around secondary cities, yet ironically, rural areas and the secondary cities that anchor them are the location of the country's poorest household, especially those headed by women.

Among Honduras' primary sectors, USAID has a demonstrated comparative advantage in two, agriculture and forestry. Agriculture (including forestry) currently accounts for roughly 25% of Honduras' GDP, 50% of national employment, and 75% of export earnings. Structurally, the sector is organized dualistically, with an overwhelming majority of small, poor farmers and a tiny minority of larger, wealthier ones. Most poor farmers produce traditional crops – corn, beans, rice, etc. – for domestic consumption. With the exception of coffee, most traditional export crops have not performed well in recent years. Non-traditionals, especially melons and pineapple, have grown rapidly, but started from a small base. Although some farmers use modern production techniques, the vast majority do not. Only 7% of the 317,000 farms in the country report that they receive credit or technical assistance. Only 53% of farmers use fertilizers, but at one half the intensity of use in El Salvador and one eighth the intensity of use in Costa Rica.

The industries and commerce that support agriculture and forestry also have dualistic structure with a few large firms, a small number of medium-sized companies, and many small ones. An estimated 195,000 small industries and commercial establishments (enterprises with less than 49 workers) provide 371,000 full-time paid jobs. They also provide 86,000 non-paid jobs, principally for family members. Over 80% of the enterprises are located in rural areas and secondary cities (not Tegucigalpa or San Pedro Sula). There, they provide inputs to, or process output from, agricultural and forestry activities in surrounding areas. Women own 50% of the businesses and like the small farmers they receive little credit and technical assistance. They often are unaware of and are isolated from other than local markets. Productivity frequently is low, costs high, marketing nil, and technology scarce.

Fortunately, the picture in rural areas is not entirely bleak. In addition to housing a substantial proportion of Honduras' poor, rural areas are home to most of the country's potential comparative advantages. Rural population pressures in Honduras have not yet reached the point they have in other Latin American countries where outmigration from rural areas is a precondition for making a permanent, substantial dent in rural poverty. In Honduras, there is still limited time for agriculture, forestry, and small businesses to provide a path out of poverty for the rural Honduran poor.

Of the options open to poor small farmers, diversification out of basic grains arguably is the most promising. By all accounts, high-value fruits and vegetables, as well as forest products, can be highly competitive activities internationally. Agricultural diversification also is a subsector where the Mission has graduated from the school of hard knocks and has proven it can make a difference.

Pine timber sales make up 95% of the value of Honduras' forestry exports, and the potential, using sustainable forest management techniques, is enormous. In addition, more efficient harvesting of Honduras' pine forests and the development of value added wood industries would bring both economic and environmental benefits. Honduras also contains the greatest proven reserves of minerals in Central America, but environmentally sound mining has not developed for want of an appropriate policy framework.

A further advantage enjoyed by Honduras' rural areas is their proximity to the dynamism of secondary cities such as Comayagua, Choluteca, Danlí, El Progreso, La Esperanza, Marcala, Nueva Ocotepeque, and Siguatepeque. Together with San Pedro Sula, Honduras' secondary cities have benefitted the most from economic liberalization. Most have enjoyed population growth of over 5%, above the national average. Encouraged by the nascent openness of the economy, small farmers are benefitting while related small and medium size businesses in the hinterland are saving, investing, producing, and employing people in new enterprises.

Constraints to Rural Economic Growth in Honduras. What stands in the way of dynamic, broadly based rural economic growth in Honduras? In a nutshell, there are four major constraints.

1. **Government Policies.** Although well intentioned, many GOH policies condemn rural poor people to subsistence cropping and day labor as virtually their only feasible economic option. While Honduras has implemented policy reform, it's consolidation is not complete. Implementation is frequently inconsistent, offering little incentive for long term private investment. Too often, it is the poor who pay disproportionately when policies are misguided. For instance:

** Small farmers produce over 80% of the basic grains that are the staples of the Honduran diet, yet the government often closes regional borders to agricultural trade as a result of misguided food security policies. This violates free trade agreements, but most importantly, it reduces the prices of the only products produced by the poorest of Honduras' farmers.

** Microenterprises are income mainstays of the poor, yet when a small entrepreneur is successful and wishes to move from the informal to the formal sector -- thus joining the tax rolls -- he/she can only do so by admitting that he/she previously operated illegally and paying a fine.

2. Negative Attitude Toward Open Trade and Market Pricing. This constraint is related to government policies, but is broader. It hinders economic development and foreign investment in Honduras. Although the government states that Honduras is committed to open trade and market reforms, the common impression is these are unjust concepts imposed by outsiders. Trade is suspect. Importing is frequently deemed "disloyal competition" and exports are often considered "violations of sovereignty". Many Hondurans evidence little appreciation that adherence to free markets implies a departure from business as usual -- paternalism, state intervention, and *asistencialismo* (see box). The upshot is rent-seeking behavior and widespread absence of initiative and entrepreneurial risk-taking -- indeed, the absence of a sense that if one works hard, one can earn more money and get ahead.

Like any developing country, Honduras needs a clear picture and general consensus on where it is going -- economically speaking -- and what set of rules will govern opportunities for citizens to work their way out of poverty. Society at large needs to discard the idea that market transactions have "winners" and "losers" and that economic growth is a zero-sum game where benefits that accrue to one person, business, or country do so at the expense of another. There must be a national realization that the *status quo* not only stifles production, trade, and commerce, but also has a negative impact on those who are struggling to climb out of poverty. Although this "attitude problem" is difficult to measure, its impact on the poor is very real.

3. High Transactions Costs. This constraint often keeps the poor from moving out of subsistence activities, both agricultural and non-agricultural. Both diversification out of basic grains and the transition out of cottage industries require access to finance, modern production techniques, management prowess, and reliable marketing information -- most of which are unavailable to the poor or only at high cost. These "transaction costs" are usually invisible to larger, wealthier entrepreneurs, but they effectively prevent the entry and growth of smaller firms in the modern economy. They "tilt" the playing field against the poor. For instance:

* Small coffee producers who wish to export high quality coffee to specialty niche or organic markets, thus obtaining premium prices, cannot do so because government regulations for coffee exports are geared to large quantities. The transactions costs are the same regardless of the quantity to be exported, making small quantities unprofitable and small suppliers unresponsive to market demands.

4. Lack of Basic Education. It is estimated that only 58% of Honduran farmers are literate and the rate is as low as 50% in some rural areas. Overall rural literacy is 63%, compared to nearly 90% in the two major cities. The national rate is 74% (female - 74.5%, males - 73.5%), up from 68% in 1988. Recent improvements in primary education have not yet had a big impact on the adult labor force, less than 50% of which have completed primary school. The average level of schooling among adults is only 4.2 years, only 3.1 years in rural areas.

COMMENTARY ON HONDURAS'S "ATTITUDE PROBLEM"

Many Honduran business people still expect the State to provide many things for them besides law and order. Calls for subsidized credit, trade restrictions, and other protectionist devices are frequent. Some are even willing to pay for these favors, and such payments are often accepted. At the same time, the State makes entrepreneurial activity difficult because of excessive regulations, difficult bureaucratic procedures, inefficient provision of public services, and uncertain application of the rule of law.

Clarence Zuvekas, Jr., "Requirements for Rapid, Equitable, and Sustainable Economic Growth in Honduras, and the Potential Role of USAID," August 1996.

Puede decirse que si bien hay avances notables en la política de regulación del comercio exterior . . . , estos elementos no conforman parte relevante de la conciencia cultural del país.

Augusto Aninat Del Solar, "Informe: La Política Comercial de Honduras Hacia el 2005," draft, February 1997.

At the moment, Honduras leaves the visitor with the impression that not only is the reform sluggish, but also the depth of the reform shallow. Something drastic should be done, if it wants to attract serious investors, instead of a stream of short-term speculators.

Eul-Soo Pang, "A Preliminary Field Report on Interviews and Research on the Honduran Mining Potential: A Foreign Investment Expansion Strategy," November 1996.

Tenemos recursos humanos y tierra suficiente para producir más allá de las necesidades nacionales y exportar, pero en cambio cerramos las fronteras a nuestros productores y los aislamos del "libre mercado" que tanto se predica.

"¿Cerrar o abrir las fronteras?" editorial, El Heraldo, January 1997.

Workers have tended to regard their employer as patrons obliged to care and provide for them regardless of the situation of the enterprise. And why not if many successful individuals are perceived as having made big fortunes through protection-derived rents?

Juan J. Buttari, "The Labor Market and USAID/Honduras's Growth Strategy: A Background Paper," November 1996.

Progress in basic education has been impressive. A decade ago, less than 50% of the youth completed primary school (6th grade). Now the level is slightly more than 71% (female - 72%, male - 70%). The total number of primary school graduates increased by 80% between 1985 and 1996. The 111% gross primary school enrollment rate is one of the highest in Latin America; but the net enrollment rate is only 90%. Repetition rates in the primary education system are relatively high (10-15%). Furthermore, rural children generally drop out of school

when they reach adolescence, whether or not they have completed primary school. Only a third of the primary school graduates can find places in middle school (grades 7-9), which have gross enrollment rates of only 37%. Urban areas enroll more than 90% of the students while there is a complete lack of access to middle schools in many rural municipalities. This situation, combined with the scarcity of vocational schools in the country, leaves students, particularly in rural areas, with few options for continuing education after primary school.

In response to the challenge, the Ministry of Education (MOE) recently has taken several steps. Basic education was extended to include grades 7-9. The MOE made the commitment to improve the coverage, quality and efficiency of middle schools and to decentralize the education system to respond to local needs. The MOE successfully sought additional donor assistance to improve in the quality, equity and efficiency of education.

2. Strategic Objective and Rationale

The Mission's ultimate goal in economic growth is combatting poverty by "encouraging broad-based economic growth;" however, our budget and staff resources are not commensurate with achieving that objective. Even resources available to Honduras from multilateral and other bilateral donors either are declining or are restricted by the country's increasing debt burden. Accordingly, the Mission has brought the formulation of SO1² down a notch to what lies within USAID's management reach:

"Expanded and Equitable Access to Productive Resources and Markets"

Figure SO1.A portrays the logic of the Mission's economic growth strategy for the 1998-2003 period. It embodies graphically much of the discussion that follows. The rationale for the formulation of SO1 is threefold. First, it gets at the nub of Honduras' economic development challenge of reducing poverty – to grow in a way that expands opportunities for the poor. Second, the strategy attacks the four central constraints discussed above: deficiencies in policy implementation, absence of a culture of open markets and entrepreneurship, prohibitively high transactions costs for the poor, and low educational attainment, especially among the poor.

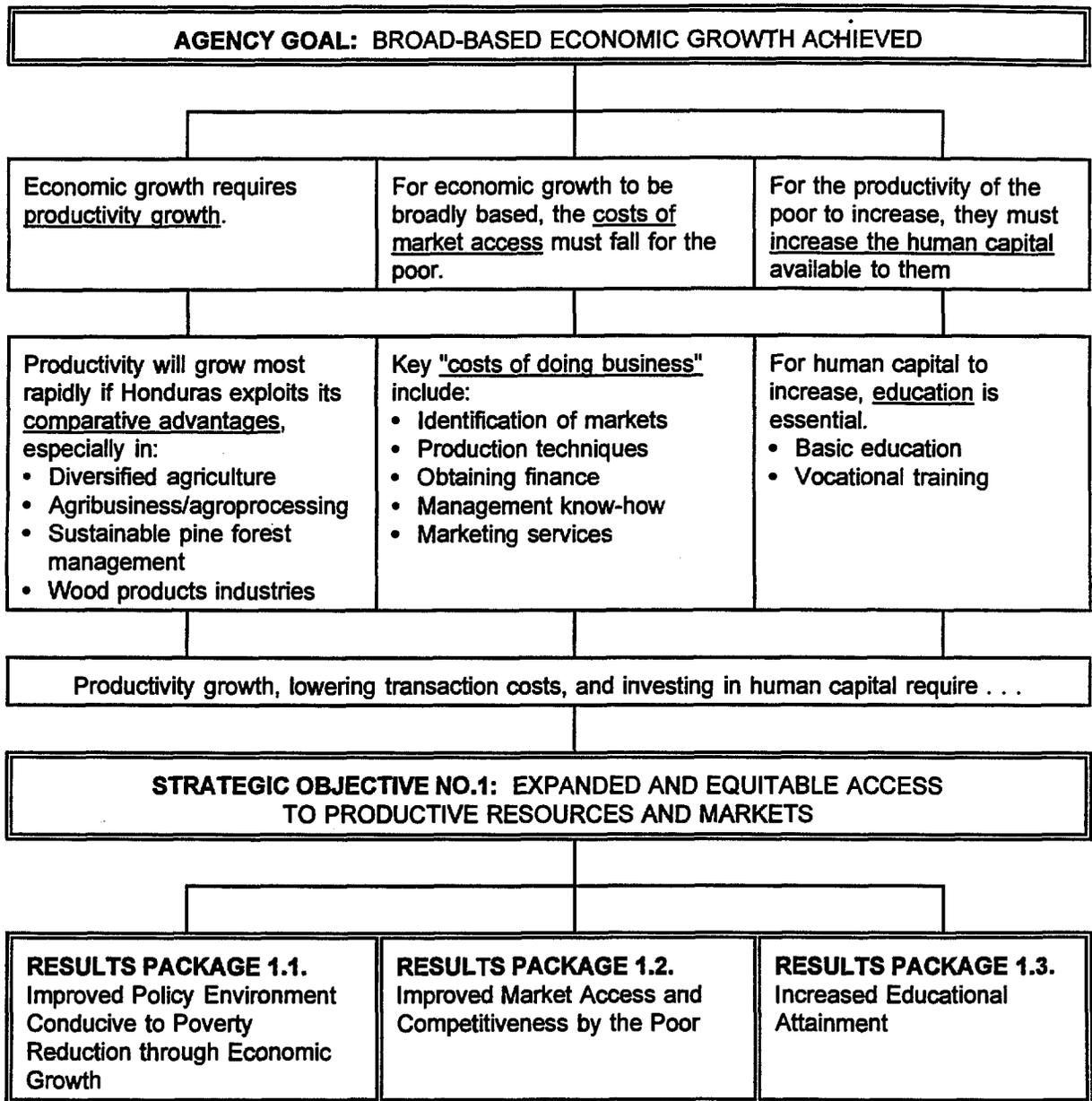
Third, the formulation gets at the essence of Honduras' food security problem. Of the three dimensions of food security – availability, access, and utilization, lack of access – which is to say, poverty – is the root cause of food insecurity in Honduras. By focusing its economic growth objective on combatting poverty by increasing the incomes of poor people, the Mission is also addressing food insecurity head on. Figure SO1.A pulls these three elements together, highlighting the need for growth in productivity, for reducing the costs of market access, and for increasing human capital.

The Mission will combat poverty by substantially increasing the numbers of income- and job-creating opportunities available to the poor throughout Honduras, but especially in rural areas, and especially for women. To make this happen, the Mission sees five interconnecting conditions as essential:

² SO1 directly supports Agency Goal 1 (Broad-based economic growth achieved).

FIGURE SO1.A

LOGIC OF PROPOSED ECONOMIC GROWTH STRATEGY



dynamism that exists in rural market areas because of its prior support to now mature institutions like: FHIA, The Pan American Agricultural School (Zamorano), FINACOOOP, FACACH, FUNADEH, CADERH and NGO's.

Moreover, by working in and around secondary cities, USAID and its partners minimize the danger that project resources are siphoned off by urban elites, as well as gain a closer understanding of the policies and problems that perpetuate the country's persistent income and opportunity inequalities. By targeting geographic areas where the poor live and involving traditional partners, the Mission intends to maintain its emphasis on poverty reduction, particularly among women, and to leverage benefits from past USAID investments.

As indicated in Figures SO1.A, expanded and equitable access to productive resources and markets will depend on the achievement of three different sets of interdependent results, which correspond to three of the five conditions for combatting poverty. The first creates a policy environment and entrepreneurial culture that reduces poverty by nurturing income growth and employment opportunities for the poor. The second gives the poor access to input and output markets, while providing lessons learned from the poor themselves to guide policy-making. The third invests in the poor to enable them to take advantage of improved income and employment opportunities.

3. Improved Policy Environment Conducive to Poverty Reduction through Economic Growth (IR1.1)

There are two levels at which antipathy to market forces plays itself out. The first is economic policy; and the second is the business culture in Honduras at large. To achieve IR1.1³ the Mission proposes to tackle the problem at both levels.

Consolidated and Improved Economic Policies to Alleviate Poverty (IR 1.1.1). The Mission proposes to attack both cross-sectoral and sectoral policy issues that constrain the poor's opportunities to increase incomes and obtain employment. The results will consolidate a stable economic policy environment in which rules are clear and procedures transparent. Only in such an environment can the poor begin to have increased economic opportunities. While a sound policy environment is not a sufficient condition for equitable economic growth, it is a necessary one. USAID will provide assistance to UDAPE, the Technical Secretariat of the Economic Cabinet, and selected other GOH entities in five areas:

Consolidation and Improvement of Macroeconomic Policies. In 1990 Honduras adopted an ambitious set of macroeconomic reform measures, and poverty declined, but implementation of these measures has not been consolidated. After almost 10 years of stops and starts, poverty reduction is slowing, and reform fatigue is increasing. In the aftermath of reform, most pressure preventing policy consolidation does not come from reformers or even the poor, but from interest groups intent on recapturing rents. In such an environment, the major challenge for policy makers may be not to institute further fundamental change, but to resist change in the wrong direction, continue consolidation, and fine tune policy implementation.

³ Directly supports Agency Objectives 1.1 (Strengthened markets) and 1.2 (Expanded access and opportunities for the poor).

USAID's macroeconomic policy support to the GOH will be limited and delivered in coordination with its multilateral partners. While the IFI's are interested in all macroeconomic policies, USAID is mostly concerned with those that directly impact the poor. USAID will support consolidation of macroeconomic reforms that particularly have direct impacts on the poor. Some of this assistance will, for instance, focus on the causes of persistent inflation – the cruelest tax of all on the poor – which has exceeded 25% during the last three years. Other reform measures of interest to USAID deal with trade, prices, and state intervention policy. These measures have immediate impacts on the poor, and pressure to change them is mounting. Recent trade restrictions and price controls on grains, as well as government intervention in the financial sector that reduces access to microenterprise loans are examples.

Policy Interventions in Sectors Where Interests of the Poor Are Concentrated. Through policy assistance to UDAPE, USAID will continue to finance assistance to identify and overcome policy constraints to growth in sectors where the poor have particular interests. For instance, the poor frequently own assets or obtain employment in the agriculture, forestry, tourism, and mining sectors. As seen earlier, many of the poor are concentrated in rural areas and work in agriculture or agribusinesses. With proper policies, employment in forestry is expected to increase by 40% during the strategy period. Many of Honduras' most desirable tourist locations are based on its environmental resources, and as such, often off the beaten path in areas where the poor are likely to live and work. Employment in mining is currently small, but the potential is great. To the extent that these sectors grow, so do the opportunities for poor families to rise out of poverty. USAID will assist the GOH to identify and overcome constraints to growth in these and other sectors based on their potential impact on the poor.

Implementation of Honduras' Medium Term Economic Program. USAID is supporting the development of a medium term economic program for Honduras (the first in its history) and will focus on its implementation during the strategy period. This will assist Honduras to prioritize expenditures of its scarce public resources and to utilize better donor-financed technical assistance. Properly implementing the program will reduce waste and direct GOH and international resources to the areas where they are most needed, thus directly assisting the poor.

Support for Honduran Accession to the Free Trade Area for the Americas (FTAA). As mentioned above, trade increases access by the poor to pathways out of poverty. Openness to foreign markets gives the poor an opportunity to compete globally, as well as to receive the benefits from trade in lower prices of items they purchase. The USG recognizes these benefits and promotes the establishment of the FTAA by 2005. USAID will provide assistance that supports Honduras' accession to the FTAA and that complements the G-CAP program of PROALCA. Honduras leads the FTAA working group on intellectual property rights and will need assistance in this important, but sensitive, subject. The exact nature of all policy assistance to be undertaken will be determined as requirements for accession to the FTAA become concrete. Likely additional areas of assistance include improved customs procedures, development of acceptable import/export valuation standards, worker rights, and environmental standards. Thus, USAID's strategy is consistent with larger USG interests on increasing market access.

Policy Based Constraints to Economic Activities by the Poor. Although textbooks portray policy analysis and reform as clean, systematic, and deductive, in practice the process often is messy, opportunistic, and inductive. Thus it is impossible to predict exactly what reforms will be the specific focus of Mission activities during the strategy period. IR1.1.2 efforts to change Honduran

culture to one of openness to markets and entrepreneurship will likely uncover policy based constraints to increased economic activities by the poor. Thus, there should be room within the strategy to develop and implement solutions to these issues.

Summary of Expected IR1.1.1 Results. We expect that policy reform in Honduras will be consolidated, and macroeconomic and sectoral constraints will be diminished. As a result, both policy based and action programs that directly impact on the poor will be more effective. Selected sectors where the poor have greater interests will be more efficient, demand more employees, and provide greater opportunities for increasing incomes. GOH resources will be spent better, directed to areas identified and prioritized as most needy. Honduras will be approaching accession to the FTAA. Selected constraints to open markets and entrepreneurship will be reduced, increasing the economic activities of small and microentrepreneurs.

Expanded Culture of Open Markets and Entrepreneurship (IR 1.1.2). Beneath the level of macroeconomic and sectoral policies exists a series of regulations, rules, and practices that frequently constrain access by the poor to market based opportunities. These constraints thrive on myths about the evils of open markets and entrepreneurship. They are the common manifestation of the "old way of thinking" - the reasons why one can't, rather than how one can. This IR will change the way society views free markets and entrepreneurship. It will do so through a public policy education program that draws its content from the common problems faced by small farmers and other entrepreneurs as they attempt to struggle out of poverty.

Problems addressed in this IR will not derive from rigorous economic analyses but from day-to-day impediments that raise transactions costs of the poor. These problems are frequently brought to USAID by our current partners in the normal course of project implementation, but USAID has not had a coordinated way to address them. Many of these constraints will continue to be discovered during the course of achieving other results, especially undertaking the "problem-solving" activities contemplated in IR 1.2.1. The results obtained will be a better public understanding of the problems and acceptance of practical, common sense solutions that level the playing field for the poor. The results will make more effective the problem solving activities in IR 1.2.1.

IR's 1.1.2 and 1.2.1 are closely linked through feedback from their activities. IR 1.2.1 will provide operational grist for IR 1.1.2's expansion of a culture of open markets and entrepreneurship. The Mission proposes to look to its action program (IR1.2) for guidance on the specific kinds of policy reforms and procedural changes that can be expected to make the most difference in the lives of poor people. Accordingly, the reforms and changes to which the Mission will give priority are more likely to be reforms with a human face.

To bring about a revolution in thinking on the value of markets, the Mission proposes a public policy education activity. Specific activities are still to be developed, but illustrative tools used to educate the public are well known from similar programs successfully undertaken by USAID:

- * A continuation of the successful economic education program launched under PRODEPAH for university economics graduates and their professors. In the future, courses will be extended to businessmen, the press, and other interested parties.
- * Sponsorship of conferences, debates, and other public fora on topics of policy interest.

- * Exposure to experience with liberalization elsewhere through invitations to Honduras of key actors in policy reforms in other countries, as well as targeted observational tours.
- * Regular publication in major newspapers of articles on basic economic principles and how they apply to topical policy issues in Honduras. Radio and television will be used for this purpose as well.

The focus of these messages will be decreasing the high transactions costs faced by poor small farmers and other entrepreneurs as a result of poor policy and often pointless regulations. Once readers, listeners, and viewers realize that lack of market liberalization negatively affects real people in very human terms, the prognosis for lasting change will be much greater. As an additional benefit, stories with a human face make arguments for policy reform even more compelling for UDAPE and other government agencies, thus reinforcing the work undertaken in IR 1.1.1. Potential partners include NGO's such as Chambers of Commerce, COHEP, FIDE, ANDI, PYME, and the media. Others will be developed based on the specific issues to be undertaken. For instance, agricultural issues could likely involve small producer organizations.

Summary of Expected IR1.1.2 Results. To have an impact on day-to-day business decisions, the battle of ideas also must be waged close to the trenches. It is not enough just to convey knowledge and sway attitudes; the proof of the pudding is in how businessmen and women go about competing in the marketplace – whether their resource allocation decisions are a function of rent seeking or of market signals.

As a result of activities undertaken in this IR, it is expected that the environment in which small farmers and other entrepreneurs conduct business will be improved. There will be a greater understanding of the benefits of open markets and of those who operate within them. There will be less support for trade restrictions and price controls, particularly on the products produced by the poorest. The win-win nature of open markets and trade will be better understood by the populace, thus reducing the pressure on Honduras' elected leadership for drastic reversals of good policies. There will be greater understanding of the issues..."more light and less heat."

Critical Assumptions for Achievement of IR1.1 Results. The Mission assumes that the new Honduran Administration which takes office in January 1998 will: be open to rationale debate of economic and sector policies, be capable of fully understanding the long-term implications of policy decisions, and have sufficient political strength and administrative capacity to implement the reforms needed to encourage sustainable economic growth and poverty reduction. We also assume that IFIs will continue to focus on needed economic reforms.

Other Donors Involved in IR1.1. Improving the policy environment is dependent upon IMF, IDB, and World Bank conditionality. In turn, the IFIs depend upon USAID and its GOH partners, such as UDAPE, to inform them of the status of their conditionality and policy trends in the country, as well as to help the GOH comply with the conditionality.

Linkages of IR1.1 to Other Parts of the USAID Strategy. Implementation of policies stimulating economic growth and reduced poverty will provide opportunities for the small enterprises and farms which are the target of IR1.2. The economic growth and poverty reduction resulting from these policies will generate additional resources (at the national and household

level) that can be used to increase educational attainment (IR1.3), better manage natural resources (SO2), improve family health (SO3), and consolidate democracy (SO4).

4. Improved Market Access and Competitiveness by the Poor (IR1.2⁴)

The Mission proposes to sponsor two action programs with direct impacts on the economic well-being of poor Hondurans. The first will provide problem-solving services to medium and small farms and businesses, thus tilting the playing field in their favor. The second will improve the institutional and regulatory framework for provision of financial services to small and microenterprises.

Increased Economic Activity by Small Farmers and Other Entrepreneurs (IR1.2.1). While leveling the playing field for the poor through policy and cultural reform is necessary, it is not sufficient to raise small farmers and other small entrepreneurs out of poverty. They face disadvantages in access to information on marketing, finance, technology, and management, i.e they face high transactions costs of doing business. We will target activities at reducing these transaction costs. Activities will tilt the playing field in favor of the poor women and men by subsidizing their access to problem-solving services and products. While the services and products required may not always exist within Honduras, many of them already do, and they exist because of results obtained previously by USAID in developing an impressive array of effective organizations focused on small farmers and other poor entrepreneurs. The Mission intends to build upon prior investments made in these organizations by increasing access to them by small farmers and other entrepreneurs.

Many of the Mission's former partners are mature organizations with impressive track records in helping to reduce transaction costs for the poor. They are prepared to continue doing so. While not restricting activities under this IR to the following organizations, it is expected that solutions to many of the problems encountered will reside in the following institutions:

- * FHIA is a world class agricultural research foundation that has shown remarkable results in moving small farmers into the NTAE market. It has developed agricultural production and marketing services that respond directly to the needs of small farmers. In less than three years of targeting small farmers, exports by FHIA customers have increased to over \$3 million per year.
- * The FACACH credit union system currently captures approximately 15% of the nation's savings, and individual credit unions within the system (particularly in secondary cities) grew last year at rates of up to 400%. FACACH members receive an increasingly broad range of financial and insurance services in secondary cities. Over 40% of the credit union loans are made to women.
- * The Pan American Agricultural School at Zamorano each year produces a new class of agriculturalists with both solid academic fundamentals and practical experience in agricultural production, processing, and marketing. In addition, its extension program

⁴ Directly support Agency Objectives 1.1 (Strengthened markets) and 1.2 (Expanded access and opportunity for the poor).

provides practical experience to students who work to assist small farmers and entrepreneurs in rural communities.

- * FINACCOOP, currently providing technical assistance and financing to 35 agricultural cooperatives, is now expanding its credit programs through branches that provide agricultural production and investment credit to individual small farmers and other entrepreneurs. It has developed a method of identifying productive subsectors that would benefit from technical and financial assistance.
- * FUNADEH has a highly successful entrepreneurship training program to accompany its small and microenterprise loans. It is in the process of developing a full-service microenterprise bank.
- * At the national level, COHEP, ANDI, COVELO, GEMAH and FIDE bring additional expertise and problem solving abilities to the table. Together, they provide an impressive array of services available to the poor; many of these services are specifically targeted to women.
- * CADEHR is constructing and managing vocational training centers that equip poor Hondurans to meet the demand for skilled labor, while The Ministry of Education's EDUCATODOS program provides basic education for rural residents in educationally underserved areas.

USAID will take advantage of the outstanding expertise of these organizations by expanding the poor's access to them, thus reducing the transactions cost they face. In addition to these partners, the Mission will identify and develop others, depending upon the geographic location of customers and the problems they face. It is possible that entities such as Chambers of Commerce, local development organizations, groups formed under other donor programs, and indigenous community councils may all eventually become USAID partners.

A system of fixed (or mobile) offices in secondary cities will be established from which to search out customers and serve them. Potential groups will be identified and screened to assess the types of problems they face, the potential employment and income impact of solutions, the transferability of solutions to other areas or groups, etc. It is expected that partners will be sources of many clients. Most problems are expected to continue to revolve around marketing, finance, technology, and management. The operative word will be *problem-solving*. Mission support will not be generalized, but focused on specific interventions that meet a set of criteria aimed at extending the benefits to the greatest number of poor possible. We expect that the organizations discussed above will provide solutions to many, but not all, of the problems encountered.

The Mission proposes to build on the dynamism of Honduras' secondary cities and surrounding hinterlands. In some secondary cities, USAID support will be instrumental in setting up offices for delivering assistance. In other cases, services may be delivered via a roving, fully equipped office that will visit different cities on different days of the week. This approach will enable us to test new geographic areas without the cost of establishing a permanent office. In addition, the problem-solving assistance to be provided under IR1.2.1. will be key to the practical inculcation of a culture of entrepreneurship to be developed in IR1.1.2. The down-to-earth

problems addressed here will furnish grist for the mill of newspaper publications and radio and television broadcasts. When basic education and vocational training are identified as constraints, the results provided under RP1.3 will be focussed on the problem. By learning what skills are demanded by customers, the vocational training centers will receive real world feedback with which to adjust their training programs. A description of the proposed offices appears in the box on the following page.

Although the Mission has not yet begun design of this program, it expects it to have the following operational characteristics:

- * Secondary city selection. The selection of secondary cities for focus will be a function of two criteria. The first criterion will be the economic potential of the city and its hinterland. Indicators of potential are being developed. The second criterion will be the "connection" that the city and its hinterland have with small farmers and other entrepreneurs. The connection can take place in two ways, either through direct geographic proximity or through the capacity of the city and its hinterland to act as a magnet for immigration from poor areas. Priority will be given to those cases in which secondary cities and their hinterlands score high on both counts. Examples include Choluteca in the South and La Esperanza in the West, both secondary cities experiencing dynamic growth in high poverty areas.
- * Local counterpart organizations. Decisions on local counterpart organizations, which necessarily will be private, will be made case by case. In some cities, for example, Chambers of Commerce are economic dynamos; in others, they are prototypes of rent-seeking. Former USAID customers, regional economic development NGOs, branch offices of appropriate national organizations, and local PVOs are other potential partners for the development of local centers.
- * Pricing of services. Realistically, the program will not be able to recover the full cost of the problem-solving services it provides, at least initially. Transparent subsidies will be required to level the playing field for the poor, lowering their transaction costs and facilitating their entry into the market. That said, services will not be provided for free. Even for the program's poorest clients, some cost-sharing is essential.
- * Role of organizations the Mission has supported previously. Various organizations the Mission has supported – FHIA, Zamorano, CADERH, FACACH, FUNADEH, and FINACCOOP, for example – have achieved or are close to achieving self-sufficiency. This program will not earmark any direct support for them. On the other hand, it is fully expected that they will be looked to as sources of expertise to resolve problems that stand in the way of promising business deals. Project resources will subsidize their service to its customers.

PRIVATE CENTERS FOR INFORMATION TRANSFER IN SECONDARY CITIES: A PRECIS

Centers for information transfer will be established in selected secondary cities to serve both the cities and their hinterlands. Each center will have three basic functions.

1. To facilitate access by poor women and men to financial services, information on markets (both domestic and foreign), technical and management assistance and training, legal protection, notary services, transport, insurance, etc., with the objective of lowering the transaction costs of entry into markets and broadening the participation of local people in them. The center will not provide any physical or financial inputs, but, again, will facilitate the access of producers and investors to them.

2. To act as an aggressive broker of deals between foreign and domestic buyers and investors, on the one hand, and local producers, on the other. The center, which could be located in an organization like a Chamber of Commerce, will be connected electronically with the rest of Honduras and internationally. When necessary, it will provide specialized technical assistance to resolve specific problems that stand in the way of local businesses getting started and expanding. The assistance will not be broad-gauged but focused. In short, the approach will be classic "deal making": arranging for buyers and sellers to get together who most likely would not have met otherwise.

3. To serve as eyes and ears for those charged with expanding the "culture of free markets and entrepreneurship" (IR 1.1.2.). The office will identify policy-based constraints that restrict economic opportunities and increase the "transaction costs" of micro, small, and medium farms and businesses. The office will communicate the constraints to the public policy educators of IR 1.1.2., who then will initiate public dialogue on the costs of the constraints and the benefits of alleviating them. In certain cases, information on constraints will flow to UDAPE. UDAPE recently held meetings with large entrepreneurs on their costs and constraints. By furnishing UDAPE information on the constraints facing micro, small, and medium producers, USAID assistance in effect will be providing the same service for the poor.

* **Sustainability.** The principal result to be sustained from the program is not the organizations that will participate in it, but the increased income flows that currently poor Hondurans will enjoy from it. Consequently, the decision on what kind of organization(s) will act as the implementation unit(s) for the program will depend on who can do the job best during the program itself, not on its (their) likelihood to continue to exist afterwards.

Reduced budget levels make the need to leverage the expertise achieved by USAID's former customers even more critical to achievement of SO1. IR1.2.1 provides an opportunity to do just

that while maintaining a relationship with our "customers turned partners" and continuing to provide on-the-ground assistance to small farmers and other entrepreneurs in targeted high poverty areas.

Summary of Expected IR1.2.1 Results. It is expected that as a result of this IR, increased income and employment opportunities will develop and flourish in rural areas and around secondary cities identified as pockets of poverty in Honduras. Because the program is well focussed, by geographic area, gender, and problem selection criteria, the results are expected to accrue directly to the poor and their communities. It is expected that incomes and employment of customers and their neighbors will increase. Synergy should develop among the economic activities of rural dwellers and their neighbors in surrounding small towns. Farmers should have better access to inputs as agricultural supply stores improve their services. With increased farm output, farmers will supply more raw material to local transporters, storage facilities, and agroprocessors. As these increase their economic activities, they will demand more goods and services, some of which will be locally produced. Moreover, procedures, policies, and processes antithetical to open markets and entrepreneurship will be identified and passed back to the SO1 policy component to be addressed as appropriate.

In short, "clusters" of farms and businesses will develop within areas identified as home to the poor, thus providing more jobs and employment. It is expected that existing farms and businesses will grow and expand, but as they do, it is likely that new production will begin as well. For example, as the shrimp and melon industries developed in the economically depressed Choluteca River Valley, demand increased for labor and traditional services, but it also increased for a variety of new goods and services such as refrigerated transportation, fish meal manufacturers, cold storage, pumping equipment repair and manufacture, irrigation equipment sales and services, technical assistance, financial services, etc. These clusters of basic industries, plus the provision of goods and services linked forward and backward to them, have converted the Choluteca River Valley into an area characterized by high demand for labor, higher than average wages, and increased business activity. The Mission would like to help Honduras duplicate these results in other parts of the country.

Expanded Financial Services to Micro-Enterprises (IR1.2.2). USAID/Honduras currently is supporting the development of a viable financial intermediation system to provide full financial services to a significant number of micro-enterprises on a sustainable and profitable basis. Under the Small Business II Project, USAID laid the foundation for permanent financial services to poor women and men through a network of microfinance intermediaries that now are in the process of reaching sustainability. In addition, we expect a full-service commercial bank for micro-enterprises and small businesses to be in operation by 1998.

Building on this foundation, the new strategy will focus on the following five key areas to deepen and expand financial services to the poor in Honduras.

- 1. Regulatory Framework for Microfinance Institutions.** One of the main constraints faced by specialized microfinance PVOs is their inability to access additional market resources to finance expansion to reach a larger number of clients and become sustainable institutions. As unregulated intermediaries, microfinance institutions normally do not have access to market funds. Reporting standards and financial performance vary from one institution to the next, and the formal financial sector perceives them as high-risk with low probability of profitability. To

level the playing field, the Mission proposes to assist in the development of a regulatory framework specifically for them. The framework will require microfinance intermediaries to meet minimum rigorous performance and reporting standards, including standardized accounting practices, in order to register as supervised institutions and evolve into depository institutions. Minimum capital requirements will be established to minimize proprietorship issues, and rules and regulation for the creation of reserves and write-off will be adopted.

2. Developing Linkages with Capital Markets. There is a huge unmet demand for microfinance services, which could partially be met by developing linkages with capital markets and formal financial intermediaries. USAID will undertake an analysis to determine the most cost-effective way to leverage private resources for microfinance use. One option is registration of one of the microfinance intermediaries in the Bolsa Hondureña de Valores. Registration would allow it to issue financial instruments to mobilize resources from the private sector. The instruments would bear a competitive return, and USAID would finance a guarantee fund to support the transaction and make it credible. The fund would be invested in short- and medium-term instruments in the market. The capital of the guarantee fund would be leveraged at least five times. Additional capital would be generated from returns on the original investment plus interest charged on monies leveraged from the guarantee fund. The PVO network would use the leveraged funds to finance their expansion plans, and the deposits mobilized by the PVOs would be invested in the guarantee fund to continue leveraging additional funds.

3. Development of New Financial Products. New products will be developed to improve financial services for the micro-enterprise sector and reduce transaction costs. One new product will be the credit card. The experience of two institutions will be examined prior to its design and implementation in Honduras. The Asociación de Microempresas Inc. (ADEMI) in the Dominican Republic was the first PVO to introduce MasterCard. ADEMI offers the card to its best customers through an agreement with Banco Popular. Under the agreement, ADEMI receives 0.25% of purchases made with the card. In Panama, Financiera Estrella Mar, a finance company, uses the credit card system to provide financial services to over 15,000 active clients with a staff of only 16 persons. The operation is almost entirely paperless, which keeps transaction costs low and profits high. Other types of financial instruments to be explored include equity financing and leasing.

4. Specialized Services for the Poor Through Formal Financial Intermediaries. Until a few years ago, small-scale financing activities were not considered to have the potential to be profitable in Honduras. Interest-rate ceilings made it impossible for the formal sector to become involved. In addition, there was limited knowledge of appropriate credit technology to make operations profitable. The passage of a new financial sector law and the introduction of best practices throughout Latin America have removed the main constraints. Some formal financial intermediaries in Honduras now see the opportunity to expand their client base by reaching new market segments with growth potential.

Three formal financial institutions are interested in broadening their market to include microfinance services. Two of the institutions are commercial banks, Banco del Comercio and Banco de Occidente. The third institution is a finance company, Financiera Industrial y Agropecuaria (FIA). Each has expressed interest in learning the financial service technology that will make it profitable to lend to and capture resources from the poor. Banco de Occidente and FIA are especially interested in creating a special window for the solidarity lending methodology.

Short-term technical assistance will be provided to the three formal financial intermediaries to introduce the appropriate know-how to expand their financial services to micro- and small businesses. Observation trips to the Dominican Republic (ADEMI), Guatemala (GENESIS), Panama (Multicredit Bank), and Bolivia (Banco Sol and Pro-Crédito) will be financed for key stockholders and staff. Training seminars and workshops will be held with selected officials to adopt appropriate technology for servicing micro-businesses and to introduce new organizational structures and procedures.

5. Studies on Issues That Affect the Financial Sector. USAID will fund research and specialized studies on key issues. Some studies may be longitudinal to improve understanding of the dynamics of the sector. Other studies may look at legal issues that affect microfinance, for example, problems associated with the law governing control and use of movable goods as collateral. Research also will be carried out to fine tune the regulatory framework and to improve understanding by authorities of the specialized nature of microfinance. Financial market issues will be assessed to continue policy dialogue with other donors and the GOH.

Summary of Expected IR 1.2 Results. We expect to institutionalize the regulatory and operational framework for financial services for small and microenterprises. An increased range of financial services will be provided as a result of the formalization of many currently informal lenders. There is a tremendous demand for savings deposit services, for example, which can only be offered once the informal system is placed under some regulatory authority to protect public deposits. Formalizing the status of providers of financial services will promote development of a range of products and services for the poor women and men. The successful achievement of IR1.2.2 will produce many "winners" - microenterprises that grow into small businesses, many of which will be linked to agriculture and located in/around selected secondary cities. To the extent this happens, the linkage among IR's in SO1 continues with "graduates" of IR1.2.2 becoming "entrants" into IR1.2.1.

Critical Assumptions for Achievement of IR1.2 Results. The Mission assumes that our customers (small and micro enterprises, small farms, and their associations) are willing, able, and interested in participating fully in activities to increase their revenues. We assume that the new Honduran Administration will be open to changing regulations that impose high transaction costs on small enterprises and to reforming the regulatory framework for microfinance institutions.

Other Donors Involved in IR1.2. There are a myriad of other donors involved in the types of activities contemplated under IR1.2. For instance, the European Community and various bilaterals (Dutch, Spanish, German, Canadian) each have small farm and business development activities. In many cases, their programs are constrained by the same problems that IR1.2 will be addressing, and coordination of efforts are expected to identify clients, problems, and solutions. In microenterprise, USAID has been a traditional leader of the sector and will continue to do so by focussing on the constraints that affect all microenterprise lenders.

Linkages of IR1.2 to Other Parts of the USAID Strategy. Achievement of IR1.2 will start processes leading to poverty alleviation, especially in and around secondary cities, and thus will generate additional resources (at the national and household level) that can be used to increase educational attainment (IR1.3), better manage natural resources (SO2), improve family health (SO3), and consolidate democracy (SO4).

5. Increased Educational Attainment (IR1.3⁵)

Qualified human resources are indispensable to sustained national economic growth and international competitiveness. For Honduras to be competitive, regionally and globally, it requires a labor force more academically and technically qualified. USAID basic education strategy is part of an integrated, multi-donor effort aimed at assuring that 90% of Hondurans complete primary school, 50% complete secondary school, and adult literacy reaches 80%.

The Mission has unique capabilities in the education sector as a result of a decade of experience which earned it a high level of credibility with respect to: teacher training; educational research; local development, printing and distribution of educational materials; and policy reform. Based on this experience, USAID has a special role to play with the Ministry of Education (MOE) and among donors, strengthening MOE and donor initiatives to focus on the most critical issues and opportunities facing the sector.

The Mission will continue to follow the Agency's focus on basic education; but will pursue policy issues affecting the total education system. Policy dialogue with the MOE and other partners will highlight reforms that improve the internal efficiency of Honduras' educational system, including that of the university. The resources saved from these reforms can be made available for addressing primary and secondary school needs.

Within a multi-donor effort to improve the quality, equity and efficiency of basic education, USAID and the MOE are focussing on "Increased Educational Attainment," through two lower-level Intermediate Results, IR1.3.1. "Improved and Expanded Basic Education (Grades 1-9) and IR1.3.2. "Increased Number of Vocational Center Graduates Employed." (See Results Framework Graphic.)

Improved and Expanded Basic Education (IR 1.3.1). This component provides for long-term economic growth through increased basic skills essential to either a minimally educated workforce or to those who pursue further studies. This IR, which is implemented through the Basic Education and Skills Training (BEST) Project, builds on USAID's earlier successes with development of basic education curriculum, textbooks, and criterion-referenced tests. USAID now assists the MOE "EDUCATODOS" or "Education-For-All" program which allows out-of-school youth and adults to obtain access to grades 1-9 through alternative delivery systems. "EDUCATODOS" will continue until 2003 by which time it will be permanently sustained by the MOE and local NGOs.

USAID will continue support for alternative basic education delivery systems (EDUCATODOS), including the development of educational materials that will also serve grades 7-9 of the traditional school-based basic education system. The Mission will fund development and testing of experimental strategies and interventions for reducing repetition rates. The Mission will participate in the Global Bureau's Girls' and Women's Education Activity which will assist in tracking increased potential and actual earnings, and other benefits received by female participants as a consequence of EDUCATODOS. These activities will continue until the end of 1999.

⁵ Directly support Agency Objective 1.3 (Basic education expanded and improved to increase human productive capacity).

In 1999, we will initiate activities to assist the MOE in implementing the most promising interventions for reducing repetition rates on a wider scale. The Mission also will provide training and assistance for making optimal use of the new educational materials developed for grades 7-9 and EDUCATODOS. Efforts will be focused on preparing EDUCATODOS for self-sustainability.

As the recognized leader in the sector, USAID will continue to work on improving educational policy through the strategy period. Policy dialogue will be directly with the MOE and with the Inter-institutional Committee for Educational Policy, which has representatives from the MOE, universities, teacher training colleges, NGOs, public and private sector, labor unions, and USAID. Policy work will initially focus on developing and testing of experimental strategies for reducing repetition rates in early grades and on developing curriculum and basic education materials for grades 7-9.

A reduction of repetition rates, especially at the 1st and 2nd grades, would provide greatly increased efficiency and resource savings making it possible for the MOE to utilize additional resources on other priority areas, such as its expansion of basic education through the 9th grade. Repetition rates could be reduced by training teachers to improve use of classroom time and to promote student-centered learning. Another approach may entail improving reading and writing readiness to better prepare children for entering the first grade. By the end of 1999, pilot activities for reducing repetition rates will be nearing completion and the focus will then shift to implementing the most promising interventions.

The MOE has requested USAID's assistance in developing new educational materials for grades 7-9. The new materials will be used by both traditional and alternative basic education programs. The MOE anticipates additional IDB financing will enable significant expansion of middle schools (grades 7-9) in the near future, particularly for rural areas. Thus it wants new educational materials for this expansion.

In addition to reducing repetition rates and developing new materials, policy work also will consider other issues and opportunities for change; some of these are listed below:

- * The recently initiated MOE decentralization.
- * Reducing the minimum age for enrolling in primary school so that youth will obtain an additional year of schooling before leaving school to join the labor force.⁶
- * Teacher training programs to encourage more progressive teaching strategies, cooperative and student centered learning, and criterion referenced evaluation systems to assist teachers in making pass/fail decisions.⁷

⁶Many lower income youth remain in school, before joining the labor force, until they complete their primary education or reach adolescence, whichever comes first. By entering school one year earlier, some students will be able to complete an additional year of schooling before joining the labor force.

⁷Educational research in Honduras has shown that participatory, cooperative, student centered learning has been associated with reduced repetition rates of 10% to 20%. Other studies have noted that there is a lack of consensus among teachers for making pass/fail decisions on students and educators tend to compare students within the classroom and make norm referenced pass/fail decisions, rather than using the MOE's criterion referenced student evaluation criteria.

- * Increasing the length of the school day.
- * Management information tools and strategies to assist the MOE in making more transparent and equitable resource allocation decisions.
- * Admission examinations for students entering universities to reduce repetition rates on the university level, increase efficiency and cost-effectiveness, and encourage improvements in the quality of secondary education.

Achievement of IR1.3.1 is based on the assumption that the MOE will continue its commitment to improving basic education through grade 9, in spite of the change in GOH Administration. USAID must also assume that the other major donors (IDB, World Bank, Germany) in education will have functioning projects that will achieve their objectives.

Summary of Expected IR 1.3.1 Results. Working with our Honduran and other donor partners, by the end of the strategy period, we intend to increase the number of students successfully passing primary school grades (1-6) from the current 1,030,000 to 1,200,000 in 2003. Improvements in efficiency and quality will result in an increase of the percentage successfully passing primary school grades (1-6) from the current 83.0% to 89.5% in 2003. In addition, the annual number successfully passing grades in the alternative basic education program will increase from 43,000 in 1996 to 120,000 in 2003^a.

Increased Number of Vocational Center Graduates Employed (1R 1.3.2). This IR will stimulate rapid economic growth through increased incomes resulting from improved basic and technical skills. This component of the BEST Project will continue to focus on the reinforcement and construction of vocational education centers. Vocational education has proven its capability of providing unemployed and underemployed youth with skills that improve their marketability in the labor market. EDUCATODOS materials are used in the vocational schools to help those students who dropped out of school before obtaining the level of basic education needed for their vocational program. Graduates from USAID-assisted centers earn average income increases of approximately \$1,000 per year. By 2000, no further USAID investment should be required. The vocational education centers will be sustained by local NGO partners. Ongoing staff training and technical assistance will be provided through an endowment to CADERH funded in 1997 from the BEST Project. Achievement of desired results is based on the assumption that the private sector will continue to hire better trained vocational school graduates.

Summary of Expected IR 1.3.2 Results. A total of 27 vocational training schools will be fully operational on a sustainable basis by 2000 and graduating an estimated 3,000 students per year, compared to 1,085 in 1996. These students will be gaining skilled employment and augmenting their preschool salaries by \$1,000 per year (a total of \$3M/yr).

Commitment and Responsibility of Development Partners. The GOH has committed itself to support basic education through decentralization efforts. From the MOE to the department (state) directors, to the local school teachers, all educational authorities must assume their

^a This does not necessarily represent the number of students because some may pass two or more grades in one year while others may take two or more years to pass one grade.

educational and administrative responsibilities. MOE is developing a ten year plan to assure that current commitments and activities remain on track for improving the equity, quality, and efficiency of education in Honduras.

USAID will continue to work in close coordination with the IDB, the World Bank, and other partners. Achievement of targets will depend on successful implementation of the multi-donor approach. Projects already approved, as well as in the design stage, show that the World Bank, IDB, and the German Development Agency are interested in or committed to expanding upon USAID/Honduras' work in basic education, grades 1-9, with nearly \$100 million in loans and grants.

The MOE is currently negotiating a new activity with the IDB to expand access and improve middle schools (grades 7-9), both in the formal system and in the alternative systems, which includes EDUCATODOS. With elections scheduled for 1997, the MOE and IDB are very anxious to have the new project in place prior to the elections. USAID responded to requests from the IDB and the MOE to provide a consultant to assist the MOE in the preparation of a project proposal.

USAID's basic education efforts over the past two decades are being continued under a World Bank project, funded by Germany, which includes teacher training, textbook printing, and school construction for primary grades (1-6). Achievement of targets for IR 1.3.1 are dependent on the World Bank and IDB activities and on USAID's success in reducing repetition rates. USAID policy work is instrumental in facilitating coordination, leveraging other resources, and increasing the impact on the regular primary education and alternative basic education systems with limited resources.

Virtual Team members include Jean Meadowcroft, LAC/RSD/EHR; Sarah Wright, LAC/RSD/EHR; John Jessup, G/HCD/BELS; and Susie Clay, G/WID. These individuals provide input and guidance on the achievement of RP1.3 results as well as the strategy development.

Linkages to Other Parts of the USAID Strategy. Studies have demonstrated that better educated individuals bring more than economic benefits to society. In addition to earning higher wages, they implement better nutrition and hygiene practices in the home. It has been proven that women with a 6th-grade education have fewer and healthier children. Better educated men and women are also more likely to participate in democratic processes than uneducated citizens.

Better trained Honduran professionals will continue be crucial to the achievement and sustainability of all SOs. Thus an estimated 100 to 200 new USAID participant trainees are projected annually during the strategy period. Specific training needs will be identified by SO teams and implemented through a range of mechanisms.

6. Judging Achievements

The indicators for SO1 and IRs 1.1, 1.2, and 1.3 are presented and discussed in the indicator tables.

STRATEGIC OBJECTIVE 1 PERFORMANCE INDICATORS

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets			
APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME:			
INDICATOR: 1.A INCREASED INDEX OF ECONOMIC FREEDOM			
UNIT OF MEASURE: Index Number	Year	Planned	Actual
SOURCE: Wall Street Journal	Baseline 1996	—	3.15
INDICATOR DESCRIPTION: Independently developed comprehensive measure of policies related to: trade, taxation, government intervention, monetary, capital flows/foreign investment, banking, wage and price controls, property rights, regulations, and the black market.	1998	3.10	***
	1999	3.05	***
COMMENTS: 1997 Scores for Central American Countries: El Salvador 2.55 Costa Rica 2.80 Guatemala 2.80 Honduras 3.15 Nicaragua 3.60	2000	3.00	***
	2001	2.90	***
	Target 2002	2.80	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME:			
INDICATOR: 1.B INCREASED PRIVATE SECTOR EMPLOYMENT IN AGRICULTURAL, INDUSTRIAL, AND SERVICE SECTORS			
UNIT OF MEASURE: Total Number of Persons Employed in Agriculture, Industry and Services	Year	Planned	Actual
SOURCE: GOH Household Survey	Baseline 1996	—	1,360,610
	1997	1,425,000	***
INDICATOR DESCRIPTION: Data include employment in both the modern and traditional sectors. Agricultural employment includes both direct (primary) and indirect (secondary) activities.	1998	1,450,000	***
	1999	1,475,000	***
COMMENTS: Carry-over indicator from prior strategy. Consistent with current Mission practice, these results will be disaggregated by gender and by sector.	2000	1,500,000	***
	2001	1,550,000	***
	Target 2002	1,650,000	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME:			
INDICATOR: 1.C INCREASED NON-MAQUILA EXPORTS			
UNIT OF MEASURE: Millions of dollars of non-maquila exports.	Year	Planned	Actual
SOURCE: Central Bank	Baseline 1997	—	***
	1998	TBD	***
INDICATOR DESCRIPTION:	1999	TBD	***
	2000	TBD	***
COMMENTS: Targets for this indicator will be developed once agreement is reached on which current Central Bank measure best reflects this indicator. The IMF is currently providing technical assistance to the Central Bank which might change the way non-maquila exports are calculated.	2001	TBD	***
	Target 2002	TBD	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME:

INDICATOR: 1.D INCREASED NET PRIVATE INVESTMENT

UNIT OF MEASURE: Millions of Constant Lempiras (base to be determined by work ongoing with the Central Bank)

SOURCE: Central Bank

INDICATOR DESCRIPTION: This indicator will demonstrate improved investor confidence.

COMMENTS: Targets for this indicator will be developed once agreement is reached on which current Central Bank measure best reflects this indicator. USAID is currently providing technical assistance to the Central Bank to recalculate the Consumer Price Index and the base year on which it is calculated.

Year	Planned	Actual
Baseline 1997	---	***
1998	TBD	***
1999	TBD	***
2000	TBD	***
2001	TBD	***
2002	TBD	***
Target 2003	TBD	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets		COUNTRY/ORGANIZATION: USAID/Honduras		
APPROVED: DD/MM/YY				
RESULT NAME:				
INDICATOR: 1.E INCREASED PERCENTAGE OF CHILDREN COMPLETING PRIMARY SCHOOL (THROUGH GRADE 6) IN THE NATION				
UNIT OF MEASURE: Percentage.	Year	Planned	Actual	
SOURCE: Ministry of Education (MOE); Government of Honduras Household Survey. Data is available annually in March from the MOE/Educational Management Information System (EMIS).	1976	---	38.3	
	Total		39.0	
	Female		37.6	
	Male			
INDICATOR DESCRIPTION: These data reflect a certain skill/knowledge-level of the nation as a whole. The data do not reflect the accomplishments of students who did not complete primary school.	1986	---	55.4	
	Total		56.0	
	Female		54.0	
	Male			
COMMENTS: Additional data on equity will include the percentage of youths completing primary school broken down by rural and urban areas.	Baseline	---	71.4	
	1996		72.0	
	Total		70.0	
	Female			
	Male			
	1997	72.5	73.0	***
	Total		71.7	
	Female			
	Male			
	1998	73.5	73.0	***
	Total		72.9	
	Female			
	Male			
	1999	75.0	76.0	***
	Total		74.0	
	Female			
	Male			
	2000	76.0	76.4	***
	Total		75.7	
	Female			
	Male			
	2001	77.5	78.0	***
	Total		77.0	
	Female			
	Male			
	2002	78.5	79.0	***
	Total		78.0	
	Female			
	Male			
	Target	2003	80.0	***
	Total		80.5	
	Female		79.2	
	Male			

*** INDICATES YEARS WHEN ACTUAL DATA WILL BE AVAILABLE

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME:			
INDICATOR: 1.F INCREASED MEAN YEARS OF EDUCATION OF THE POPULATION 15 YEARS OF AGE AND OVER			
UNIT OF MEASURE: Mean number of years.	Year	Planned	Actual
SOURCE: Ministry of Education (MOE); and the Interamerican Development Bank (IDB).	Baseline	1996 Total Female Male	— 4.6 4.7 4.5
	2000	Total Female Male	4.9 5.0 4.8 ***
INDICATOR DESCRIPTION: This indicator reflects the increase in the level of educational attainment, in years, by the Honduran population beyond primary school age, i.e., mean (average) years of education completed by Hondurans 15 years of age and older.	Target	2003 Total Female Male	5.2 5.3 5.1 ***
	COMMENTS: This is a better indicator of work force education levels than measures of overall literacy or percentage completing primary school.		

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 1.1 Improved Policy Environment Conducive to Poverty Reduction through Economic Growth			
INDICATOR: 1.1.a MAINTAINED CONSOLIDATION OF TRADE, PRICING, AND STATE NON-INTERVENTION POLICIES-			
UNIT OF MEASURE: Number of incidents	Year	Planned	Actual
SOURCE: Mission Observation	Baseline	1998	0 ***
	1999		0 ***
INDICATOR DESCRIPTION: The Mission will observe and report upon the number of times that the GOH imposes unfair trade restrictions (e.g. technically groundless phytosanitary measures, border closings, etc.) and price controls, or that the State assumes roles more appropriately fulfilled by the private sector.	2000		0 ***
	2001		0 ***
COMMENTS: The subjective indicator measures lapses in adherence to policies.	Target	2002	0 ***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 1.1 Improved Policy Environment Conducive to Poverty Reduction through Economic Growth			
INDICATOR: 1.1.b INCREASED PROGRESS TOWARD MEETING CONDITIONS FOR ACCESSION TO FTAA			
UNIT OF MEASURE: Percent of the Required Number of Conditions Met by Honduras for Accession to the FTAA by the year 2005. SOURCE: Mission/G-Cap Observation INDICATOR DESCRIPTION: Working groups throughout the hemisphere are developing a number of conditions for accession by countries to the FTAA. This measure will track Honduras' progress toward meeting these conditions. COMMENTS: The specific conditions will be developed (and modified) as the universe of conditions becomes known. All conditions aren't to be met until the year 2005, beyond this strategy period. The purpose of this indicator is to keep Honduras moving toward accession.	Year	Planned	Actual
	Baseline 1998	0	***
	1999	10	***
	2000	25	***
	2001	50	***
	Target 2002	75	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 1.1 Improved Policy Environment Conducive to Poverty Reduction through Economic Growth			
INDICATOR: 1.1.c IMPROVED PUBLIC OPINION ON ECONOMIC OPPORTUNITIES			
UNIT OF MEASURE: Percent of persons surveyed with knowledge of, and positive attitude toward, economic changes occurring in the economy. SOURCE: CID-Gallup Polls INDICATOR DESCRIPTION: This indicator will measure the acceptance of Honduran society toward economic changes that liberalize the economy, thus permitting more "economic space" for the poor to develop productive activities and employment. Baseline will be set in 1997/98. COMMENTS:	Year	Planned	Actual
	Baseline 1998	---	***
	1999	TBD	***
	2000	TBD	***
	2001	TBD	***
	Target 2002	TBD	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 1.2 Improved Market Access and Competitiveness by the Poor			
INDICATOR: 1.2.a INCREASED NUMBER OF JOBS CREATED IN USAID ASSISTED ENTERPRISES			
UNIT OF MEASURE: Number of Additional Persons Employed in Enterprises Directly Assisted by USAID Economic Growth Activities.	Year	Planned	Actual
SOURCE: Activity Records	Baseline 1998	---	***
	1999	TBD	***
INDICATOR DESCRIPTION: This indicator will describe the effectiveness of USAID Economic Growth Activities in employment-increasing activities aimed at small farmers and entrepreneurs.	2000	TBD	***
	2001	TBD	***
COMMENTS: To be developed during activity design. Baseline will be set in 1997/98.	Target 2002	TBD	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 1.2 Improved Market Access and Competitiveness by the Poor			
INDICATOR: 1.2.b INCREASED INCOMES OF USAID ASSISTED ENTERPRISES			
UNIT OF MEASURE: Amount of Increased Incomes for Small Farmers and Other Entrepreneurs Directly Attributable to USAID Economic Growth Activities.	Year	Planned	Actual
SOURCE: Activity Records	Baseline 1998	---	***
	1999	TBD	***
INDICATOR DESCRIPTION: This indicator will describe the effectiveness of USAID Economic Growth Activities in increasing incomes of small farmers and other entrepreneurs directly assisted by project activities.	2000	TBD	***
	2001	TBD	***
COMMENTS: To be developed during activity design. Baseline to be set in 1997/98.	Target 2002	TBD	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 1.2 Improved Market Access and Competitiveness by the Poor			
INDICATOR: 1.2.c INCREASED NUMBER OF DEALS FACILITATED BY USAID			
UNIT OF MEASURE: Number of "Deals" Facilitated in Enterprises Assisted by USAID Economic Growth Activities	Year	Planned	Actual
SOURCE: Activity Records	Baseline 1998	---	***
	1999	TBD	***
INDICATOR DESCRIPTION: This indicator will describe the effectiveness of USAID Economic Growth Activities in facilitating income and employment enhancing activities of small farmers and other entrepreneurs, e.g. successful producer/processor linkages made, small farmers and entrepreneurs adopting new technologies, etc.	2000	TBD	***
	2001	TBD	***
COMMENTS: To be developed during activity design. Baseline to be set in 1997/98.	Target 2002	TBD	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 1.2 Improved Market Access and Competitiveness by the Poor			
INDICATOR: 1.2.d INCREASED ECONOMIC ACTIVITY AS MEASURED BY DEPOSITS AND DISBURSEMENTS OF FINANCIAL INSTITUTIONS IN SELECTED SECONDARY CITIES			
UNIT OF MEASURE: Constant lempiras (base year to be determined)	Year	Planned	Actual
SOURCE: Financial Institution Record	Baseline 1998	---	***
	1999	TBD	***
INDICATOR DESCRIPTION: This indicator will report the amount of deposits and disbursements made by financial institutions in the secondary cities selected as targets for USAID Economic Growth activities. Deposits and disbursements will serve as a proxy for general trends in changes of economic activity in selected areas.	2000	TBD	***
	2001	TBD	***
COMMENTS: To be developed during activity design. Baseline to be set in 1997/98.	Target 2002	TBD	***

*** INDICATES YEARS WHEN ACTUAL DATA WILL BE AVAILABLE

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 1.2 Improved Market Access and Competitiveness by the Poor			
INDICATOR: 1.2.e INCREASED NUMBER OF SAVERS IN USAID ASSISTED MICROENTERPRISE FINANCIAL ORGANIZATIONS			
UNIT OF MEASURE: Number of savers	Year	Planned	Actual
SOURCE: Activity Records	Baseline 1998	---	***
	1999	TBD	***
INDICATOR DESCRIPTION: This indicator will measure the success of expanding microenterprise financial services from lending to savings mobilization.	2000	TBD	***
	2001	TBD	***
COMMENTS: To be determined during activity design. Baseline to be set in 1997/98.	Target 2002	TBD	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 1.2 Improved Market Access and Competitiveness by the Poor			
INDICATOR: 1.2.f INCREASED NUMBER OF BORROWERS IN USAID ASSISTED MICROENTERPRISE FINANCIAL ORGANIZATIONS			
UNIT OF MEASURE: Number of borrowers	Year	Planned	Actual
SOURCE: Activity Records	Baseline 1998	---	***
	1999	TBD	***
INDICATOR DESCRIPTION: This indicator will measure the success of expanding microenterprise financial services in lending.	2000	TBD	***
	2001	TBD	***
COMMENTS: To be determined during activity design. Baseline to be set in 1997/98.	Target 2002	TBD	***

*** INDICATES YEARS WHEN ACTUAL DATA WILL BE AVAILABLE

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME: Increased Educational Attainment

INDICATOR: 1.3.a INCREASED PERCENTAGE OF ENROLLED STUDENTS SUCCESSFULLY PASSING GRADE LEVELS THROUGH THE ALTERNATIVE BASIC EDUCATION DELIVERY SYSTEMS

UNIT OF MEASURE: Percentage of students successfully passing grade

SOURCE: Ministry of Education (MOE) Adult Literacy Program; Interamerican Development Bank (IDB); Basic Education and Skills Training Project (BEST/522-0388). Some data is available annually in March from the MOE's Educational Management Information System (EMIS). EDUCATODOS data is available annually in March through the BEST Project monitoring information.

INDICATOR DESCRIPTION: This one indicator simultaneously measures efficiency, quality and access without showing distortions due to keeping typical dropouts in school or due to increased efficiency alone. The data reflects improvements in the education system without pinpointing the exact cause.

COMMENTS: Additional data on equity will include the percentage of enrolled students successfully passing grades by rural and urban classification.

Year	Planned	Actual
Baseline 1996 Total Female Male	—	62.0 60.4 62.6
1997 Total Female Male	62.0 62.0 62.0	***
1998 Total Female Male	63.0 63.0 63.0	***
1999 Total Female Male	64.0 64.0 64.0	***
2000 Total Female Male	64.0 64.0 64.0	***
2001 Total Female Male	65.0 65.0 65.0	***
2002 Total Female Male	65.0 65.0 65.0	***
2003 Total Female Male	66.0 66.0 66.0	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME: Increased Educational Attainment

INDICATOR: 1.3.b INCREASED NUMBER OF STUDENTS SUCCESSFULLY PASSING GRADE LEVELS THROUGH THE ALTERNATIVE BASIC EDUCATION DELIVERY SYSTEMS

UNIT OF MEASURE: Students successfully passing grade per year.

SOURCE: Ministry of Education (MOE); Basic Education and Skills Training Project (BEST/522-0388). Data is available every January through the MOE statistics information.

INDICATOR DESCRIPTION: This indicator tracks the number of graduates on each of the nine levels of the basic education alternative delivery systems. These nine levels are the equivalent of grades 1-9 of the formal basic education system. The indicator provides measure of level of education attainment, i.e., cumulative levels passed rather than the actual number of individuals enrolled in the programs.

COMMENTS: Two alternative delivery systems are currently in use with accelerated night classes in urban areas and interactive radio instruction with volunteer facilitators in rural areas.

Year	Planned	Actual
Baseline 1996 Total Female Male	—	43,000 22,400 20,600
1997 Total Female Male	49,000 24,000 25,000	***
1998 Total Female Male	60,000 30,000 30,000	***
1999 Total Female Male	70,000 35,000 35,000	***
2000 Total Female Male	80,000 40,000 40,000	***
2001 Total Female Male	90,000 45,000 45,000	***
2002 Total Female Male	100,000 50,000 50,000	***
Target 2003 Total Female Male	110,000 55,000 55,000	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME: Increased Educational Attainment

INDICATOR: 1.3.c AVERAGE STANDARDIZED TEST SCORE FOR LEVELS 1-9 IN THE ALTERNATIVE BASIC EDUCATION DELIVERY SYSTEM

UNIT OF MEASURE: Average Test Score (Percentage based on 100)

SOURCE: Ministry of Education (MOE) Adult Literacy Program; Interamerican Development Bank (IDB); Basic Education and Skills Training Project (BEST/522-0388)

INDICATOR DESCRIPTION: This indicator measures improvement in quality based on the product rather than process (i.e. What the student learned).

COMMENTS:

Year	Planned	Actual
Baseline 1996 Total Female Male	---	***
1997 Total Female Male	TBD	***
1998 Total Female Male	TBD	***
1999 Total Female Male	TBD	***
2000 Total Female Male	TBD	***
2001 Total Female Male	TBD	***
2002 Total Female Male	TBD	***
Target 2003 Total Female Male	TBD	***

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets
 APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME: Increased Educational Attainment

INDICATOR: 1.3.d INCREASED PERCENTAGE OF ENROLLED STUDENTS SUCCESSFULLY PASSING GRADE LEVELS THROUGH THE REGULAR BASIC EDUCATION DELIVERY SYSTEM

UNIT OF MEASURE: Percentage of students successfully passing grade.	Year	Planned	Actual
SOURCE: Ministry of Education (MOE) Statistics; The World Bank. Some data is available annually in March from the MOE's Educational Management Information System (EMIS).	Baseline	1996 Total Female Male	83.0 83.5 82.5
	1997	Total Female Male	83.5 83.9 83.1
INDICATOR DESCRIPTION: This one indicator simultaneously measures efficiency, quality and access without showing distortions due to keeping typical dropouts in school or due to increased efficiency alone. The data reflects improvements in the education system without pinpointing the exact cause.	1998	Total Female Male	84.0 84.4 83.6
	1999	Total Female Male	85.0 85.4 84.6
COMMENTS: Additional data on equity will include the percentage of enrolled students successfully passing grades in rural and urban areas.	2000	Total Female Male	86.0 86.6 85.7
	2001	Total Female Male	87.0 87.2 86.8
	2002	Total Female Male	88.0 88.1 87.9
	Target	2003 Total Female Male	89.5 89.5 89.5

OBJECTIVE NO. 1: Expanded and Equitable Access to Productive Resources and Markets
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME: Increased Educational Attainment

INDICATOR: 1.3.e INCREASED NUMBER OF VOCATIONAL CENTER GRADUATES EMPLOYED

UNIT OF MEASURE: Number of vocational center graduates employed per year.

SOURCE: Basic Education and Skills Training Project (BEST/522-0388), CADERH

INDICATOR DESCRIPTION:

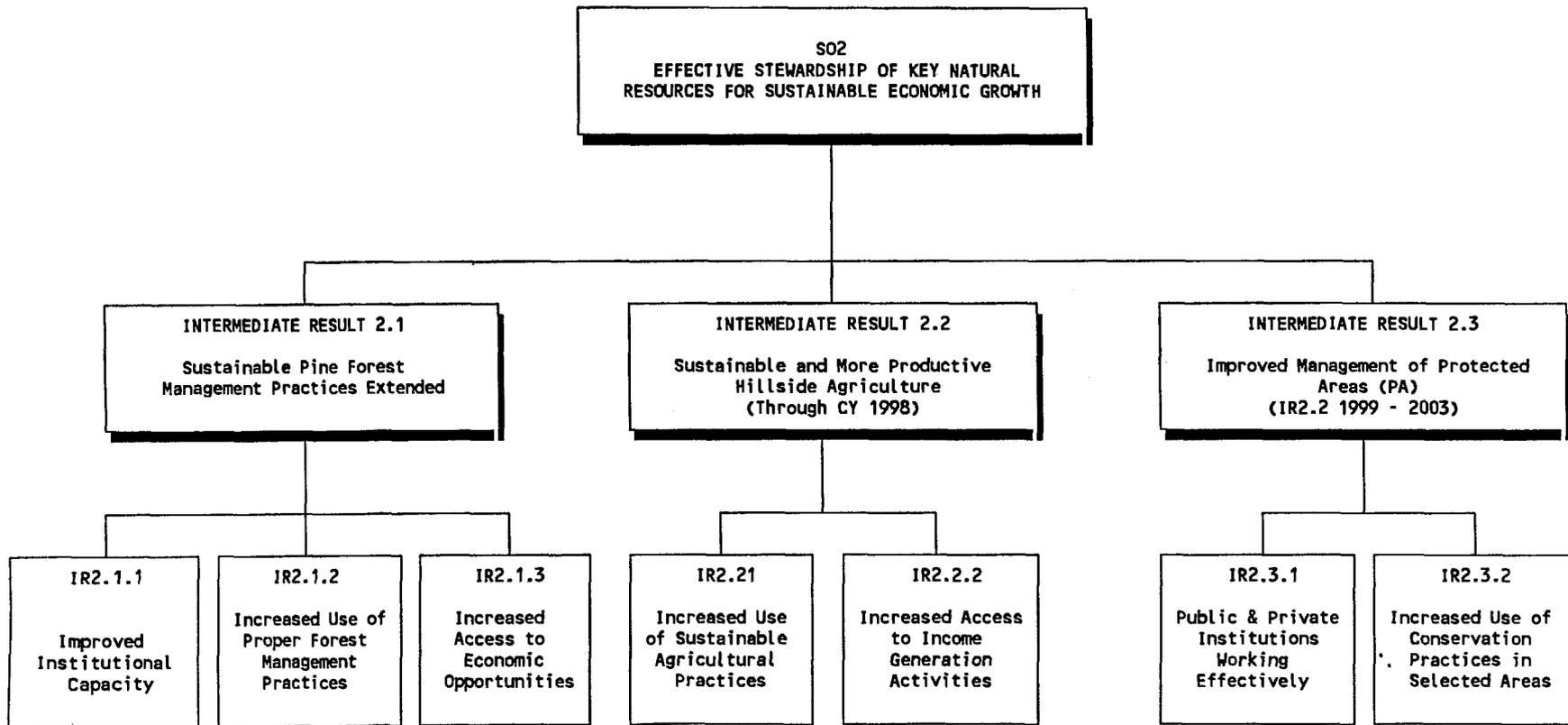
COMMENTS: USAID-assisted PVO and municipal training centers will increase to approximately 29 centers by the activity's end and provide approximately 23,000 graduates who will obtain gainful employment and receive annual income increases of approximately \$23 million as a consequence of this training. (Vocational education graduates receive an annual income increase of approximately \$1,000 due to their training.) Beneficiaries are low income and underemployed youth and adults.

The most significant increases in graduates should be recorded after completing the building and equipping of additional centers (1997-98), and the new centers begin producing their first graduates (1998-2000).

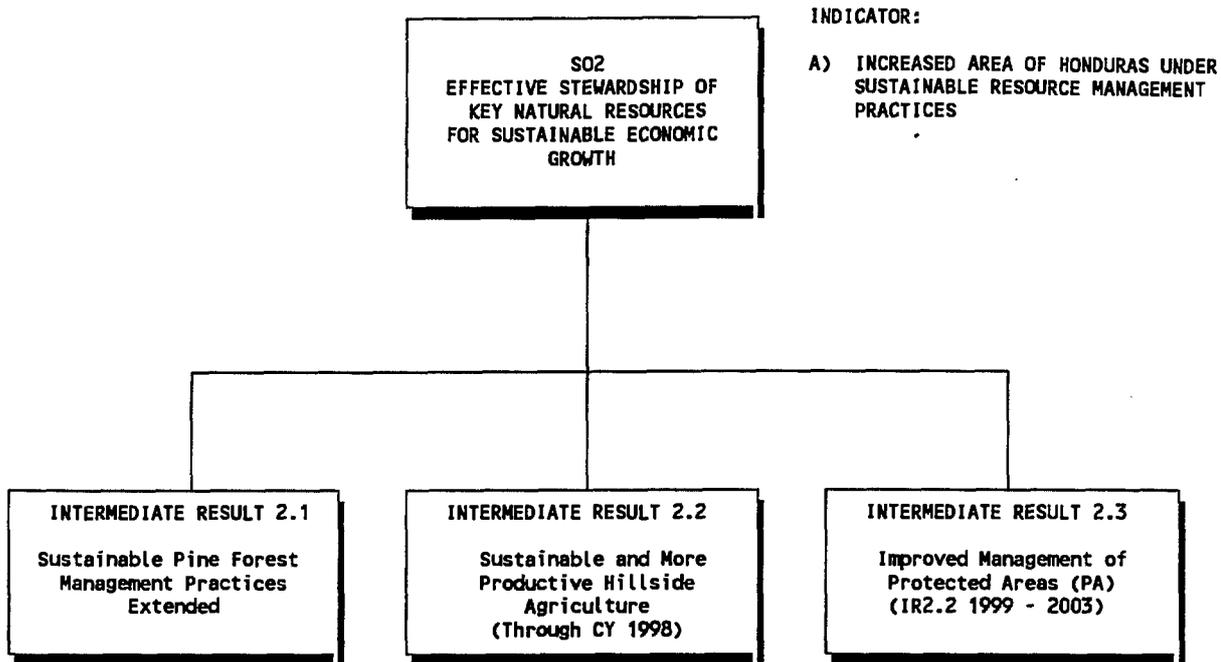
This measure does not take into account those graduates who acquired skills but could not initially find work due to poor economy.

Year		Planned	Actual
Baseline	1996 Total	1,200	1,085
	Female		
	Male	828	725
1997	Total	1,200	***
	Female		
	Male	850	
1998	Total	2,000	***
	Female		
	Male	1,340	
1999	Total	2,800	***
	Female		
	Male	1,848	
2000	Total	3,000	***
	Female		
	Male	1,950	
2001	Total	3,000	***
	Female		
	Male	1,950	
2002	Total	3,000	***
	Female		
	Male	1,950	
2003	Total	3,000	***
	Female		
	Male	1,950	
Target	2004 Total	3,400	***
	Female		
	Male	2,380	

RESULTS FRAMEWORK: STRATEGIC OBJECTIVE 2



S02 PERFORMANCE INDICATORS



INDICATORS

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> a) Increased Area of Pine Forest with Proper Forest Management Plans. b) Increased Area with Proper Regeneration Established after Harvest. c) Increased Volume of Timber Harvested from Areas under Approved management Plans. d) Increased Employment Generation in the Forest Sector. | <ul style="list-style-type: none"> a) Increased Area of Agricultural Hillside Land under Sustainable Natural Resources Management. b) Increased Tons of Topsoil Saved Annually through Natural Resources Management Practices. c) Increased Number of Hillside Farm Families Generating Average Increase of 50 Percent in On-Farm Income. | <ul style="list-style-type: none"> a) Increased Area under Conservation Programs as Protected Areas. b) Increased Number of Declared Protected Areas under Improved Management. c) Increased NGO-Administered Environmental Activities. |
|---|--|--|

C. STRATEGIC PLAN FOR NATURAL RESOURCES AND ENVIRONMENT

1. The Challenge: Overview of Situation and Trends

The most serious environmental problems facing Honduras involve destruction of forests and watersheds, hillside erosion from improper farming, degradation of marine resources, destruction of biodiversity, and health problems associated from poor sanitation and other sources of pollution. For years this type of environmental exploitation and degradation were masked by the country's low population density. By the late 1980s however, their consequences could no longer be ignored.

Environmental exploitation has cost Honduras half of its ten million acres of broadleaf forest and 40% of its volume of commercial pine timber. In the mid-1980's an international team warned that, unless immediate changes were made, the commercial pine industry would run out of harvestable timber around the year 2020. The economic implications of this warning are daunting as pine is a major industry (responsible for about 95% commercial timber production) with significant forward linkages to construction, furniture and other wood products industries.

Forests are crucial to protection of watersheds and ensuring the quantity and quality of water supplies. Irresponsible forest harvest practices and traditional shifting, slash-and-burn agriculture produce enormous topsoil losses that change dramatically the face of much of rural Honduras and negatively affect downstream water quality and availability. This endangers water supplies critical for human, agriculture, and industrial needs, including hydroelectric power production. Water supplies also are endangered by poor municipal sewerage and refuse disposal. The marine environment is also under attack. The future of the shrimp and fishing industry is threatened by run-off of agricultural chemicals. Important "pockets" of marine bio-diversity, such as coral reefs and mangroves, are being endangered by unregulated expansion of agricultural, tourism, and aquaculture activities.

Experience with sustainable natural resource management is limited. There are few environmentally trained professionals. Most hillside farmers are essentially ignorant of the appropriate methodologies for soil and water conservation. Foresters are just beginning to practice sustainable forest management. Environmental groups and concerned individuals are few and relatively weak, though their number and strength are growing. The GOH is taking some steps; for example, numerous "protected areas" have been declared. However, limited resources have been allocated to actually "protect" these because environmental protection is still a low priority in face of all the other problems facing the country. Yet on the positive side, environmental concern and sustainable resources management practices are growing, generating more attention, gaining larger budgets, and laying the groundwork for a better future.

2. Strategic Objective and Rationale

Overcoming the challenges outlined above is critical to both conservation of Honduras' biodiversity and its future economic viability. Unless Honduras manages its natural resource patrimony on a sustainable basis, there can be no broad-based, sustainable economic growth.

Poverty will persist in perpetuity. To address this challenge, the Mission has adopted as its SO2⁹:

"Effective Stewardship of Key Natural Resources for Sustainable Economic Growth"

The Mission's decision to continue environmental activities within its new strategy was based on numerous considerations. The Mission's initial plan was an early exit from this SO because of severe budget limitations. However, this position was reconsidered for the following reasons: the key role forestry plays in the Honduran economy and its contribution to achievement of SO1, the success of on-going activities and the need to ensure their sustainability, Agency goals and U.S. foreign policy objectives, existing commitments to Honduras and US environmental NGOs, the complementarity of our efforts with those of our partners including other donors, and the fact that continued USAID involvement in natural resources management is critical to Honduras. This final point is based on careful analysis of information from consultants, partners, and a variety of other sources. USAID, the recognized leader in the natural resources management area, has achieved considerable success with its interventions. These interventions are not yet fully sustainable, however, and some are entering a crucial period. All indications are that a few more years of USAID leadership and support will result in enormous benefits, while termination at this time is likely to result in considerable loss of prior investments.

The pine forest industry in Honduras, after years of mismanagement, has been turned around and is approaching a take-off point. Detailed analyses of the pine forest sector activities (past, present, and potential) show impressive economic returns and significant potential for future growth, if the processes now in place can be sustained and expanded. An in-depth economic analysis concluded that past USAID investments in pine forestry had achieved a benefit cost ratio of 5.5 to 1 and an internal rate of return of 95%¹⁰. This analysis used very conservative assumptions; for example, it did not include environment and watershed management benefits, which we know are very substantial.

With continued USAID support and technical leadership, the pine forest sector is expected to grow by 10% per year during the next decade. This growth will increase its share of GDP from its current 2.7% to 4.7% in 2006. The sector now employs about 65,000 (about 5% of the total labor force, roughly equivalent to the *maquila* sector). Employment in the sector would almost triple to 169,000 by 2003. These jobs, which would mostly go to poor Hondurans, would be permanent, rather than "feast or famine" conditions that previously characterized the sector. It should be noted, however, that despite the enormous potential of the country's pine forests, both the public and private sector have been reluctant to invest enough resources in the sector to achieve sustainability due to the long rotation of the resource, the unstable sector policies, and lack of expertise. The continuation and expansion of present results are dependent upon continued USAID leadership and support; for example, there is a need to assist implementation of the forest management plans already developed with USAID assistance in order to regenerate the areas harvested and establish permanently the process of sustainable forest management.

⁹ SO2 directly supports Agency Goal 4 (Environment managed for long term sustainability).

¹⁰ Greulich and Schreuder, "Impacts and Benefits of the Forestry Development Project and Some Possible Future Scenarios," Seattle, Washington, January 1997.

USAID's Land Use Productivity Enhancement (LUPE) Project has been extremely successful in demonstrating the superiority and effectiveness of its methodologies, and is making real progress in transferring its approach to other development entities. However, budget resources are not sufficient to continue this activity beyond its planned completion at the end of CY98. In the time remaining, USAID's efforts will be focused squarely on identifying partners and mechanisms for ensuring the sustainability of this outstanding development effort.

Within the new strategy, USAID will continue support management of protected areas. This assistance will fulfill our commitments to the GOH and Honduran and US NGOs, and will improve the sustainability of Fundacion VIDA, the umbrella Honduran NGO which supports environmental protection and the SINAPH (the Honduran national system of protected areas).

Based on the above considerations, the Mission proposes three key intermediate results (IRs): "sustainable pine forest management practices extended" (IR1.1), "sustainable and more productive hillside agriculture", including watershed management (IR2.2), and "improved management of protected areas" (IR2.3). Our basic development hypothesis is that if we and our partners achieve these three IRs, then significant progress will be made with respect to: (1) impacting root causes of resource deterioration, (2) fulfillment of SO2, and (3) establishing a basis for sustainable economic growth. More detailed aspects of the full development hypothesis are presented in the separate IR sections below.

The new strategy contemplates a narrowing of focus after 1998. Major evaluations are planned for 1998 in both forest management and protected areas. After 1998 we plan to withdraw from hillside agriculture after 17 productive years in this sector, and from the public sector component of protected areas management. Between 1998 and 2003, we propose to expand results rather dramatically in both pine forest management and protected areas in partnership with NGOs.

Important Assumptions. The SO2 strategy is based on the following underlying assumptions: continued adequate USAID funding; continued commitment of partners; and support from the GOH agencies responsible for natural resources management.

Linkages to Other Parts of the USAID Strategy. In addition to its obvious environmental contribution, SO2 also supports other parts of the Agency's and Mission's overall strategy. All SO2 activities contribute to improved watershed management and the quantity and quality of water availability, a very important public health consideration (SO3) and a vital element for agricultural production and energy generation (SO1). Improvements in forestry and hillside agriculture directly contribute to broad-based economic growth, poverty reduction, and the Honduran transition to an open economy (SO1). SO2 activities also support a number of aspects of the Mission's democracy program (SO4). Community participation and local empowerment are critical elements of the hillside agriculture extension methodology. The forestry program promotes transparency (for example, through the timber auction system) and greatly reduces a major source of corruption. The Mission's collaboration with USAID/G-CAP's Regional Environmental Project (PROARCA) assists selected municipalities in solid waste, wastewater and pesticide mitigation measures (IR4.2) and provides environmental law training for key judges and attorneys (IR4.1).

3. Major Intermediate Results

Sustainable Pine Forest Management Practices Extended (IR 2.1¹¹). During the past decade the Forestry Development Project (FDP) has had a major impact on Honduras' forestry sector by helping to move it from unmanaged state control of forest exploitation to improved public and private harvesting practices and an open standing timber sales system. A recent study¹² concluded that the FDP has been a great success and made a convincing argument that USAID should not abandon its vital role in this sector at a very critical point in sustaining forest management gains. Approved sustainable forest management plans have been developed for 20% of the nation's pine forests (national, municipal and private).¹³ A great deal of groundwork was required to achieve the necessary policies, technical capacity, and commitment needed to begin moving this sector towards the sustainable management approach.

What will be achieved by the year 2003? USAID will assist Honduras to optimize the economic returns from its present forest resource but, at the same time, executing the necessary investments to generate an improved forest for the future. The Mission and its partners will more than double the pine forest area under approved sustainable forest management plans (from 20% to 50%), which will include almost 100% of the commercially viable pine forests. The present timber harvest and corresponding economic returns will be more than doubled to a sustainable production of 1.25M cubic meters per year, reversing a steady 20 year decline which pushed production down to 500,000 cubic meters in 1995. In addition, employment in the sector will double as over 100,000 new jobs are generated. Of even greater importance, USAID and its partners will assure implementation of the forest management plans through direct involvement in execution and monitoring of forest regeneration activities at a national level. Proper forest management today will result in future forests that will yield five times the present volumes. Furthermore, all sales of public timber will meet allowable cuts and be conducted via a transparent auction system which assures Honduras a reasonable return on its renewable forest resources.

How will these results be achieved? We will curtail support in 1999 to those components that already will be self-sustaining, such as the timber auction system and standing timber sales preparation. During FY99-03, the Mission will focus on strengthening the capacity of AFE/COHDEFOR (State Forestry Administration/Honduran Forestry Development Corporation) to plan, monitor, and implement the management of the nation's public pine forests, and to provide service and monitoring activities for sustainable management of the private forests. In summary, USAID's assistance will consist of technical assistance and training to improve COHDEFOR's institutional capacity; logistical support to improve COHDEFOR's central office support of forest management planning and monitoring (GIS, GPS, mapping, computer software and hardware); and assistance in the implementation of plans for selected forests.

Implementation of forest management plans will concentrate on post-harvest activities to assure

¹¹ Directly supports Agency Objective 4.5 (Sustained natural resource management).

¹² Greulich and Schreuder, op cit.

¹³ Sustainable forestry management plans include integrated programs in key areas including fire control, forest regeneration, soil conservation practices for road construction, environmental protection plans (bio-diversity), and silvicultural practices.

proper forest regeneration, the revision of land tenure and forest inventory data, increased timber production and employment generation, and development of viable alternatives for the participation of rural inhabitants in forest management. Sustainability of forest management practices ultimately will be measured when regeneration takes place and improvement of harvested forests become verifiable (generally about 3 years after an area is harvested). This is an ongoing process. Important intermediate results that contribute towards sustainability will be measured along the way. The strategy now consists of improving and implementing those ongoing conditions that are necessary to achieve sustainability.

Sustainable and More Productive Hillside Agriculture (IR2.2¹⁴). The very successful LUPE Project is scheduled to end in December 1998, when it will have achieved sustainable natural resources management practices in selected hillside areas after approximately 17 years of USAID-funded assistance.

Why will we withdraw in 1998? Through simple geographic expansion, LUPE has a very high potential for continued large contributions in resource management, rural empowerment, and poverty alleviation. However, severe budget limitations preclude continued USAID support after 1998. Other donors and local entities have expressed strong interest in replicating this program.

What will we achieve by the end of 1998? About 40,000 small farm families in Central and Southern Honduras (almost 3,000 of them headed by women) will have improved their farming practices and increased their incomes dramatically. They will have transformed almost 60,000 hectares of hillside farmlands, with annual savings of over 5 million tons of topsoil. Their outlook and community participation will have been altered forever, and their overwhelmingly successful efforts will create great demand for replication throughout Honduras. We hope to see a new series of other entities, including other donors, the GOH, and the NGO community continuing to expand the benefits enjoyed by LUPE participants.

How will we achieve sustainability? In July of 1998, we will start to halt LUPE activities in 6 to 7 field extension agencies per month. At that time, each agency will be reaching an average of 800 farm families through the work of some 20 collaborating contact farmers. In anticipation of LUPE's withdrawal, each NGO working under the LUPE-CARE-NGO Program will develop a plan to support community-based activities such as producer associations. The NGOs will then present these plans to other donors for potential financing.

LUPE's extension methodology is becoming sustainable as it is being replicated by other farm families and partners. For example, several NGOs and other donors have already started utilizing the highly successful LUPE extension methodology in their own outreach programs. The extensive IDB watershed management program in the area of the El Cajón hydroelectric dam is a good example of this kind of cooperation. The LUPE technicians assigned to El Cajón will continue until the year 2000 as trainers/overseers of the NGO-implemented sustainable agricultural activities. In addition the new World Bank natural resources management project will employ LUPE technologies. Furthermore, the Ministry of Agriculture and Livestock has expressed interest in continuing LUPE-type interventions using NGOs who would employ LUPE

¹⁴ Directly supports Agency Objective 4.5 (Sustained natural resource management).

technical, operational, and financial sustainability. Local environmental NGOs will have the capacity to design and implement environmental projects and sustainably manage local protected areas. Public awareness of and concern for the environment will be expanding. The DAPVS will have achieved the institutional strength to cooperate with SINAPH, the NGO community, and other donors in the effective and sustainable management of important protected areas. By 2003, Honduran protected areas will provide a better foundation for ecological tourism, which has the potential to be an important source of sustainable income. The real challenge is not the achievement of the targeted results for the year 2003, but to sustain effective management of protected areas after USAID support ends.

Why are these results important? Worldwide, studies have repeatedly illustrated the economic and aesthetic rationale for protecting areas of unusual biodiversity or other natural resources. In Honduras, there is a growing awareness of and interest in environmental issues, preservation of biodiversity, preservation of tourist attractions and sites, and protection of watersheds. Achievement of intermediate results will contribute to the reversal of current trends in environmental deterioration and to the rational use of upper watersheds associated with protected areas and their buffer zones.

How will we achieve planned results? Our partners and clients are in a nascent process directed at achieving improved management of protected areas. This initial phase includes definition of limits, legalization, demarcation, assignment of institutional responsibilities, preparation of management plans and the initiation of infrastructure development. Sustained protected areas management can only be achieved through implementation of a long-term plan that includes the mobilization of public and private entities and provides economic incentives for wise resource use. The program is based on these precepts. Besides placing numerous important areas under sustainable management, we will provide the human and institutional resources needed for the long term. USAID will provide technical and financial assistance to strengthen the capabilities of Honduran institutions involved in the management of protected areas. We also will finance sub-grants to local and international NGOs for the design and implementation of environmental sub-projects. Consistent with original plans, commitments to NGOs, and sustainability needs, the Mission will extend the HEPF project through 2003. On the other hand, given our severe budget constraints and the possibility of strong support by other donors, we plan to phase out support to DAPVS by 1999.

4. Partners and Customers

Forestry. Based on years of support from many donors, COHDEFOR (also now referred to as the State Forestry Administration "AFE") has been reasonably successful in developing mechanisms for coordinating participants' actions in Honduras. Donors currently working with COHDEFOR include GTZ, FAO, IDB, World Bank, Canada, Great Britain, Finland and Japan, in addition to USAID. COHDEFOR is learning to take advantage of each donor's strengths. As a result, work is distributed to complement efforts geographically and technically in accordance with donor expertise and interests. A Consultative Group of the donors meets monthly with the COHDEFOR General Manager to coordinate efforts and resolve disagreements. At present Canada and Great Britain are working on broadleaf forests; USAID, Finland and Germany on pine forests. GTZ, Finland, FAO, and Canada are involved in community participation; Great Britain is developing forest products. Japan is planning to work in *Teupasenti* forests, while

Switzerland will be involved in the *Cerro Guanacure* watershed. The World Bank (IDA) is planning a new natural resources management project that will include forest management, upland agriculture, biodiversity/protected areas.

Donor coordination is extensive; for example, staff trained by USAID on road construction, are applying their training nationwide, benefitting the activities of all partners. Furthermore, some USAID training is executed jointly with other donors. Everyone is benefitting from the geographic information services (GIS) support from GTZ and the World Bank. While other donors contribute in many ways to the USAID initiatives (and vice-versa) they are not critical elements in terms of our ability to achieve planned IR2.1 results⁹.

Hillside Agriculture. The significant environmental impact achieved by LUPE has been recognized by international groups. As an example, within the large IDB-funded El Cajón Hydroelectric Project, former LUPE technicians are working with COHDEFOR to design and supervise NGO outreach efforts to hillside farm families. The IDB has adopted and reproduced LUPE manuals on extension, environmental education, and soil conservation subjects. The Japanese have visited LUPE sites. Local NGOs are partners and customers of LUPE under the general direction of CARE. They are receiving technical support and training and are becoming experts on the LUPE extension process. Envisioning future work outside Mission support, some of these participating NGOs have already approached other donors. Peace Corp assigns volunteers to selected LUPE sites. Furthermore, the Ministry of Agriculture has expressed an interest in extending LUPE-type interventions nationwide, again, with other donor support.

Protected Areas. USAID has been a pioneer in protected areas; most other donors are just starting to assess their potential contributions. Collaboration with the USAID/G-CAP's Regional Environmental Project (PROARCA) protected areas activities in the Gulf of Fonseca, the Gulf of Honduras, and the Mosquitia contribute directly to IR2.3. We also collaborate with virtual team members in Washington and with Global Bureau's Partnership for Biodiversity Project. USAID, Peace Corps, Department of Interior, COHDEFOR/DAPVS, MOPAWI (a local NGO), and the Honduran Tourism Institute are collaborating on the Rio Platano Biosphere Reserve, which focuses on sustainable economic development, biodiversity conservation, environmental education, ecotourism, and institutional strengthening.

It is critical that USAID work closely with all actual and potential partners in developing a sustainable approach in this sector. At present, the World Bank and IDB are planning support to natural resource management activities including management of protected areas, watersheds, and coastal resources. The new World Bank (IDA) project also is aimed at strengthening the Ministry of Natural Resources and Environment. The GTZ, ACDI, Netherlands and Japan are interested in implementing activities to manage specific protected areas. Peace Corp assigns volunteers to selected protected areas. The projects of partners contribute to Mission efforts to expand the number and area of protected areas under management, to change Honduran attitudes towards natural resources, and, most importantly, to achieve sustainability.

There are also many nascent PVOs working in protected areas. The Mission is supporting Fundación VIDA's efforts to strengthen the local environmental PVO community. Co-ventures

between Honduran and US PVOs are being implemented to encourage technology transfer and institutional strengthening of local PVOs.

4. Judging Achievements

Mission performance will be measured using the indicators and targets presented in the SO2 Performance Indicators Table. The "Comments" section of each table provides necessary background or clarifying information, proposed data sources, etc. Since many of these tables are simply extensions of tables already in use, it is anticipated that results measurement will be very effectively tracked throughout the proposed strategy period. Virtually all data collection systems are already in place.

STRATEGIC OBJECTIVE 2 PERFORMANCE INDICATORS

OBJECTIVE NO 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME:			
INDICATOR: 2.A INCREASED AREA OF HONDURAS UNDER SUSTAINABLE RESOURCE MANAGEMENT PRACTICES			
UNIT OF MEASURE: Total Hectares (Pine Forests, Hillside Agriculture, Protected Areas)	Year	Planned	Actual
SOURCE: Forestry Development Project (FDP/522-0246); Land Use and Productivity Enhancement Project (LUPE/522-0292) through 1998; and Honduran Environmental Protection Fund (HEPF/"VIDA"/522-0385)	Baseline 1990	—	18,000
	1996	532,444	579,804
INDICATOR DESCRIPTION: This Strategic Objective indicator provides a single measure of overall results in terms of the area in hectares placed under management plan. Results are cumulative.	1997	946,500	***
	1998	1,147,800	***
COMMENTS: Intermediate Results 2.1, 2.2 and 2.3, as expressed in indicators 2.1.a, 2.2.a, and 2.3.a are all also expressed in hectares placed under management in pine forests, hillside farms, and protected areas, respectively. These are summed to generate planned and actual results for this SO-level indicator. (After 1998, the final-year target for IR 2.2 of 56,800 hectares continues unchanged as a component of the planned cumulative target).	1999	1,274,084	***
	2000	1,387,800	***
	2001	1,446,529	***
	2002	1,517,800	***
	Target 2003	1,593,229	***

OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth			
APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 2.1 Sustainable Pine Forest Management Practices Extended			
INDICATOR: 2.1.a INCREASED AREA OF PINE FOREST WITH PROPER FOREST MANAGEMENT PLANS			
UNIT OF MEASURE: Total Hectares of Forest Area	Year	Planned	Actual
SOURCE: Forestry Development Project (FDP 522-0246)	Baseline 1992	24,000	24,000
INDICATOR DESCRIPTION: This is a measure of the pine forest area with government approved sustainable forest management plans. A critical step in placing the country's forest resource under sustainable management is to first develop proper management plans and then execute them efficiently. COMMENTS: Pines make up 97% of commercial lumber harvest and exports. Since the passage of the Agriculture Modernization Law in 1992, approved forest management plans are required prior to all commercial forest harvest operations, on public or private lands. The target for the year 2000 represents almost 50% of the currently existing pine forest area of Honduras and it includes most of the present commercial pine forest. ¹⁵ Based on the new strategy targets have been raised significantly and extended to 2003 as well. It should be noted that as coverage approaches 100% of the actual commercial forests, additions to the area under management become smaller because the private sector will concentrate its efforts on the commercial areas and to a large extent the public sector will also reduce its pace on developing new management plans and increase its efforts on the implementation of the plans approved.	1996	420,000	488,000 ¹⁶
	1997	747,000 ¹⁷	***
	1998	916,000 ¹⁷	***
	1999	1,000,000 ¹⁷	***
	2000	1,100,000 ¹⁷	***
	2001	1,150,000	***
	2002	1,200,000	***
	Target 2003	1,250,000	***

¹⁵ Of a total forest area of 5.1 million hectares, 2.4 million hectares are pine forest, and 2.7 million hectares are broad leaf forests (Honduras 1989 Environmental Profile).

¹⁶ COHDEFOR reports 575,000 hectares under management by the end of 1996, but a revision of these data is being carried out during CY 1997. To allow for confirmation and potential adjustments based on these field and office reviews, only 90% of total reported for national forests and 80% of the total reported from private and municipal forests are used.

¹⁷ These projections assume the execution of the development credit agreement that the GOH is negotiating with the World Bank.

OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 2.1 Sustainable Pine Forest Management Practices Extended			
INDICATOR: 2.1.b INCREASED AREA WITH PROPER REGENERATION ESTABLISHED AFTER HARVEST			
UNIT OF MEASURE: Hectares	Year	Planned	Actual
SOURCE: Surveys conducted by COHDEFOR and private consultants, annually.	Baseline 1997	8,400 ¹⁸	***
	1998	13,900	***
<p>INDICATOR DESCRIPTION: The hectares reported consist of 80% of the land area harvested in a five-year period and, for this indicator, an area will be considered properly regenerated, if it has at least 740 seedlings (ceilings less than 3 meters high) in 80% of the area. This means that the indicator's target will be considered acceptable if 64% of the area harvested regenerates properly. Recent studies indicate that a properly regenerated area can produce, on the average, five times the volume. Accordingly, if this indicator's expected targets are reached, the new forest will yield 3 times the present volume (64% x 5 = 320%).</p> <p>Only those areas harvested after 1994 will be considered and therefore, the 1997 baseline will only cover one year. From the year 2001 on, the annual review will cover the area harvested in a five-year period.</p> <p>The five-year period to be monitored annually consists of the areas harvested 3 to 7 years prior to that year's survey, because there will be a two-year waiting period before the initial survey and monitoring of each area will continue for five years.</p>	1999	21,800	***
	2000	30,700	***
	2001	40,500	***
<p>COMMENTS: Proper regeneration of the areas harvested is the basic requirement for sustainable forest management. By law, all areas harvested must have an "established" regeneration program two years after harvest.</p> <p>Initial field reviews clearly indicate that, presently, fire is the primary cause for inadequate regeneration.</p> <p>The surveys will not only serve to measure the amount of success in regenerating the areas harvested but will also be used as a tool in planning forest protection activities and in developing measures to improve the regeneration.</p>	2002	43,100	***
	Target 2003	50,000	***

¹⁸ The hectares of forest harvested were calculated dividing the projected timber volume by 65 M³/Ha. The targets were developed using 80% of the total harvest.

OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME: 2.1 Sustainable Pine Forest Management Practices Extended

INDICATOR: 2.1.c INCREASED VOLUME OF TIMBER HARVESTED FROM AREAS UNDER APPROVED MANAGEMENT PLANS

UNIT OF MEASURE: Cubic meters of timber (round logs) harvested

SOURCE: COHDEFOR

INDICATOR DESCRIPTION: The indicator corresponds to the volumes harvested from public and private forests in accordance with the established forest management practices .

COMMENTS: Recent studies financed by Germany and by USAID (PRODEPAH) and the government's forest policy document, PLANFOR, indicate that with proper management, the volume of pine harvested could immediately be increased to almost 2 million cubic meters per year.

However, based on the existing data and results for the area with approved management plans, the state of the industry, the government's forest policy and COHDEFOR's capacity, we estimate that under prudent forest management, the amount harvested will increase at a lower rate and slower pace than that indicated in the aforementioned studies.

Year	Planned	Actual
1996 Baseline	645,000	645,000
1997	725,000	***
1998	800,000	***
1999	900,000	***
2000	1,000,000	***
2001	1,100,000	***
2002	1,200,000	***
Target 2003	1,300,000	***

OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 2.1 Sustainable Pine Forest Management Practices Extended			
INDICATOR: 2.1.d INCREASED EMPLOYMENT GENERATION IN THE FOREST SECTOR			
UNIT OF MEASURE: Number of persons employed (calculated as number of person months/12)	Year	Planned	Actual
SOURCE: Forestry Development Project (FDP/522-0246), and annual surveys by COHDEFOR	Baseline 1996	---	66,500
	1997	73,000 (+10%)	***
INDICATOR DESCRIPTION: The implementation of proper forest management practices, the promotion of the participation of the rural inhabitants, the increased timber harvest and the improved transformation of forest products will greatly augment the direct employment generated by the forestry sector. The baseline estimate comes from the forest sector 1989 figures which indicate that 16,000 are employed in silvicultural practices, 24,500 in industrial operations, 23,500 harvesting firewood and 2,500 in other related jobs.	1998	84,000 (+15%)	***
	1999	101,000 (+20%)	***
	2000	121,000 (+20%)	***
	2001	139,000 (+15%)	***
COMMENTS: The best available baseline data is the 1989 forest sector figures. This year, a study will be executed to determine more accurately the baseline data and the future yearly levels will be determined through further studies. The percentage levels increase indicated at each planned level will be used to recalculate the planned targets once the new baseline data is available.	2002	153,000 (+10%)	***
	Target 2003	169,000 (+10%)	***

OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 2.2 Sustainable and More Productive Hillside Agriculture			
INDICATOR: 2.2.a INCREASED AREA OF AGRICULTURAL HILLSIDE LAND UNDER SUSTAINABLE NATURAL RESOURCES MANAGEMENT			
UNIT OF MEASURE: Hectares of Hillside Farmland	Year	Planned	Actual
SOURCE: Land Use and Productivity Enhancement Project (LUPE/522-0292); HEPF/522-0385; FDP/522-0246	1995	35,500	36,437
	1996	44,300	44,680
INDICATOR DESCRIPTION: This indicator measures the area upon which improved management practices are applied to land under crops, agroforestry, silvipastoral and vegetable gardens. Hillside agriculture activities from the Forestry Development and Honduran Environmental Protection Fund projects are also reported.	1997	51,500	***
	Target 1998	56,800	***
COMMENTS: USAID/Honduras will not track this indicator after 1998, when SO2 withdraws from this Intermediate Result. However, the total cumulative hectares achieved at that time will continue to be counted in the cumulative total for SO level indicator 2.A above.			

OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 2.2 Sustainable and More Productive Hillside Agriculture			
INDICATOR: 2.2.b INCREASED TONS OF TOPSOIL SAVED ANNUALLY THROUGH NATURAL RESOURCES MANAGEMENT PRACTICES			
UNIT OF MEASURE: Tons of Topsoil	Year	Planned	Actual
SOURCE: Land Use and Productivity Enhancement Project (LUPE/522-0292); NRMP/522-0168; FDP/522-0246; HEPF/"VIDA"/522-0385.	Baseline 1989	---	880,000
	1995	2,352,500	3,279,000
INDICATOR DESCRIPTION: A research study conducted by LUPE staff and farmers/cooperators, with the assistance of soil scientists from Texas A&M University, has shown that intensive soil management practices on an "average" hillside farm reduce estimated annual soil loss from 100 tons per hectare to 10 tons. Thus, the planned and actual are obtained by multiplying number of hectares under sustainable natural resource management by the average soil erosion savings per hectare.	1996	3,990,000	4,017,000
	1997	4,650,000	***
COMMENTS: Estimated topsoil saved through the FDP and HEPF projects is also quantified, in addition to LUPE's interventions. Mission will not track this indicator after it withdraws from hillside agriculture in 1998. (Part of the baseline figures are attributed to the conservation initiatives funded by the Mission under the Natural Resources Management Project which treated some 11,000 hectares of Choluteca watershed hillsides during the 1980s.)	Target 1998	5,100,000	***

OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME: 2.2 Sustainable and More Productive Hillside Agriculture

INDICATOR: 2.2.c INCREASED NUMBER OF HILLSIDE FARM FAMILIES GENERATING AN AVERAGE INCREASE OF 50 PERCENT IN ON-FARM INCOME

UNIT OF MEASURE: Cumulative number of families, disaggregated by Gender of Head of Household

SOURCE: LUPE/522-0292; NRMP/522-0168; Small Farmer Export Development Project (SFED/522-0399); FDP/522-0246.

INDICATOR DESCRIPTION: This indicator includes increases in overall family on-farm income. The project is effectively working with all members of the farm family. Female-headed households are the target of strong promotion and extension actions aimed at increasing their participation. Furthermore, women are fully involved in project activities whether or not they are heads of the household.

COMMENTS: A comprehensive survey started with 4,069 families in 1994 and 900 families in 1995 in the project area, indicates that the average families practicing environmentally sound cultivation practices experience a 50% in increase in on-farm income. In addition, a recent benefit-cost study of a dozen participating farm families revealed on-farm income increases of 55-300%. Mission will not track this indicator after it withdraws from hillside agriculture in 1998.

Year		Planned	Actual
Baseline	1989 Total Female Male	—	11,000 880 10,120
1995	Total Femal Male	27,000 2,200 24,800	24,230 1,624 22,606
1996	Total Femal Male	30,750 2,150 28,600	35,828 2,228 33,600
1997	Total Femal Male	36,600 2,550 34,050	***
Target	1998 Total Femal Male	40,000 2,800 37,200	***

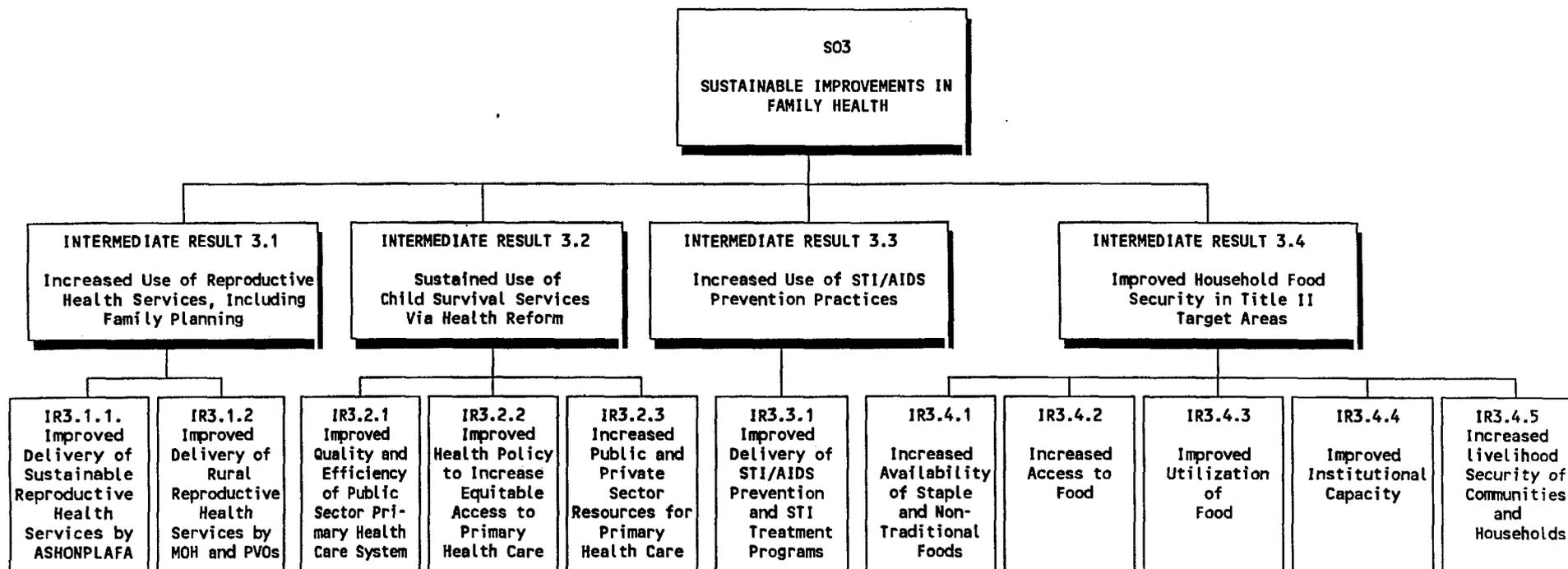
OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 2.3 Improved Management of Protected Areas			
INDICATOR: 2.3.a INCREASED AREA UNDER CONSERVATION PROGRAMS AS PROTECTED AREAS			
UNIT OF MEASURE: Hectares	Year	Planned	Actual
SOURCE: FDP/522-0246; HEPF/"VIDA"/522-0385; Central America regional Environmental Project (PROARCA/596-0180); and Parks in Peril (598-0782).	Baseline 1990	---	5,000
	1996	68,144	47,124
INDICATOR DESCRIPTION: This indicator complements indicator 2.3.b below and reports the area in hectares associated with the specific protected areas targeted for each year.	1997	148,000	***
	1998	175,000	***
	1999	217,284	***
	2000	227,000	***
	2001	239,729	***
	2002	261,000	***
COMMENTS: The area placed under improved management in this indicator depends on the actual area of the specific protected areas for which management plans are generated and initiated during a given year. The indicator is cumulative.	Target 2003	286,429	***

OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth			
APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 2.3 Improved Management of Protected Areas			
INDICATOR: 2.3.b INCREASED NUMBER OF DECLARED PROTECTED AREAS UNDER IMPROVED MANAGEMENT			
UNIT OF MEASURE: Cumulative number of parks and reserves	Year	Planned	Actual
SOURCE: FDP/522-0246; HEPF/"VIDA"/522-0385; PROARCA/596-0180; and Parks in Peril/598-0782.	Baseline 1994	0	1
	1996	9	9
INDICATOR DESCRIPTION: This indicator identifies the number of individual protected areas placed under sustainable management during a year (cumulative)	1997	16	***
	1998	21	***
COMMENTS: The current "universe" of officially identified Protected Areas (including parks, forest and biosphere reserves, natural monuments, marine and anthropological reserves, and wildlife refuges) is 104 units nationwide. However, perhaps half of these are not really viable due to their size (many are too small to be effectively managed, for example), or due to their already too deteriorated condition. Only one of the protected parks and reserves was under adequate management in 1994. Two Mission projects and two regional projects will make major contributions to Honduran efforts under this indicator. Seven new protected areas management plans are in progress for approval and initiation during 1997. To "qualify" for inclusion, the specific protected area must be delineated, demarcated, and protected by guards or other GOH or authorized NGO personnel. Furthermore, there must be an agreement establishing authorization of a management entity for the PA (usually an NGO, as well as an approved operational management plan and the resources to initiate its execution.	1999	24	***
	2000	27	***
	2001	30	***
	2002	33	***
	Target 2003	36	***

***INDICATES YEARS WHEN ACTUAL DATA WILL BE AVAILABLE

OBJECTIVE NO. 2: Effective Stewardship of Key Natural Resources for Sustainable Economic Growth		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 2.3 Improved Management of Protected Areas			
INDICATOR: 2.3.c INCREASED NGO-ADMINISTERED ENVIRONMENTAL ACTIVITIES			
UNIT OF MEASURE: Cumulative number of effective natural resources/environmental activities being executed by NGOs	Year	Planned	Actual
	Baseline 1992	0	1
SOURCE: HEPF/VIDA/522-0385; LUPE/522-0292	1995	7	13
	1996	9	13
INDICATOR DESCRIPTION:	1997	18	***
	1998	22	***
COMMENTS: This is an indicator that has been developed from one that was previously used. Its adaptation for the strategy period is based on our interest in encouraging NGO participation in natural resources management as a means to enhance sustainability. In 1996, six such NGO activities were in progress under LUPE, and seven under HEPF/VIDA. We are interested not only in number of activities, but also in activities carried out by <u>different</u> NGOs. Many environmental NGOs are based in local communities or related to regional issues, and one objective here is to encourage geographic dispersion.	1999	26	***
	2000	30	***
	2001	34	***
	2002	38	***
	Target 2003	40	***

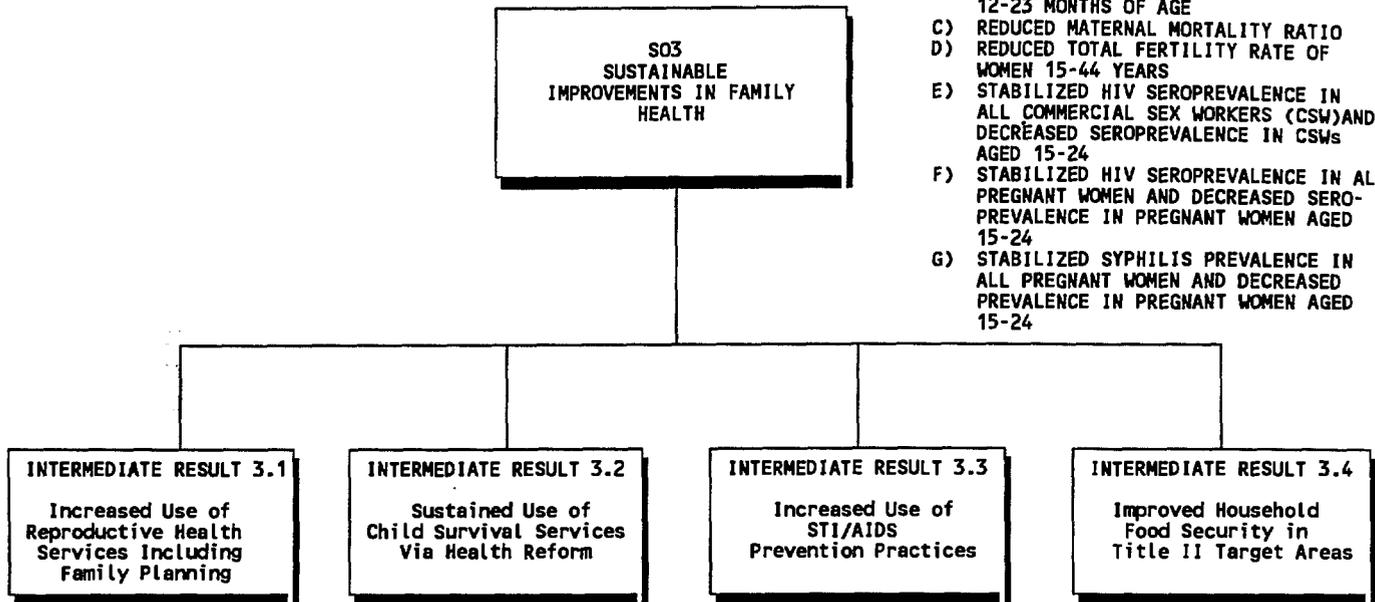
RESULTS FRAMEWORK: STRATEGIC OBJECTIVE 3



S03 PERFORMANCE INDICATORS

INDICATORS:

- A) REDUCED INFANT MORTALITY RATE(DIRECT)
- B) REDUCED MALNUTRITION AMONG CHILDREN 12-23 MONTHS OF AGE
- C) REDUCED MATERNAL MORTALITY RATIO
- D) REDUCED TOTAL FERTILITY RATE OF WOMEN 15-44 YEARS
- E) STABILIZED HIV SEROPREVALENCE IN ALL COMMERCIAL SEX WORKERS (CSW)AND DECREASED SEROPREVALENCE IN CSWs AGED 15-24
- F) STABILIZED HIV SEROPREVALENCE IN ALL PREGNANT WOMEN AND DECREASED SEROPREVALENCE IN PREGNANT WOMEN AGED 15-24
- G) STABILIZED SYPHILIS PREVALENCE IN ALL PREGNANT WOMEN AND DECREASED PREVALENCE IN PREGNANT WOMEN AGED 15-24



INDICATORS

- | | | | |
|--|--|---|--|
| <ul style="list-style-type: none"> a) Increased Contraceptive Prevalence in Women 15-44 Years of Age, in Union (Total, Modern, Urban, Rural) b) Increased Percentage of Rural Women who Gave Birth Within the Last Five Years Who Had a Prenatal Visit at a Health Facility During Last Pregnancy c) Increased Percentage of Rural Births Attended by Medically-Trained Personnel | <ul style="list-style-type: none"> a) Reduced Urban/Rural Differential in Child Mortality (postneonatal, 1-4 years) b) Increased Percentage of Children 2 - 3.99 Months Who Were Exclusively Breastfed During the Previous 24 Hours c) Maintained Coverage of >=90% of Children Under One Vaccinated for Selected Diseases (DPT, Measles, Polio, and Tuberculosis) d) Maintained Coverage of >=90% of Women Aged 12-49 Vaccinated with a Second Dose of Tetanus Toxoid within the Last 3 Years e) Reduced Percentage of Outpatient Visits to Health Centers of Children Under Five Due to Diarrhea f) Increased Percentage of Children Under 5 with Diarrhea in Last 15 Days Treated with ORS g) Increased Percentage of Rural Water Systems Operating at the "A" level | <ul style="list-style-type: none"> a) Increased Condom Use Reported by Sexually Experienced Single Men Aged 15-24 in Last 30 Days b) Increased Condom Use Reported by Men Aged 15-59 with More than One Sexual Partner in Last 12 Months c) Increased Condom Use Reported by Sexually Experienced Single Women Aged 15-24 in Last 30 Days d) Increased Number of MOH Hospitals and Clinics in Target Health Regions Assessing and Treating STIs Syndromically | <ul style="list-style-type: none"> a) Improved Caloric Adequacy in Target Households b) Reduced Percentage of Indigent and Poor Households in Target Areas c) Reduced Malnutrition among Children 12-23 Months in Target Areas d) Increased Days per Year of Paid Off-Farm Employment by Gender in Target Areas e) Increased Percentage of Households Accumulating Liquid and Productive Assets in Target Areas |
|--|--|---|--|

D. STRATEGIC PLAN FOR FAMILY HEALTH

1. The Challenge: Overview of Situation and Trends

Honduras has made impressive progress in improving family health. However, a great deal remains to be done concerning malnutrition, HIV/AIDS, reproductive health, child mortality, and health reforms needed to sustain health care systems as donor assistance declines in the years ahead.

Family Health Improvements. Family health in Honduras has improved significantly according to the 1996 national Epidemiology and Family Health Survey (EFHS) and other sources. Infant mortality declined from 50 deaths per 1,000 live births in 1989 to 42 in 1993. In Central America, only Costa Rica has a lower infant mortality rate. The maternal mortality ratio (as estimated by the sisterhood methodology in the 1996 EFHS) is on a decline. This may be due in part to an increasing proportion of women who seek prenatal care and give birth in medical facilities, and to longer birth intervals. Fertility declined from 5.2 lifetime births per woman during 1989-91 to 4.9 during 1993-95, compared to the regional average of 4.3. Most of the decline in fertility is attributable to an increase in contraceptive use from 46.7 % in 1991/92 to 50.0 % in 1996. In 1996, 69% of households had potable water faucets on the premises, compared to 56% in 1991/92. The proportion with a flush toilet or a latrine increased from 60% to 74% in the same time period. Exclusive breastfeeding (2 to 3.99 months) increased from 23.2% in 1991/92 to 29.5% in 1996. Immunization coverage of children under one with the four traditional vaccines and of women 12-49 years with tetanus toxoid, have remained at over 90%.

Malnutrition – A Serious Problem. Some 60% of households consume less than 80% of the calories required for good health (1994 national Consumption, Income, Expenditure and Nutrition Survey). The situation is worse in the rural, western part of the country which can be characterized as low income with poor dietary diversity and a high rate of stunted children. On the plus side, chronic malnutrition (low height-for-age) in children (12-59 months old) has declined significantly (37.8% in 1996 vs. 43.9% in 1987). Declines were greatest in rural areas. Nevertheless, the prevalence of chronic malnutrition remains high and, in Central America, only Guatemala has higher rates of stunting. Furthermore, the current nutritional status of children has not improved significantly; low weight-for-age has remained at about 24% since 1987. One in ten children has subclinical vitamin A deficiency and three in ten are anemic. The lack of improvement in current malnutrition is plausible given the sluggish economic situation and major increases in food prices. There is a clear need for USAID to maintain its strategic focus on improving food security, including improving the quality of the diet to reduce micronutrient malnutrition.

The HIV Threat. The seroprevalence of HIV in prenatal women in San Pedro Sula, the epicenter of the HIV/AIDS epidemic in Honduras, did not change significantly from 1991 to 1996, stabilizing at 2-4%. In general, HIV seroprevalence in commercial sex workers (CSW) in San Pedro Sula also appears to have stabilized at 11-16% between 1991-1996. However, fluctuations in HIV seroprevalence from one year to the next (e.g. up to 20.5 % in 1995; see Table 2 in R4) suggest the limitations of this indicator and the need to adopt a more reliable, street-based, survey indicator. Intensive effort will be needed to increase the use of STI/HIV prevention practices, especially among high risk groups.

Reproductive Health Needs. The decrease in fertility mentioned above is by any standard rather modest and it occurred principally in urban areas. The fertility estimate for Tegucigalpa and San Pedro Sula, the two most important urban centers of the country, is 3.1 lifetime births per woman. In rural areas, lifetime births are estimated to be 6.3 per woman. Lower levels of education are strongly correlated with higher fertility. There is a difference of more than four births per woman between those with no formal education (7.1) and those with at least 7 years of education (2.9). The potential for further declines in fertility among the urban, better educated population is very limited, as can be seen by comparing current fertility to desired fertility. There is, however, a large gap between actual family size and ideal family size in rural areas (6.5 vs. 3.3) and among women with zero years of schooling (7.0 vs. 3.7), suggesting that these population groups may be receptive to using contraception, either for spacing their births or for stopping childbearing once a certain family size is reached. In particular, more than half of women above 30 or with three or more children state that they want no more children, and these women may be candidates for female sterilization.

As expected, contraceptive use varies by residence from a high of 62% in urban areas to a low of 40% in rural areas. Since the beginning of the current decade, the rate of increase in contraceptive use has declined, and in urban areas contraceptive use has not changed significantly since 1987. Gaining additional prevalence points in urban areas is going to be a difficult and slow process, because from now on service providers will be trying to recruit the "hard-core" non-users. Thus, significant increases in total prevalence will have to come from the rural areas where there appears to be a high but unmet demand for family planning services. The main thing that is lacking in rural Honduras is adequate access to high quality family planning services, including surgical contraception. Religious opposition is also a significant challenge.

Direct estimates of infant mortality based on the 1996 EFHS show a decline from 45 deaths per 1,000 live births during 1986-90 to 36 during 1991-95; (the data presented above are indirect estimates). The decline was greater for rural areas (49 to 37) than for urban areas (38 to 33). There was very little decline in neonatal (first month) mortality (21 to 19), with most of the decline in infant mortality attributed to the postneonatal (1-12 months) period (24 to 17). As a consequence, neonatal mortality now accounts for more than half of all infant mortality and future efforts will have to concentrate more on reducing the maternal/perinatal causes of these deaths.

According to the 1996 EFHS, birth trauma, prematurity and congenital malformation taken together were the largest cause of under-five mortality (31%), followed by acute respiratory infections (24%) and diarrhea (21%). The maternal mortality ratio of 221/100,000 in 1989 is the most reliable current estimate and it places Honduras well above the most recent WHO/UNICEF regional average for Central America of 140. Greater efforts are needed to promote prenatal care, maternal dietary supplementation, safe delivery and better care of the newborn. The 1996 national Micronutrient Survey found the 29% of pregnant women and 26% of non-pregnant women were anemic; only half of these women had received iron supplements in their last pregnancy.

Child Health Challenges. Child mortality (1-4 years), which is already low, declined little between 1991/92 and 1996 (16 to 13). Nevertheless, postneonatal (1-12 months) and child mortality remain relatively high among children of rural women and less educated women, in part due to the higher fertility among these women and to childhood malnutrition as an underlying risk

factor. Additional efforts are needed to improve nutritional status, birth spacing, treatment of pneumonia, use of oral rehydration therapy. Rural water and sanitation systems also have a strong effect on child mortality, which remains high in rural areas.

Health Reform is Critical. Sustained use of child survival and other basic health services will be closely associated with the success of health reform in Honduras, especially as USAID and other donor assistance declines. Improved access for the poor is the main goal of GOH health policy. There are four main initiatives to achieve this goal: 1) reorganization and decentralization of the service network to improve efficiency, equity and participation (ACCESO program); 2) improvement of the human resources working in the health sector; 3) systematic community participation in the planning of health services; and 4) diversification of health sector finances. Government financing for the health sector is relatively high for a country at Honduras' level of income, but its recent decline is troublesome (9% of GOH central budget in 1997 vs. 13% in 1995; per IMF 9% is average for the region). The World Bank commended Honduras in the 1993 World Development Report on Health as being among a select group of countries (including Costa Rica, China, Sri Lanka) that had much greater life expectancy than could be expected based on per capita income. Comparative studies by the CDC concluded that Honduras was doing substantially better than its neighbors on achieving high coverage of primary health care services despite its low socio-economic status indicators.

Nevertheless it will be increasingly challenging for the GOH to sustain these gains as donor resources decline. Public sector financing is inequitably distributed, with Tegucigalpa receiving several times the level of per capita funding that is received by other regions. Government health resources that could be used for rural basic health care are used instead to subsidize hospital-based curative care, perhaps due in part to reliance on external donor resources for primary health care. Government health services also could be produced more efficiently. There are numerous reports of drug and supply stock outs in health facilities, despite the fact that the MOH spends a higher percentage of its recurrent health budget on pharmaceuticals than any other country in the LAC region. Inputs are centrally allocated without regard to efficiency. The quality of government health services is generally poor and consumers tend to rate higher the quality of care provided by the private sector. As a result there has been a rapid growth in the private health sector, particularly pharmacies. Despite the rapid growth of the private sector and the fact that an estimated one half of all health expenditures are currently privately financed, the MOH focuses relatively little attention on its regulation.

Taken together these health reform problems, if not addressed over time, could undermine the sustainability of USAID's current and previous investments in child survival, nutrition, and reproductive health. A rapidly growing population has increased demand for health services. In the presence of static and unreliable sources of financing and inefficiency, this will undoubtedly lead to continuing declines in the quality of government health services. This in turn will almost certainly lead to declining utilization of government health facilities, particularly ambulatory care, and to growing pressure to divert resources from rural primary care facilities to support resource-starved urban tertiary care facilities. Declining resources, quality, and use of government primary care facilities would greatly compromise efforts to sustain equitable access and use of basic health services.

2. Strategic Objective and Rationale

Poor health and rapid population growth are critical roadblocks to the ability of Honduras to achieve sustainable development. We have incorporated the concept of "sustainable" into our current objective of "improved family health" to place much greater emphasis on strengthening financial, institutional and managerial systems in order to maintain or continue improving reproductive health, child survival and food security despite our declining resources. Financial sustainability refers to the ability of our partners to replace withdrawn funds with funds from other sources (including other donors). Institutional and managerial sustainability refer to the capacity of our partners, if suitably financed, to assemble and manage the necessary non-financial resources to carry on normal activities, as USAID assistance is reduced. Thus the Mission has chosen the following as its SO3¹⁹ statement:

"Sustainable Improvements in Family Health"

During the strategy period, USAID funding for the health objective is projected to average \$12M per year (\$8.6M DA and \$3.5M PL 480 Title II) compared to \$17M per year from 1988-1994. Adjusted for anticipated inflation this means that USAID assistance will be less than half of what it has been. In real terms, the budget reduction is even greater when population growth and increasing needs are taken into account. Our vision is to sustain the improvements in family health to date within these reduced assistance levels. Specific examples of sustainability we hope to achieve by 2003 are: that the Honduran Family Planning Association (ASHONPLAFA) will be 85% self-financing, the Ministry of Health (MOH) will be paying for an increasing proportion of its contraceptive needs and recurrent costs, a non-governmental Honduran Center for AIDS Awareness and Prevention will be fully established, and direct food aid distribution will decline in the rural west, as caloric inadequacy and indigence are gradually reduced. At the same time maternal and infant mortality, fertility and childhood malnutrition will continue to decline while HIV seroprevalence stabilizes. Use of the key services that contribute to these achievements will be maintained or increased.

SO3 plays a key role in the Mission's efforts to alleviate poverty and avert unquantifiable amounts of human suffering. The poor are those most disadvantaged by ill health for a variety of reasons. They are ill and malnourished more often; they have less access to health care and food; their livelihood depends on physical labor, and they have no savings to fall back on, turning a bout of illness into a financial crisis. Thus the economic gains from improved family health will be greatest for the poor. The SO3 focus on reducing health and food security risks among the poor, and on exploration of health insurance options as part of our health reform agenda, are important planks in the Mission's strategy for reducing poverty. Improved family health will accelerate the transition from a closed to an open economy in the following ways: by reducing production losses due to worker illness; by increasing school enrollment of children and making them better learners; and by saving funds for alternative uses that would otherwise have to be spent on treating preventable illness. Thus better health should mean more rapid economic growth. As has been seen elsewhere, reduced fertility as a result of SO3 should contribute to substantial increases in savings rates. Further, smaller, healthier families give women more opportunity for education, employment and interaction outside the home, opening their perspectives and increasing their autonomy, i.e. fostering an open social-political society.

¹⁹SO3 directly supports Agency Goal 3 (World's population stabilized and human health protected in a sustainable fashion).

In developing the strategy we considered continuing direct support to child survival services such as construction of rural water and sanitation systems (scheduled to end in 1997), immunization, and oral rehydration therapy inputs (to end in 1999). However, given the reduced infant mortality rate of 42 (1993), high coverage of these child survival services, and the maturity of the MOH's program, we considered it wiser to use these same resources for health reform activities to sustain the use of child survival services. Furthermore, USAID's comparative advantage is rural primary health care; thus the complementary necessary reforms in urban hospitals and the social security system are better left to the leverage that the World Bank and the IDB have. We rejected the option of assisting with treatment of the growing number of AIDS cases because our limited resources will be more cost-effective if directed towards prevention of HIV infection.

3. Customers Served

In general, SO3 focuses on the following customers: children (0-5 years), women (15-49 years), men (15-59 years), and adolescents (12-19 years). The STI/AIDS program is directed toward changing the behavior of the following groups: commercial sex workers (CSW) and their clients, men who have sex with men, people in the work place, and the Garifuna ethnic group of African origin. Food security activities focus on malnourished, rural poor, nutritionally vulnerable groups in Title II target areas in western and southern Honduras.

As described in the SO3 Customer Service Plan written with our partners, there is a long history in the health, population, and nutrition programs supported by USAID/Honduras of surveying customers, designing behavior change communication campaigns accordingly, and modifying services to be more responsive to customers. The list of client's rights which ASHONPLAFA has been following has been adapted as customer service standards for use across the SO. A client satisfaction survey conducted by ASHONPLAFA found long-waiting times as a major problem. Quality assurance teams have been established in each ASHONPLAFA region to address this and other problems. The MOH's ACCESO program completed an analysis in 1996 of the health situation in each health area which identified, from the customers' point of view, the reason for lack of demand for health services. This information was then used in meetings with communities and their mayors to formulate 58 municipal-level 1997 workplans for improving family health. The clear gender differences between men and women in attitudes toward STI/HIV prevention practices, as revealed in recent qualitative and quantitative surveys, will be used to tailor gender-specific approaches to counselling and behavior change communication. To illustrate, men are more in favor of using condoms than women, and both sexes see women as the vector of HIV's spread.

4. Causal Relationships: The Development Hypotheses

The graphic of the SO3 results framework illustrates the causal relationships from the level two (service delivery) and level one (service use) intermediate results to the strategic objective. At each level, the intermediate results (IRs) represent a continuum rather than totally discrete elements, as delivery of services and their use often occur in an integrated manner. Drawing on a PPC/CDIE conceptual model for PHN performance indicators, a series of lower level IRs, focused on improving services (quality, efficiency, availability, equitable access), will be put in motion at level two to improve the delivery of services (trained workers, functioning and

responsive service facilities, management information systems, effective behavior change communication and demand creation campaigns, appropriate health policies, etc.). These efforts will lead to increased use of services at level one along with behavior change toward more healthful practices. Also, increased educational attainment (IR1.3) will contribute to better health and nutrition practices and use of health services. Increased use of services (reproductive health, child survival, health reform, STI/AIDS prevention, food security) is casually linked to sustainable improvements in family health (the SO).

To achieve sustainability, we will emphasize the five factors identified in Bossert's 1990 summary of the USAID/PPC/CDIE multi-country study (including Honduras) on what makes health improvements sustainable in USAID programs. These factors are: 1) demonstrate effectiveness; 2) integrate activities into established administrative structures; 3) gain significant levels of funding from national sources; 4) negotiate project design with mutually respectful process of give and take; and 5) include a strong training component.

Though food security has not yet found its place in the Agency Strategic Framework, we consider childhood malnutrition as a key factor of family health and have included "Improved Household Food Security" as a crucial level one IR. This decision is based on the overwhelming epidemiologic evidence that all degrees of malnutrition are associated with elevated mortality, and that there is a synergism between malnutrition and morbidity. The development hypothesis does not hold if we omit food security from the results framework in Honduras, where approximately one third of all child deaths are attributable to the exacerbating effects of malnutrition on infection. However, in stating this we acknowledge the key relationship of economic growth and educational attainment (SO1) to achieving food security and vice versa. Our Title II food security program emphasizes increasing incomes.

5. Major Intermediate Results (IRs)

Increased Use of Reproductive Health Services, including Family Planning (IR3.1²⁰). Achievement of IR3.1 depends on the presence of both an effective public and an effective private sector and involves two level two IRs. The first, IR (3.1.1) is improved delivery of sustainable reproductive health services (principally family planning) by ASHONPLAFA. The cost recovery aspect of sustainability implies that ASHONPLAFA will work in mostly urban areas. The other IR (3.1.2) focuses on rural areas and depends on MOH and PVOs for improved delivery of reproductive health services (family planning, safe pregnancy and care of the newborn). USAID's strategy also seeks to narrow the urban/rural gap in access to reproductive health services. ASHONPLAFA will strive to first achieve 63% self-sufficiency by 2000 and then 85% by 2003. The thrust of this IR is to maximize access to and quality of reproductive health services, contraceptive social marketing, and community-based distribution of contraceptives to increase use and self-financing. Effective information, education, communication (IEC) campaigns, management support systems and research and evaluation systems are also critical. The MOH will be strengthened in its role as the key provider of family planning services to underserved, low income groups in rural areas. Local and U.S. PVOs will also work to increase access to high quality, medical/clinical family planning services in rural areas. Improved delivery

²⁰ Directly supports Agency Objectives 3.1 (Sustained reduction in unintended pregnancies) and 3.3 (Sustained reduction in maternal mortality).

of other key reproductive health services, especially appropriate management of obstetric emergencies, improved maternal iron supplementation programs, breastfeeding promotion, and better care of the newborn are part of the Mission's strategy with the MOH.

Sustained Use of Child Survival Services via Health Reform (IR3.2²¹). The main objective is to sustain the use of child survival (and other basic health) services and thus protect USAID's substantial prior investments by ensuring that primary health care resources are used efficiently and equitably, and by increasing the resources available to primary health care over time. These results respond directly to the Summit of the Americas call for more equitable access to basic health services. Improved quality and efficiency of the public sector primary health care system (IR3.2.1) will be achieved in the context of the decentralized health services program (ACCESO) through: establishment of a systematic quality assurance program focused initially on compliance with standards for maternal and child health care; improved financial management, cost, and health information systems; better supervision; and establishment of rotating community drug funds to deal with drug shortages. We will seek MOH performance-based budget allocations to health regions and areas, to promote efficiency and equity. The key focus is to ensure that the majority of rural water systems are made fully functional ("A" category) by water maintenance technicians working through decentralized regional offices of the National Water and Sewerage Authority (SANAA).

The long-term goal of Mission health policy efforts (IR3.2.2) is to shift the MOH away from being the dominant provider of health services for the general public, to one of regulator of private sector health care and financier of health services for the poor. Policy dialogue will focus on: moving higher-income groups to the private sector, increasing hospital cost recovery, and means testing to exempt the poor (e.g. sliding fee scales). We will look at the percent of GOH health subsidies received by consumers in the lowest income quintile. Cost-effectiveness analysis will be introduced as a planning tool to re-direct government health spending to programs that do more to help the poor.

Increased public and private sector resources for primary health care (IR3.2.3) will entail working with the MOH on an experimental, and eventually more wide-scale, basis to increase cost recovery (user fees). This could improve efficiency by restricting unnecessary use (triage) and by strengthening the referral system. Another idea is creating rotating community drug funds. We will pilot test alternatives for expanding health insurance coverage. Increased resources for the health sector will also include the Mission's efforts to leverage funds from the IDB, the World Bank and others for construction of additional rural water and sanitation systems.

Increased Use of STI/AIDS Prevention Practices (IR3.3²²). Efforts to improve service delivery (IR3.3.1), which only began in 1995, will continue through work with public and private sector groups providing condoms, IEC, and counselling on preventive practices to high transmission groups, and increasingly to the general population of reproductive age. Syndromic management of STIs will be expanded in MOH hospitals and health centers nationwide. The MOH will strengthen its HIV surveillance and case reporting systems. The newly created non-

²¹ Directly supports Agency objective 3.2 (Sustainable reduction in child mortality).

²² Directly supports Agency Objective 3.4 (Sustainable reduction in STI/HIV transmissions among key populations).

governmental AIDS Awareness and Prevention Center will work on advocacy, policy dialogue, and information sharing of best practices.

Improved Household Food Security in Title II Target Areas (IR3.4²³). The strategy addresses each of the basic tenets of food security and is targeted to the poorest of the poor. Food availability (IR3.4.1) will be increased through the agricultural extension component of the CARE Title II program, replicating successful extension techniques from USAID's LUPE project and CARE's Agroforestry Project (PACO). Increased access to food (IR 3.4.2) will be achieved by food-for-work to improve roads and market infrastructure, as well as generate increased incomes for workers. To improve utilization of food (IR3.4.3), maternal and child health services will be provided.

Sustainability is an important objective. CARE will continue to work in a very participatory manner with municipal governments and communities to improve institutional capacity (IR3.4.4) for long-range strategic planning and management. A shift from food dependency to self-reliance is the essence of increased livelihood security of target communities and households (IR3.4.5). This will involve communities and households graduating from direct food aid. Key "graduation criteria" at the community level will include average household caloric adequacy, the prevalence of childhood malnutrition, and the percentage of formerly "very poor" (indigent) households that have improved to the "poor" or "not poor" categories. Thresholds for each will be based on the quantitative evaluation of the program in 2000.

6. Critical Assumptions

One key assumption is that the GOH will take seriously the shortfalls in its health budget and make the politically difficult but inevitable reforms needed to sustain health services after the withdrawal of donor assistance. Some examples of required actions are: 1) resisting popular demand for poorly targeted and inefficient health care subsidies that displace private spending and discourage private investment; 2) improving efficiency by reforming administrative and personnel systems and eliminating corruption; and 3) increasing revenues through cost recovery. We assume that the level of funding (both USAID and counterpart) and food aid requested to achieve the strategic objective will be available. We assume that the MOH increasingly will be a proactive and effective provider of family planning services, especially in rural areas. We also assume that religious opposition to family planning will continue but be manageable through public dialogue.

We are counting on effective donor coordination by the MOH to assure that "best practices" and a common health reform agenda are shared and replicated across donors and across the country. Furthermore, our premise is that complementary hospital sector, pharmaceutical procurement, and social security reforms will be supported by the World Bank or IDB. Without these, USAID's emphasis on reform in the rural primary health care system may fail. As we conclude water and sanitation system construction in 1997, it is assumed that USAID's work to reform the water and sanitation sector will meet the World Bank's and IDB's pre-conditions for future support to this sector.

²³ Directly supports Agency Objective 1.2 (Expanded access and opportunity for the poor).

7. Tools and Tactics

Tools. The transition to new activities under the strategy will begin in earnest from 1999/2000 when each of the three major SO activities, which were completely re-designed in FY96 to lay the groundwork for the new strategy, end. Starting in FY99 we envision a Health Sector III Project with the MOH focused heavily on sustaining child survival gains via health reforms in rural primary health care, but also focused on expanding access to rural family planning, safe delivery, and STI syndromic treatment services.

If ASHONPLAFA meets its goal of achieving 63% self-sufficiency by 2000, we plan to extend its cooperative agreement until 2003, and may well consider granting ASHONPLAFA a dollar-funded endowment, following the successful model of PROFAMILIA in Colombia. We also will continue providing grants to U.S. and Honduran PVOs to provide family planning and other reproductive health services in rural areas as a complement to the MOH's efforts. Our work on HIV/AIDS Prevention through the private sector will be carried out by a Honduran non-governmental organization, assisted with a cooperative agreement from 1997 onwards to become a national Center for AIDS Awareness and Prevention and a source of advocacy and subgrants to Honduran PVOs for STI/AIDS prevention activities.

Our approach to improving household food security will be to extend the current CARE Title II Program from 2000 to 2003. While direct food aid distribution is expected to end in 2003 (commodity needs will be further determined by the results of the Program's final evaluation, but Title II monetization is expected to continue on a reduced scale), food security protection and promotion interventions will undoubtedly still be needed in the southern and western (poorest) departments of Honduras. CARE, our Title II cooperating sponsor, in turn will extend its agreements with the Ministries of Health, Agriculture and Livestock, Governance and Justice, and local municipalities.

We will provide our partners external technical assistance through our annual agreements with G/PHN for Global Field Support. Such technical assistance will be on a declining scale, consistent with our overall goal of fostering sustainability and self-sufficiency. The above tools will make USAID assistance available in the form of contraceptives, equipment, supplies, operating expenses, food aid, educational materials, training, policy dialogue, donor coordination, technical assistance, or operations research.

Tactics for Achieving Sustainability. ASHONPLAFA will continue to diversify and improve the quality of its services, which will be marketed for middle income clients. Thus they will be able to charge higher fees, while maintaining at least the same volume of clients. ASHONPLAFA will contract out for services with existing clinics and providers, rather than building their own new ones and employing more staff on salary. Social marketing of contraceptives and supplies will generate profits to subsidize other services. Cost-center accounting, management information systems, personnel performance evaluation and pay to increase productivity, and quality assurance councils will continue to be important methods of increasing efficiency, quality, and revenues. By employing these strategies, ASHONPLAFA has already nearly doubled its self-sufficiency from 24% in 1994 to 43% in 1996. To help the MOH provide quality family planning services to low income groups in rural areas, a pilot is currently underway to test the efficacy of letting auxiliary nurses insert IUDs and dispense oral contraceptives for the first time in rural health posts. USAID will assist with training and equipping these auxiliary nurses. Effective

referral systems will be put in place by the MOH for obstetric emergencies along with improved protocols for managing such emergencies at hospitals.

The overall health reforms we seek are: 1) increased equitable access to primary health care for the rural poor; 2) improved quality and efficiency of health services; and 3) increased adequacy and sustainability of resources (all in support of Goal 17 in the Summit of the Americas Plan of Action). At a high level, these results will be reflected in arresting further declines in the percent of the GOH's budget spent on health, in increasing the percent of the health budget spent on primary health care and, of course, in indicators on the sustained high coverage of child survival services and falling infant and child mortality rates. We are jump-starting this agenda during the ongoing Health Sector II Project by focusing on the decentralization of health services through USAID support to the MOH's ACCESO program, and by strengthening health support systems, such as: creating a financial and administrative management information system in the MOH, creating a health information system, strengthening supervision, and creating national and regional quality assurance commissions (who in turn will establish quality control standards and implement studies and corrective actions). We also are sponsoring studies and high level seminars to elucidate the health reform agenda, e.g. collecting health expenditure data and cost-effectiveness analysis of various interventions. As part of Health Sector II, USAID will also assist with the design and testing of the cost systems critical to inform decision-making on the most cost-effective investments and on equity concerns.

In the longer term, we will work to strengthen the analytical capabilities of the Policy Analysis Unit in the MOH through training and technical assistance. We also will expand successful support system improvements nationally, and support experiments to mobilize more resources for primary health care through increased cost recovery, health insurance, or rotating community drug funds. Now that we have finished direct support for rural water and sanitation system construction, our approach to sustain the impressive health gains attributable to these investments will be to work with our GOH partners to improve the legal and policy environment, paving the way for IDB and World Bank loans for construction of additional systems. USAID will also assist the nationwide expansion of the water maintenance technicians, which we successfully pilot tested in Health Sector II, to assure that the majority of existing rural systems constructed with or without USAID assistance (4000 nationally) are fully functional ("A" systems - see indicators).

Tactics for HIV/AIDS prevention include establishing a sustainable non-governmental, Honduran AIDS Awareness and Prevention Center, in place of external technical assistance. The Center would provide sub-grants and administrative and technical assistance to Honduran PVOs for their work to promote STI/HIV prevention practices and counselling services among high-transmission groups. The Center also would serve as a source of advocacy and a clearinghouse for sharing information and best practices between the public and private sectors, and for organizing national behavioral change communication campaigns. The MOH will complement this work by having effective STI treatment in place (using the syndromic approach) in government health centers with doctors (CESAMO) throughout Honduras. The MOH will also run STI/HIV surveillance and case reporting systems and national education campaigns, accompanied by the distribution of free condoms to low income groups.

Tactics for achieving greater food and livelihood security will include: agricultural extension activities to increase/diversify small farm production, watershed management, road

construction/repair to increase access to markets, establishment of community health centers to increase access to basic health services, health and nutrition education, and employment generation. The focus will be on making these activities self-sustaining by strengthening municipal governments and other institutions through their involvement in participatory long-range strategic planning, project design, monitoring and evaluation.

8. Commitment and Responsibility of Partners and Customers

Commitment of Partners. In formulating the results framework, we have benefitted greatly as a "virtual team" member from reviews and exchanges of Agency strategic frameworks with staff of LAC/RSD/PHN and G/PHN. Since all SO3 activities were newly designed in FY 95-96, we had the opportunity to develop the results frameworks side by side with our partners and can vouch that they "own" these frameworks and are committed to achieving the specified results which will continue into the new strategy. In the course of developing this strategy, five workshops were held with our partners in 1996 to review USAID-supported, recent research and survey data on food security, AIDS, maternal and child health and family planning, micronutrient malnutrition, and breastfeeding. The workshops generated lively debate and excellent partner input toward a consensus on future program priorities. The new strategic emphasis on sustainability and health reform is endorsed by all our partners. However, we will need to work closely with the new Honduran Administration in 1998, particularly in the area of health reform, which can be controversial and politicized, to design the details of future activities and results which our new partners can feel ownership of and commit to achieve.

Responsibilities. In addition to USAID, the key parties responsible for achieving IR3.1 in the public sector are the MOH and the Honduran Social Security Institute (IHSS). In the private sector, the responsible parties are ASHONPLAFA and local and U.S. PVO grantees. Public sector results are also dependent on UNFPA, and ASHONPLAFA's results on the International Planned Parenthood Federation/Western Hemisphere Region. IR3.2 will be achieved by the MOH, the Ministry of Finance, the National Water and Sewerage Authority (SANAA) and by the IDB, World Bank, JICA, Spanish Technical Cooperation, PAHO, UNICEF, the European Union, SIDA, and the Netherlands Development Agency. IR3.3 will be the primary responsibility of the MOH, the IHSS, the Honduran Center for AIDS Awareness and Prevention, and local PVO sub-grantees, as well as the consortium of United Nations agencies working on AIDS (UNAIDS), the World Bank, IDB and the USAID/G-CAP regional AIDS Prevention Project's implementing agencies. IR3.4 will be achieved by CARE and the Ministries of Health, Agriculture and Livestock, and Governance and Justice and municipal governments through the Title II Program and through the German-Honduran Cooperation for Food Security of GTZ, and FAO. The entire SO1 economic growth portfolio and the SO4 municipal development program are also key to achieving food security results, and the CARE Title II program, in turn, advances the results of SO1 and SO4. Technical assistance toward achieving SO3 is the responsibility of various cooperating agencies through G/PHN, LAC/RSD/PHN, and G-CAP projects (see Tables 1 and 4 in the R4 which describe these sources of field support to USAID/Honduras SO3).

Role of Other Donors. Other international donors play an important complementary role in assisting to improve family health. The MOH's ACCESO program focuses different donors' assistance in support of geographic decentralization of health services. Currently USAID (nine health areas or 25% of the national population) and the Swedish government – (19 areas and

planning to add two more by 1999) are the largest providers of resources to ACCESO. The Pan American Health Organization (PAHO) supports two areas with its own resources and plans to add two or three more by 1999. It is also the implementing agent for Swedish assistance. Through its relationship with the Latin America Perinatology Center, PAHO also assists the MOH in reproductive health, especially in surveillance, and provides a resident advisor to the MOH. UNICEF plans to support up to four areas, and the IDB will cover up to ten. This strategic coordination of donor assistance by the MOH will result in nationwide coverage (all 41 areas) of ACCESO and a unified approach to decentralization.

Although not formally part of the ACCESO Program, the European Union (EU) focuses its assistance on Health Region 5 (Lempira and Ocotepeque), part of Region 2 (Intibuca), and part of Region 4 (San Marcos de Colon and Nacaome), all areas which USAID does not support. Their focus is on maternal-child health (vaccinations, pneumonia, integrated women's health care), nutrition and basic hygiene, and community pharmacies (rotating drug funds). EU programs are due to terminate in July, 1998, at which time a new regional and Honduras-specific 5-year country program should be in place.

UNICEF works in a variety of technical areas, principally pneumonia, diarrheal diseases, integrated child care, vaccinations, and micronutrients (surveillance system and social marketing). It also supports 150 community pharmacies and plans to establish a private sector National Medicines Center (Casa Nacional de Medicamentos), which could become a purchaser and supplier of medicines for the private community rotating drug funds and possibly the MOH as well. UNICEF also does limited work in reproductive health (management of obstetric emergencies and family planning counseling).

The Japanese Cooperation (JICA) has supported a large study of the Honduran national health system, which resulted in a national master plan for public sector health services, to the year 2010. The MOH has approved the master plan, but it has not yet determined how it will be implemented or financed. JICA itself has not made any commitments to funding the master plan, although the MOH believes that it may support the components of the plan that include hospitals and emergency clinics, transportation, infrastructure improvements, and information centers.

The IDB has worked in the water and sanitation sector in past years, although currently it has no ongoing health project. The IDB plans to approve a new health sector loan involving: assistance to a small number of hospitals, establishing three maternity clinics, strengthening hospital management, support to up to 10 ACCESO areas, and general support in administrative strengthening of the health areas. The World Bank plans to design a new health sector project after the new government takes office in January, 1998. In the meantime, it is supporting studies on health financing and reform, an area of interest to USAID as well. The Mission and the World Bank representative have been in close contact to coordinate activities and resources. It is likely that the World Bank's health sector project will contain a strong health financing element.

Other donors provide important support to specific areas, but in smaller amounts. The Spanish Cooperation, for example, has worked with the MOH in strengthening the cold chain. Their funds supported the construction of the National Vaccine Center, which contains a number of large cold chambers for the safe storage of vaccines. The United Nations Fund for Population Activities (UNFPA) supports the MOH with a small reproductive health project in Olancho. The

International Planned Parenthood Federation (IPPF) complements USAID assistance to ASHONPLAFA.

It should be clear from the plethora of donor activities described that the results of SO3, especially in health reform, will not all be directly supported by USAID. Because of the MOH's geographic assignments of different donors' assistance to the ACCESO program and because of the need to speak with one voice in order to persuade the GOH to make the hard but correct decisions, all involved donors must promote the same health reform agenda. USAID will take the lead in insisting to the MOH that effective donor coordination by the MOH is a prerequisite to assure that basic health services and essential support systems are in place and sustainable throughout the country. We have seen the extraordinary impact of having a common donor and MOH agenda in the immunization program, and are convinced that if we work together on health reform, the anticipated intermediate results will be achieved.

Food security donors complement the Title II CARE program. The World Food Program (WFP) provides food aid to food-for-work and maternal-child health activities (in different areas than CARE) and also provides monetization support for a cash coupon safety net program (PRAF). WFP is currently elaborating its 5-year strategy (1998-2002) for Honduras. The EU provides food aid to the GOH school breakfast program in Lempira, Intibuca, and La Paz and the school snack program in Ocotepeque, Santa Barbara, El Paraiso, Valle, Lempira, and Intibuca. The Food and Agriculture Organization (FAO) is working to improve food security through its Southern Lempira Department Rural Development Project, which focuses on strengthening local planning and management capability, sustainable natural resource management, education, and agricultural production. The Honduran-German Cooperation for Food Security is a similar project with food-for-work activities in other municipalities in Lempira Department. All of these donors and USAID coordinate their efforts through the Food Security Donors Committee.

9. Linkages to Other Parts of the USAID Strategy

The SO1 policy dialogue efforts to promote economic growth, reduce poverty, and improve education are crucial to improving family health because they enhance people's ability to choose healthier lifestyles as a result of increased income and knowledge. Furthermore, the quality of health services will be greatly affected by Honduras' GDP. The flip side is that poor health and nutrition reduce the gains of schooling via enrollment and ability to learn. SO3 is furthering SO4's municipal development work in smaller, poorer municipalities through the Title II program's emphasis on improving local long-range strategic planning.

Across the board reduced fertility and population growth, will help protect the environment, enhance per capita income, and enable the government to improve the quality of expanded education and health services. Our investments in making sure that water and sanitation systems are functioning optimally, and that other donors continue to expand coverage by construction of new systems, will have major impacts on saving time and energy, for more productive activities, especially for women.

10. Judging Achievements

Highlights about what's new and why about the indicators in the attached tables for the SO3 strategy follow. The majority of the indicators used in the previous period will remain, and in a number of cases we have or will have reached maintenance levels during the strategy period (e.g. $\geq 90\%$ immunization coverage). This means that we will be attempting to sustain coverage rates achieved to date, without necessarily increasing coverage further.

SO Indicator Changes. Two are proposed. We are shifting to the use of direct estimates of infant mortality which permit more detailed breakdowns by age at death and additional analysis of differentials, e.g. urban/rural, than can be done using the indirect technique. This will also make data from Honduras consistent with that reported by Nicaragua, El Salvador and Guatemala. We will expand our indicator of HIV seroprevalence in commercial sex workers (CSWs) by collecting data in Tegucigalpa, Comayagua and La Ceiba instead of just San Pedro Sula. To improve representativeness even further, the HIV seroprevalence of CSWs will be collected through street-based surveys instead of sentinel surveillance at STI clinics, because the latter has a sampling bias toward already infected women. In the case of both pregnant women and CSWs, the analysis of HIV seroprevalence will be further disaggregated to create a results indicator for women aged 15-24 as a proxy for new cases or incidence. We have also added a new indicator on syphilis seroprevalence in pregnancy as a measure of the impact of our efforts to prevent and treat STIs in the general population. Again, analysis will be disaggregated to report syphilis prevalence in younger pregnant women, 15-24 years, in whom we expect to see a decrease.

Reproductive Health (IR3.1). We will track separately urban and rural contraceptive prevalence rates because our strategy will place greater emphasis in rural areas. We have needed an indicator to measure the safe delivery component of our reproductive health results and thus have adopted the WHO and PPC/CDIE recommended indicator on the percentage of rural births attended by medically-trained personnel. However, we will not be able to measure this until the 2000 EFHS, and in the meantime will use the percent of rural births in institutions as a proxy.

Sustainability via Health Reform (IR3.2) A new indicator was added to track the differential between urban and rural postneonatal and 1-4 year child mortality as a key measure of equitable access to basic health services. We plan to add another health reform indicator which will be determined as part of our negotiations with the new Honduran Administration in 1998 and the design of the Health Sector III Project, e.g., percent of government health subsidies received by consumers in lowest income quintile.

STI/HIV Prevention Practices (IR3.3). We have replaced the former indicator on appropriate STD treatment in individuals, with a facility level indicator, focusing on syndromic management of STIs. There are also new indicators on condom use by gender, age and in regular or casual relationships which will be obtained from the nationally representative EFHS.

Food Security (IR3.4). We will track a childhood malnutrition indicator identical to the one we report at national level, but specific to the CARE Title II target area, where we expect to be able to have greater impact. We have also added income indicators, e.g. percentage of "poor" households, not just indigent ("very poor") households; days of off-farm paid employment; and accumulation of liquid and productive assets.

STRATEGIC OBJECTIVE 3 PERFORMANCE INDICATORS

OBJECTIVE NO. 3: Sustainable Improvements in Family Health APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME:			
INDICATOR: 3.A REDUCED INFANT MORTALITY RATE			
UNIT OF MEASURE: Infant Deaths per Thousand Live Births (Direct Estimate)	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Surveys (EFHS) 1987, 1991/1992; 1996; 2000; 2005	1986-90	---	45
INDICATOR DESCRIPTION: To measure the impact of its strategy from 1998-2003 the Mission will use <u>direct estimates</u> of infant mortality instead of <u>indirect estimates</u> used until now. This will permit analyses of the association between infant mortality and characteristics particular to the child such as age, sex, birth spacing, birth order, use of prenatal care, and breastfeeding, which can not be done using the indirect technique. Direct estimates are based on birth histories taken from each respondent in the EFHS.	Baseline 1991-95	---	36
	1996-00	33	***
COMMENTS: National data for 1996-2000 will be collected in the 2000 EFHS. For 1986-90 and 1991-95 there are no significant differences by gender.	Target 2001-05	30	***

OBJECTIVE NO. 3: Sustainable Improvements in Family Health APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME:			
INDICATOR: 3.B REDUCED LEVEL OF MALNUTRITION AMONG CHILDREN 12-23 MONTHS OF AGE			
UNIT OF MEASURE: Percent of Children 12 - 23 Months of Age at Level 2 (less than or equal to -2 Standard Deviation) or Worse Malnutrition (Weight/Age)	Year	Planned	Actual
SOURCE: National Nutrition Survey, 1987; Epidemiology and Family Health Survey (EFHS) 1991/1992; National Micronutrient Survey 1996; Consumption, Income, Expenditure and Nutritional Status Survey (CIENS) 1998; EFHS 2000	1987	---	30.0
	1991	---	24.7
	Baseline 1996	---	27.2
INDICATOR DESCRIPTION:	1998	25.0	***
	2000	22.6	***
COMMENTS: The data are only available from periodic national surveys. There are no significant differences by gender.	Target 2003	19.0	---

OBJECTIVE NO. 3: Sustainable Improvements in Family Health APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME:			
INDICATOR: 3.C REDUCED MATERNAL MORTALITY RATIO			
UNIT OF MEASURE: Number of Maternal Deaths per 100,000 Live Births	Year	Planned	Actual
SOURCE: Ministry of Health Prospective Studies on Maternal Mortality.	Baseline 1989	---	221
	1996	---	***
INDICATOR DESCRIPTION:	2000	TBD	***
	Target 2003	125	---
COMMENTS: Currently, the Ministry of Health is conducting a prospective study similar to the one they conducted in 1989. Results of this study, which will provide an estimate of maternal mortality for 1996, should be available late 1997. Annual targets will be set once the 1996 Maternal Mortality Ratio is known.			

OBJECTIVE NO. 3: Sustainable Improvements in Family Health APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME:			
INDICATOR: 3.D REDUCED TOTAL FERTILITY RATE OF WOMEN 15 - 44 YEARS OF AGE			
UNIT OF MEASURE: Average Number of Children Born Alive to a Woman During her Lifetime	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Survey (EFHS) 1987; 1991/1992; 1996; 2000; 2005	1981	---	6.5
	1987	---	5.6
INDICATOR DESCRIPTION:	Baseline 1993-95	---	4.9
	1997-99	4.5	***
COMMENTS: Data for the period 1989-91 were collected in the 1991/92 EFHS while data for the 1993-95 period were collected in the 1996 EFHS. National estimates of fertility for the 1997-99 period will be collected in the 2000 EFHS.	Target 2002-04	4.1	---

OBJECTIVE NO. 3: Sustainable Improvements in Family Health APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME:			
INDICATOR: 3.E STABILIZED HIV SEROPREVALENCE IN ALL COMMERCIAL SEX WORKERS (CSW) AND DECREASED SEROPREVALENCE IN CSWs AGED 15-24			
UNIT OF MEASURE: Seroprevalence Rate	Year	Planned	Actual
SOURCE: Epidemiological Division, Ministry of Health (MOH)	Baseline 1997 15-24 years All	---	***
	1998 15-24 years All	TBD	***
INDICATOR DESCRIPTION: COMMENTS: We will use street-based seroprevalence surveys of Commercial Sex Workers (CSW) in an expanded number of geographic epicenters of the epidemic (San Pedro Sula, Tegucigalpa, Comayagua and La Ceiba). This will give us information on transmission in high risk groups. CSWs refers to women. Clinic-based sentinel surveillance of CSWs, which the Mission has relied on in the past, is not representative of the CSW population and tends to include more infected women among those tested. Thus prevalence from clinic-based sentinel surveillance will more than likely increase over time, even if HIV/AIDS prevention interventions are successful. Therefore, street-based surveys will be a more reliable measure of impact. The baseline will be determined and targets set in 1997.	1999 15-24 years All	TBD	***
	2000 15-24 years All	TBD	***
	2001 15-24 years All	TBD	***
	2002 15-24 years All	TBD	***
	Target 2003 15-24 years All	TBD	***

OBJECTIVE NO. 3: Sustainable Improvements in Family Health
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME:

INDICATOR: 3.F STABILIZED HIV SEROPREVALENCE IN ALL PREGNANT WOMEN AND DECREASED SEROPREVALENCE IN PREGNANT WOMEN AGED 15-24, AS MEASURED BY SENTINEL SURVEILLANCE

UNIT OF MEASURE: Percent of pregnant women who test positive for HIV

Year	Planned	Actual
Baseline 1997 15-24 years All	---	***
1998 15-24 years All	TBD	***
1999 15-24 years All	TBD	***
2000 15-24 years All	TBD	***
2001 15-24 years All	TBD	***
2002 15-24 years All	TBD	***
Target 2003 15-24 years All	TBD	***

SOURCE: Epidemiological Division, Ministry of Health (MOH)

INDICATOR DESCRIPTION: Data from pregnant women aged 15-24 will be used as an estimate of incidence. Whereas data from all pregnant women will be used to determine seroprevalence.

COMMENTS: As a measure of HIV seroprevalence and incidence in the general population, pregnant women will be tested for HIV at sentinel sites in an expanded number of geographic epicenters of the epidemic (San Pedro Sula, Tegucigalpa). Furthermore, in these two cities data will be collected from an increased number of clinics (6 in San Pedro Sula and 9 in Tegucigalpa). Depending upon results of initial prevalence surveys to be conducted in 1997 in Comayagua, Siguatepeque, Puerto Cortés and La Ceiba, the number of reporting sites may be increased.

The baseline will be determined and targets set in 1997.

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME:			
INDICATOR: 3.G STABILIZED SYPHILIS PREVALENCE IN ALL PREGNANT WOMEN AND DECREASED PREVALENCE IN PREGNANT WOMEN AGED 15-24, AS MEASURED BY SENTINEL SURVEILLANCE			
UNIT OF MEASURE: Percent of pregnant women who test positive for syphilis	Year	Planned	Actual
SOURCE: Epidemiological Division of Ministry of Health (MOH)	Baseline 1997 15-24 years All	---	***
INDICATOR DESCRIPTION: Data from pregnant women aged 15-24 will be used as an estimate of incidence. Whereas data from all pregnant women will be used to determine prevalence.	1998 15-24 years All	TBD	***
	1999 15-24 years All	TBD	***
COMMENTS: We will use syphilis prevalence rates from the same pregnant women at the sentinel site clinics where HIV seroprevalence data will be collected in the geographic epicenters of the HIV epidemic (San Pedro Sula, Tegucigalpa) as a measure of STI prevalence in the general population. Depending on results of initial prevalence surveys to be conducted in 1997 in Comayagua, Siguatepeque, Puerto Cortés, and La Ceiba, the number of reporting sites may be increased. The baseline and targets will be determined in 1997.	2000 15-24 years All	TBD	***
	2001 15-24 years All	TBD	***
	2002 15-24 years All	TBD	***
	Target 2003 15-24 years All	TBD	***

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.1 Increased Use of Reproductive Health Services Including Family Planning			
INDICATOR: 3.1.a INCREASED CONTRACEPTIVE PREVALENCE IN WOMEN 15 - 44 YEARS OF AGE, IN UNION			
UNIT OF MEASURE: Percent of Women of Reproductive Age (15-44), in Union, Using Family Planning Methods	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Survey (EFHS) 1987; 1991/1992; 1996; 2000	1987 Total (% Modern)	—	41(33)
	Urban Rural		59 30
INDICATOR DESCRIPTION:	Baseline 1996 Total (% Modern)	—	50(41)
	Urban Rural		62 40
COMMENTS: National data for 2000 will be collected in the 2000 EFHS. Major increases in total prevalence are expected to come from the rural areas where there is high need and demand for family planning services.	2000 Total (% Modern)	54(45)	***
	Urban Rural	65 44	
	Target 2003 Total (% Modern)	57(48)	—
	Urban Rural	66 48	

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.1 Increased Use of Reproductive Health Services Including Family Planning			
INDICATOR: 3.1.b INCREASED PERCENTAGE OF RURAL WOMEN AGED 15-44 WHO GAVE BIRTH WITHIN THE LAST 5 YEARS WHO HAD A PRENATAL VISIT AT A HEALTH FACILITY DURING LAST PREGNANCY			
UNIT OF MEASURE: Percent of Women Who Made a Prenatal Visit to a Health Center	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Survey (EFHS) 1991/1992; 1996; 2000	1991-92	—	67.1
INDICATOR DESCRIPTION:	Baseline 1996	—	79.1
	2000	85.6	***
COMMENTS: Data for 2000 will be collected in the 2000 EFHS.	Target 2003	90.0	—

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.1 Increased Use of Reproductive Health Services Including Family Planning			
INDICATOR: 3.1.c INCREASED PERCENTAGE OF RURAL WOMEN AGED 15-44 WHO GAVE BIRTH WITHIN THE LAST 5 YEARS WHO WERE ATTENDED BY MEDICALLY-TRAINED PERSONNEL AT THE LAST DELIVERY			
UNIT OF MEASURE: Percent of women delivered by medically-trained personnel	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Survey (EFHS) 2000	Baseline 1996	—	32.0
INDICATOR DESCRIPTION: Per WHO, medically-trained personnel includes physicians, nurses and professional midwives, but not traditional birth attendants.	2000	40.0	***
	Target 2003	TBD	—
COMMENTS: Data on this indicator will be collected for the first time in the EFHS 2000 survey. At that time targets will be set for future years. In the meantime, we are using data from the 1996 EFHS on the percent of rural births that took place in institutions as a proxy, i.e. 32%.			

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: Sustained Use of Child Survival Services Via Health Reform			
INDICATOR: 3.2.a. REDUCED URBAN/RURAL DIFFERENTIAL IN CHILD MORTALITY (POSTNEONATAL AND 1-4 YEARS)			
UNIT OF MEASURE: Percentage Differential in Urban vs. Rural Postneonatal (1-11 mos) and 1-4 Year Child Mortality Rates (Direct Estimates)	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Survey 1996; 2000, 2005	1986-90 1-11 mos. Mortality Gap	---	42% higher Rural
INDICATOR DESCRIPTION: There were no urban vs. rural differences in neonatal mortality at baseline. Thus we are using postneonatal (1-11 months) and 1-4 year old mortality rates by direct estimate from the EFHS surveys. The percentage differential between the urban and rural rates is an indicator of equitable access to basic health services. As equity increases the gap between urban and rural mortality should be reduced.	1-4 yrs Mortality Gap		122% higher Rural
	Baseline 1991-95 1-11 mos. Mortality Gap	---	46% higher Rural
COMMENTS: At baseline in the 1991-95 period urban vs. rural postneonatal mortality rates were 13 vs. 19. Urban vs. rural 1-4 year mortality rates were 6 vs. 18.	1-4 yrs Mortality Gap		200% higher Rural
	1996-2000 1-11 mos. Mortality Gap	35% higher Rural	***
	1-4 yrs Mortality Gap	150% higher Rural	
	Target 2001-2005 1-11 mos. Mortality Gap	23% higher Rural	***
	1-4 yrs Mortality Gap	100% higher Rural	

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.2 Sustained Use of Child Survival Services Via Health Reform			
INDICATOR: 3.2.b INCREASED PERCENTAGE OF CHILDREN 2 - 3.99 MONTHS WHO WERE EXCLUSIVELY BREASTFED DURING THE PREVIOUS 24 HOURS			
UNIT OF MEASURE: Percent of Children 2 - 3.99 Months Exclusively Breastfed	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Survey (EFHS) 1987, 1991/1992; 1996; 2000	1987	—	19.8
	1991-92	—	23.2
INDICATOR DESCRIPTION:	Baseline 1996	—	29.5
	2000	33.0	***
COMMENTS:	Target 2003	36.0	—

OBJECTIVE NO. 3: Sustainable Improvements in Family Health
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME: 3.2 Sustained Use of Child Survival Services Via Health Reform

INDICATOR: 3.2.c MAINTAINED COVERAGE OF MORE THAN OR EQUAL TO 90 PERCENT OF CHILDREN UNDER ONE VACCINATED FOR SELECTED DISEASES: DIPHTHERIA, PERTUSSIS, TETANUS (DPT), MEASLES, POLIO, AND TUBERCULOSIS

UNIT OF MEASURE: Percent Vaccinated

SOURCE: Ministry of Health Annual Reports:
D= Diphtheria, Pertussis, Tetanus (DPT)
M= Measles
P= Polio
T= Tuberculosis

INDICATOR DESCRIPTION:

COMMENTS: This indicator reflects children under one only. The under ones are the target group for USAID assistance to the immunization program. We consider that the $\geq 90\%$ level is a realistic maintenance level that the MOH can maintain as it makes the transition to greater self-reliance. Maintaining immunization coverage in general will also be a key measure of sustaining the health system as USAID reduces its support.

Year	Planned	Actual
Baseline 1996	—	D= 95 M= 91 P= 95 T= 95
1997	D= ≥ 90 M= ≥ 90 P= ≥ 90 T= ≥ 90	***
1998	D= ≥ 90 M= ≥ 90 P= ≥ 90 T= ≥ 90	***
1999	D= ≥ 90 M= ≥ 90 P= ≥ 90 T= ≥ 90	***
2000	D= ≥ 90 M= ≥ 90 P= ≥ 90 T= ≥ 90	***
2001	D= ≥ 90 M= ≥ 90 P= ≥ 90 T= ≥ 90	***
2002	D= ≥ 90 M= ≥ 90 P= ≥ 90 T= ≥ 90	***
Target 2003	D= ≥ 90 M= ≥ 90 P= ≥ 90 T= ≥ 90	***

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.2 Sustained Use of Child Survival Services Via Health Reform			
INDICATOR: 3.2.d MAINTAINED COVERAGE OF MORE THAN OR EQUAL TO 90 PERCENT OF WOMEN AGED 12 - 49 VACCINATED WITH A SECOND DOSE OF TETANUS TOXOID WITHIN THE LAST 3 YEARS			
UNIT OF MEASURE: Percent Vaccinated	Year	Planned	Actual
SOURCE: Ministry of Health (MOH) Annual Reports	1990	—	25
	Baseline 1996	—	97
INDICATOR DESCRIPTION: The coverage rates are based on the cumulative number of second doses of Tetanus Toxoid.	1997	≥ 90	***
	1998	≥ 90	***
	1999	≥ 90	***
	2000	≥ 90	***
COMMENTS: We consider that ≥ 90% coverage is a realistic maintenance level for the MOH as it makes the transition to greater self-reliance. Maintaining immunization coverage in general will also be a key measure of sustaining the health system as USAID reduces its support.	2001	≥ 90	***
	2002	≥ 90	***
	Target 2003	≥ 90	***

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.2 Sustained Use of Child Survival Services Via Health Reform			
INDICATOR: 3.2.e REDUCED PERCENTAGE OF OUTPATIENT VISITS TO HEALTH CENTERS OF CHILDREN UNDER FIVE DUE TO DIARRHEA			
UNIT OF MEASURE: Percent of Total Outpatient Visits to Health Centers of Children Under Five Due to Diarrhea	Year	Planned	Actual
SOURCE: Ministry of Health (MOH) Annual Reports	1990	---	17.5
	Baseline 1996	---	7.0
INDICATOR DESCRIPTION:	1997	10 or less	***
	1998	10 or less	***
	1999	10 or less	***
	2000	10 or less	***
COMMENTS: This indicator reached a realistic maintenance level in 1996. The MOH's control of diarrheal diseases program is well developed and we believe they should be able to sustain this performance even though USAID support is being reduced.	2001	10 or less	***
	2002	10 or less	***
	Target 2003	10 or less	***

*** INDICATES YEARS FOR WHICH ACTUAL DATA WILL BE AVAILABLE

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.2 Sustained Use of Child Survival Services Via Health Reform			
INDICATOR: 3.2.f INCREASED PERCENTAGE OF CHILDREN UNDER FIVE WITH DIARRHEA IN LAST 15 DAYS TREATED WITH ORS			
UNIT OF MEASURE: Percent Children Under Five With Diarrhea in the Last 15 Days Who Were Treated With ORS	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Survey (EFHS) 1987, 1996; 2000	1987	---	23.6
	Baseline 1996	---	29.9
INDICATOR DESCRIPTION:	2000	≥ 32	***
	Target 2003	≥ 32	---
COMMENTS: This indicator will reach a realistic maintenance level in 1998. The MOH's control of diarrheal diseases program is well developed and we believe they should be able to sustain this performance even though USAID support is being reduced.			

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.2 Sustained Use of Child Survival Services Via Health Reform			
INDICATOR: 3.2.g INCREASED PERCENTAGE OF RURAL WATER SYSTEMS OPERATING AT THE "A" LEVEL			
UNIT OF MEASURE: Percentage of Rural Water System Operating at the "A" level	Year	Planned	Actual
SOURCE: SANAA Operation and Maintenance Technicians (TOMs) data	Baseline 1996	---	6.5
	1997	21.4	***
INDICATOR DESCRIPTION: A rural water system functioning at the "A" level is defined as having all of the following characteristics: a) water is disinfected, b) there is a water board that meets periodically (at least every three months), c) there is a water fee that is paid by users, d) there is a maintenance employee, and e) water is available from the system on a daily basis.	1998	32.5	***
	1999	43.4	***
	2000	51.0	***
COMMENTS: Maintenance activities will be carried out by the TOMs (Operation and Maintenance Technicians) with SANAA financial resources. The TOMs collected the baseline and have worked with USAID to set the targets. High incremental rates are planned from 1997 through 2000 when most accessible water systems with easy-to-solve problems are expected to be upgraded to the "A" level. The curve then slows down recognizing the difficulty in reaching less accessible locations and the degree of constraints faced by some communities.	2001	57.0	***
	2002	61.0	***
	Target 2003	64.0	***

OBJECTIVE NO. 3: Sustainable Improvements in Family Health APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 3.3 Increased Use of STI/AIDS Prevention Practices			
INDICATOR: 3.3.a INCREASED CONDOM USE REPORTED BY SEXUALLY EXPERIENCED SINGLE MEN AGED 15-24 (INCLUDING SEPARATED AND DIVORCED MEN), AT ANY TIME IN THE LAST 30 DAYS			
UNIT OF MEASURE: Percent of single men aged 15-24 using condoms at any time in the last 30 days	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Surveys (EFHS) 1996; 2000	Baseline 1996	—	22.8
INDICATOR DESCRIPTION:	2000	31.0	***
COMMENTS: Men are more in favor of using condoms than women and both sexes see <u>women</u> as the vector of HIV's spread. Furthermore, according to focus group studies, many men and women associate the use of condoms with prostitutes, therefore, there is reluctance by women to suggest the use of condoms because it would imply that their sexual partner may be having relations with other women. If men suggest the use of condoms, women may feel offended due to the "prostitute" connotation to condom use.	Target 2003	35.0	—

OBJECTIVE NO. 3: Sustainable Improvements in Family Health APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 3.3 Increased Use of STI/AIDS Prevention Practices			
INDICATOR: 3.3.b INCREASED CONDOM USE REPORTED BY MEN AGED 15-59 WHO HAD MORE THAN ONE SEXUAL PARTNER IN THE LAST 12 MONTHS			
UNIT OF MEASURE: Percent of males aged 15-59 who had more than one sexual partner in the last 12 months who used condoms with the last three partners during each last sexual relationship	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Surveys (EFHS) 1996; 2000	Baseline 1996	—	28.8
INDICATOR DESCRIPTION:	2000	30.5	***
COMMENTS: Only 7% of all sexually active men surveyed in 1996 had more than three partners.	Target 2003	33.0	—

*** INDICATES YEARS FOR WHICH ACTUAL DATA WILL BE AVAILABLE

OBJECTIVE NO. 3: Sustainable Improvements in Family Health APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 3.3 Increased Use of STI/AIDS Prevention Practices			
INDICATOR: 3.3.c INCREASED CONDOM USE REPORTED BY SEXUALLY EXPERIENCED SINGLE WOMEN AGED 15-24 (INCLUDING SEPARATED AND DIVORCED WOMEN), AT ANY TIME IN THE LAST 30 DAYS			
UNIT OF MEASURE: Percent of single women aged 15-24 using condoms at any time in the last 30 days	Year	Planned	Actual
SOURCE: Epidemiology and Family Health Surveys (EFHS) 1996; 2000	Baseline 1996	---	0.9
INDICATOR DESCRIPTION: COMMENTS: Men are more in favor of using condoms than women and both sexes see women as the vector of HIV's spread. Furthermore, according to focus group studies, many men and women associate the use of condoms with prostitutes, therefore, there is reluctance by women to suggest the use of condoms because it would imply that their sexual partner may be having relations with other women. If men suggest the use of condoms, women may feel offended due to the "prostitute" connotations to condom use.	2000	2.2	***
	Target 2003	4.0	---

OBJECTIVE NO. 3: Sustainable Improvements in Family Health APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 3.3 Increased Use of STI/AIDS Prevention Practices			
INDICATOR: 3.3.d INCREASED NUMBER OF MINISTRY OF HEALTH HOSPITALS AND CLINICS WITH PHYSICIANS (CESAMO) AND SOCIAL SECURITY (IHSS) HOSPITALS AND CLINICS, ASSESSING AND TREATING SEXUALLY TRANSMITTED INFECTIONS (STI) SYNDROMICALLY			
UNIT OF MEASURE: Total number of eligible hospitals and clinics assessing and treating STIs syndromically	Year	Planned	Actual
SOURCE: Ministry of health (MOH) and IHSS Annual Reports	Baseline 1996	---	4
	1997	64	***
INDICATOR DESCRIPTION:	1998	139	***
	1999	198	***
	2000	200	***
	2001	200	***
	2002	200	***
COMMENTS: Syndromic treatment of sexually transmitted infections (STI) relies totally on symptoms of the patient instead of on lab diagnosis.	Target 2003	200	***

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.4 Improved Household Food Security in Title II Target Areas			
INDICATOR: 3.4.a IMPROVED CALORIC ADEQUACY IN TARGET HOUSEHOLDS			
UNIT OF MEASURE: Caloric adequacy as a percentage calculated by dividing the daily caloric consumption of the household by the daily caloric requirements of the household and then averaging the caloric adequacy of all target households	Year	Planned	Actual
	Baseline 1996	—	78.3
	2000	86.0	***
	Target 2003	88.0	***
SOURCE: CARE Honduras baseline (1996); midterm (2000) and final (2003) surveys			
INDICATOR DESCRIPTION:			
COMMENTS: These targets were established by CARE with assistance from the Food Security and Nutrition Monitoring Project (IMPACT, 936-5110).			

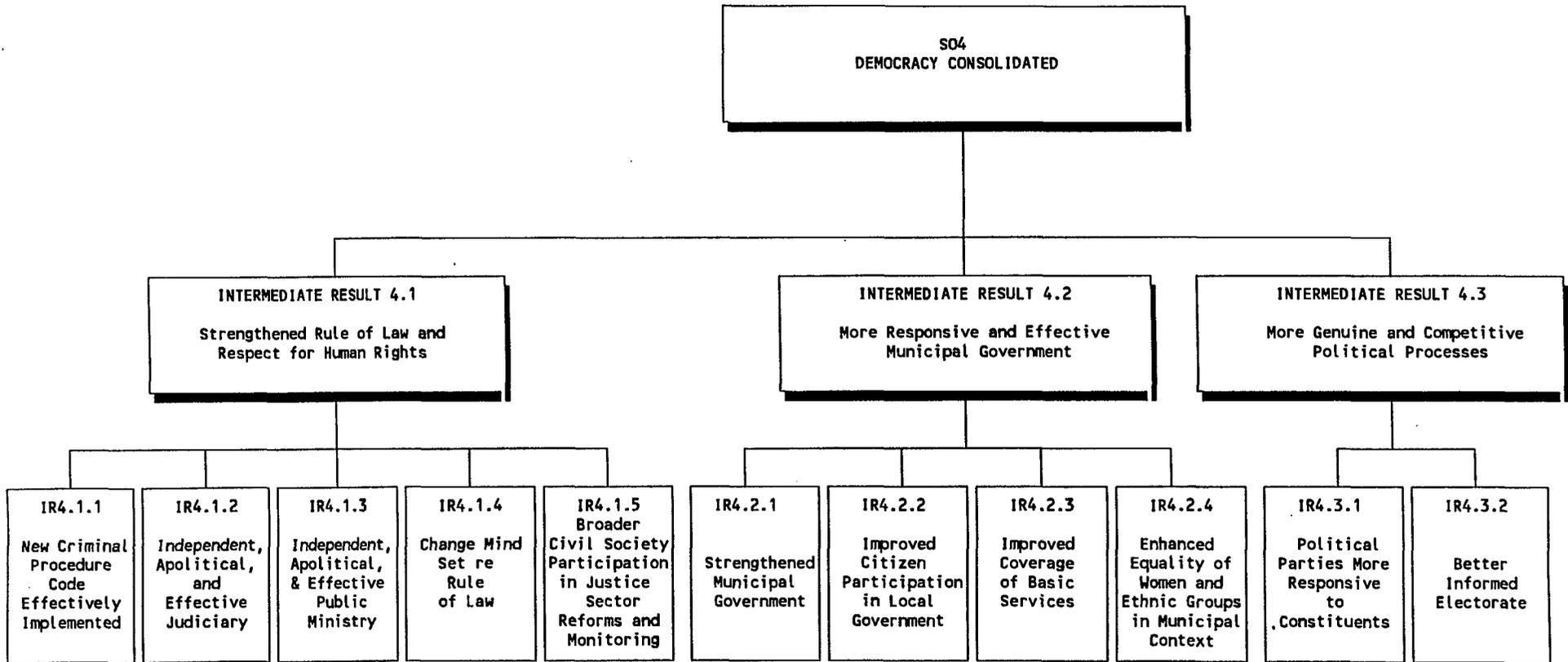
OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.4 Improved Household Food Security in Title II Target Areas			
INDICATOR: 3.4.b REDUCED PERCENTAGE OF INDIGENT AND POOR HOUSEHOLDS IN TARGET AREAS			
UNIT OF MEASURE: "Indigent" is the percent of target households that have insufficient income to purchase the household's basic food needs to satisfy energy requirements. "Poor" is the percent of target households that have insufficient income to purchase both the households' basic food needs plus other basic services.	Year	Planned	Actual
	Baseline 1996 Indigent Poor	—	78.6 86.6
	2000 Indigent Poor	63.0 80.5	***
	Target 2003 Indigent Poor	60.0 78.0	***
SOURCE: CARE Honduras baseline (1996); midterm (2000) and final (2003) surveys			
INDICATOR DESCRIPTION:			
COMMENTS: These targets were established by CARE with assistance from the Food Security and Nutrition Monitoring Project (IMPACT, 936-5110).			

OBJECTIVE NO. 3: Sustainable Improvements in Family Health			
APPROVED: DD/MM/YY			
COUNTRY/ORGANIZATION: USAID/Honduras			
RESULT NAME: 3.4 Improved Household Food Security in Title II Target Areas			
INDICATOR: 3.4.c REDUCED LEVEL OF MALNUTRITION AMONG CHILDREN 12-23 MONTHS OF AGE IN TARGET AREAS			
UNIT OF MEASURE: Percent of children 12-23 months of age at level 2 (less than or equal to - 2 standard deviation) or worse malnutrition (weight/age)	Year	Planned	Actual
SOURCE: CARE Honduras baseline (1996); midterm (2000) and final (2003) surveys	Baseline 1996	—	31.8
INDICATOR DESCRIPTION:	2000	23.0	***
COMMENTS: These targets were established by CARE with assistance from the Food Security and Nutrition Monitoring Project (IMPACT, 936-5110)	Target 2003	21.5	***

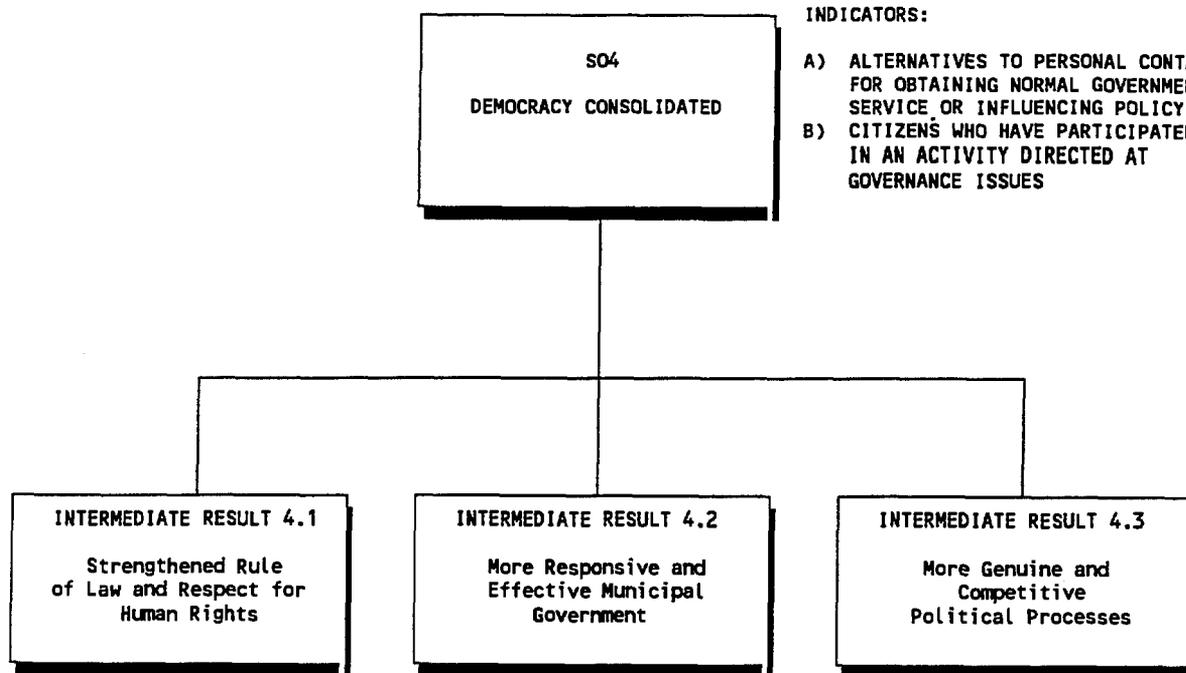
OBJECTIVE NO. 3: Sustainable Improvements in Family Health			
APPROVED: DD/MM/YY			
COUNTRY/ORGANIZATION: USAID/Honduras			
RESULT NAME: 3.4 Improved Household Food Security in Title II Target Areas			
INDICATOR 3.4.d INCREASED DAYS PER YEAR OF PAID OFF-FARM EMPLOYMENT BY GENDER IN TARGET AREAS			
UNIT OF MEASURE: Average number of days of paid employment in the past year for men and women in target areas	Year	Planned	Actual
SOURCE: CARE Honduras baseline (1996); midterm (2000) and final (2003) surveys	Baseline 1996	—	24 5
INDICATOR DESCRIPTION:	2000	Men Women	TBD ***
COMMENTS: Targets to be determined in late 1997.	Target 2003	Men Women	TBD ***

OBJECTIVE NO. 3: Sustainable Improvements in Family Health		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 3.4 Improved Household Food Security in Title II Target Areas			
INDICATOR: 3.4.e INCREASED PERCENTAGE OF HOUSEHOLDS ACCUMULATING LIQUID AND PRODUCTIVE ASSETS IN TARGET AREAS			
UNIT OF MEASURE: Number of households accumulating assets in the past year divided by the total number of target households	Year	Planned	Actual
SOURCE: CARE Honduras baseline (1996); midterm (2000) and final (2003) surveys	Baseline 1996	—	57.9
INDICATOR DESCRIPTION:	2000	61.0	***
COMMENTS: The midterm survey will assess any significant differences by gender of head of household.	Target 2003	64.0	***

RESULTS FRAMEWORK: STRATEGIC OBJECTIVE 4



S04 PERFORMANCE INDICATORS



INDICATORS:

- A) ALTERNATIVES TO PERSONAL CONTACTS FOR OBTAINING NORMAL GOVERNMENT SERVICE OR INFLUENCING POLICY
- B) CITIZENS WHO HAVE PARTICIPATED IN AN ACTIVITY DIRECTED AT GOVERNANCE ISSUES

INDICATORS

- a) Increased Convictions as Percentage of Indictments.
- b) Decreased Incidence of Pretrial Detainees for New Criminal Cases.

- a) Annual Percentage Real Increase in Municipal Income in Participating Municipalities.
- b) Increased Coverage of Public Services (Water, Sewerage, Refuse Collection) by Municipalities.
- c) Average Number of Participants in Open Town Meetings.
- d) Increased Number of Small Municipalities Incorporated into Program.

- a) Increased Number of NGOs with Programs to Inform Public on Good Government Issues.
- b) Increased Number of NGOs Involved in Better Government Issues.

E. STRATEGIC PLAN FOR DEMOCRACY

1. The Challenge: Overview of Situation and Trends

Background. As with the rest of Central America, Honduras' evolution toward democracy began with its independence from Spain in 1821. At that time, much of the structure of democratic government was adopted, including a constitution which established three separate branches of government, based on the U.S. model. However, since these political structures were adopted without their having had a solid historical or cultural foundation, they were not fully respected in practice. Participation and representation continued to be minimal.

In the late nineteenth and early twentieth centuries, democratic structures continued to emerge, although with continuing weaknesses in application. Political parties and party activism were established, but the parties were dominated by the elite groups. Laws were enacted, but not enforced. Elections were held; but elected presidents then ruled as "caudillos", continuing in power beyond their legal terms. The resulting political turmoil of the first half of this century produced instability which in turn led to a series of military coups. The military easily gained control of the political arena, governing with its own authoritarian and highly centralized pseudo-political style until 1980.

In 1980, after almost 17 consecutive years in power, the military agreed to cede control. A National Constitutional Convention was elected and was tasked with drafting and enacting a Law of Elections and Political Organizations (1981) and a new Constitution (1982). In 1981, the first general elections of Honduras' modern democratic era were held.

Since the watershed events of the early eighties, Honduras has made steady progress in consolidating its democratic governance. Elections were held without interruption (1985, 1989, 1993), with two active parties competing for and sharing power. Electoral reforms adopted in 1993 permitted voters to cast separate ballots for mayors, whereas previously voting was entirely by party slate. Both major parties chose their presidential candidates through primary elections for the first time in 1996, and, significantly, both primaries were held on the same day, reducing the opportunities for voters from one party to interfere with the activities of the other party.

The military has steadily declined in both numerical strength and influence, particularly during the current administration. A 1995 constitutional amendment eliminated the draft except in cases of emergency, and President Reina has steadfastly refused military requests to invoke such emergency powers. The military has relinquished control of businesses, most significantly the national telephone company. In late 1996, the Honduran legislature passed a second constitutional amendment transferring the police from military to civilian control, although it has not yet passed the necessary implementing legislation. A third constitutional amendment, which would transfer the current functions of the semi-autonomous armed forces commander-in-chief to a defense minister (who would eventually be a civilian) reporting to the president, is under active discussion and is expected to be adopted within the next few years.

Important reforms designed to decentralize the power of the government and expand citizens' participation were also taking place. Despite the general tradition of centralized authoritarian rule, for most of Honduran history municipal governments were largely autonomous and directly responsible to citizens for basic services, primarily because of the long distances between the

capital and the secondary cities, the mountainous terrain, and the poor roads. However, from the early 1960's through the late 1980's, as transportation improved and the military dictatorships were at their strongest, the Honduran government centralized most public services. This trend began to reverse itself in 1990 with the passage of a new municipal law, which reinvested local governments with both the authority and resources to manage services locally. As a result of the new law, strong municipal governments have begun to reemerge.

With all of the above changes has also come a strengthening of civil and political liberties. The press in Honduras, although flawed in many respects, is quite free. Human rights violations, in the most egregious sense, have declined dramatically since the well-known abuses of the early eighties. Hondurans are free to criticize their government, the political parties, and, increasingly, the military, and such criticism is tolerated. The conditions have been established for development of a more vigorous civil society.

Current USAID Democracy Program in Honduras. The current democracy strategy had two primary objectives. First, we sought to strengthen the basic political, legal, and constitutional institutions of democracy which had been established over the years, and were reestablished in 1980, but which were still weak and not fully effective in practice. Second, we supported decentralization of the government, with an emphasis on increasing opportunities for citizen participation and improving the effectiveness and responsiveness of municipal governments.

The Mission's primary project oriented toward the first objective began in 1984 and included four components: elections, Rule of Law, legislative strengthening, and building civil society. At the same time, a Mission municipal development program, with its roots in the RHUDO housing activities, began a natural evolution toward a greater focus on the democracy-strengthening objectives of decentralization and participation.

In 1994, the Mission carried out an indepth review of its democracy sector portfolio as part of the establishment of the Agency's new strategy process, and decided to focus it even further. The practice and procedures of elections had been firmly established and were functioning adequately, and no longer demanded the level of support merited in the early, critical years when elections were just being reinstated.

Assistance to the congress had had mixed success, strengthening it to some degree but suffering the problems that can be expected with an institution that is more political than technical. We concluded that further assistance was not warranted until structural reforms were in place. The members of congress were placed in office by political party elites and thus were beholden to the party. The changes needed to make congress more representative of, and directly accountable to, the people required fundamental structural reforms in the election process and constitution. It was not possible to make such changes by continuing efforts to strengthen the legislature.

The Mission concluded that the judicial system and the very limited Rule of Law were among the biggest constraints to democracy in Honduras. The judicial system was too weak and corrupt to contribute effectively to the balance of power required for a stable democracy. The Rule of Law was so seriously defective that it impaired democratic development on a number of fronts. The legal system was unable to confront the rampant corruption in the public sector. No real security of person or property existed. Powerful interests were always able to dominate, even when their actions were overtly illegal, and the justice system was unable to check these groups

or help to level the playing field. The judicial system itself was often the source of human rights abuses, with most of the prison population comprised of prisoners without sentences. Moreover, the weaknesses in the justice sector affected the likelihood of success in the other sectors in which the Mission was working. New environmental laws had been passed to protect the forests, but there was no ability to enforce them. Existing investments could not be protected through legal actions, and potential new investors were deterred by this knowledge. Funds that should have been available to the government for investments in the social sectors were being siphoned off through corruption.

The Reina Administration took office in 1994 with a firm commitment to implement a "Moral Revolution". Under the party leadership of President Reina, the congress appointed honest supreme court judges and an honest Attorney General. The president vowed to eliminate corruption from the GOH. This provided the Mission with a real opening to support fundamental change in the judicial sector. Thus, starting in 1994, the Mission focused its democracy resources on reform of the justice system.

The Mission also concluded that it was important to continue our support in the municipal sector. The excessive centralization that had taken place during the era of military dictatorships, and which continued with the return of civilian power, had resulted in a lack of responsiveness and accountability that impeded the government's ability to provide basic services to its citizens. Furthermore, government was so far removed from the citizens that their access to it, and ability to participate in their own governance, never a strong characteristic of Honduran governments in the first place, was not likely to improve until further decentralization took place. The passage of the new municipal law in 1990, together with strong support from the Callejas administration, provided a unique opening to advance decentralization that the Mission believed merited further support.

2. Strategic Objective and Rationale

For the period 1998-2003, USAID/Honduras is proposing to continue its program in the democracy sector under the SO4²⁴ statement of:

"Democracy Consolidated"

Our strategic objective will focus on three primary intermediate results: Strengthened Rule of Law and Respect for Human Rights, More Responsive and Effective Municipal Government, and More Genuine and Competitive Political Processes. The first two intermediate results, and to a certain extent the third, are a continuation of our current democracy portfolio.

The original justification for these programs is still valid. A strengthened judicial system and Rule of Law are critical to the continuing stability of democracy in Honduras. Decentralization of government to the municipal level continues to be an important goal, in order to improve the responsiveness and accountability of government, to improve access, and to provide an opportunity for citizens to participate more fully in their own governance. Furthermore, these are

²⁴ SO4 directly supports Agency Goal 2 (Sustainable democracies built).

sectors in which a sustained effort is required. Our work in the justice and municipal sectors has achieved real results and has been an important factor in the democratic development of Honduras, but neither program is at a stage where it would make sense to discontinue it during the next five years. In fact, any reduction in our commitment to these programs during the time period of our next strategy would undoubtedly undermine the investments and results achieved to date.

The justice sector as a whole remains weak, and there is a considerable way to go before justice is delivered in a timely and equitable manner. Merit is now a factor in choosing judges, but the judiciary is still politicized and subject to outside influences. There is little career stability among judges, and nearly all, as well as support personnel, need additional training in order to be able to carry out their duties competently. A number of improvements in court administration are under consideration, but the court system is still woefully inefficient. Despite yeoman's work by the new Public Defender's Office, judicial delays remain endemic and 90% of the prison population is still composed of prisoners who have not been sentenced. The Attorney General's Office, under the strong leadership of the current Attorney General, has established itself as a positive influence on the justice system, challenging previously untouchable sectors of society and establishing its worth and necessity to the society at large. But as an institution it is still young, and needs support to consolidate its role. Of key importance, the new Criminal Procedures Code, which would create the legislative framework for the transition from a written, inquisitorial system to an oral, adversarial one, is expected to pass this year. Both the court and the Attorney General's Office will need extensive support to make this transition.

Since the passage of the new municipal law in 1990, tremendous progress has been made in decentralization. Nevertheless, further support is necessary through the next strategy period to consolidate these gains. Many of the 32 municipalities in which USAID has been working have improved their financial positions dramatically, are managing their funds more responsibly, are providing significantly improved services to their constituents, and are involving their citizens in decision-making. However, there are others among the 32 which have shown little or no improvement during the past five years, and smaller municipalities have not been included in our programs to any significant degree. Furthermore, elections this year will result in a whole new cast of mayors and municipal corporations. Most municipal sector experts believe that program activities must be continued through this next electoral cycle to ensure that the gains achieved thus far are not reversed or diluted.

As part of our strategy development, we carried out a lengthy consultation process with a broad spectrum of Honduran society, including the press, the military, human rights organizations, campesino and labor organizations, women's groups, members of Congress, political party leaders, bankers, and municipal development and justice sector partners. Over twenty different group and individual discussions were held. In these consultations our partners and customers stressed the need for continued support to the justice and municipal sectors. Apart from the consensus on these programs, two themes emerged time and again: the lack of participation in and access to government institutions in Honduras as an impediment to democracy; and the importance of education to achieving true democratic development. As a result, we will give even greater emphasis during the 1998-2003 strategy period to these areas, as we develop our programs in the justice and municipal development sectors. Additionally, we are proposing a third intermediate result, More Genuine and Competitive Political Processes, which is directly linked to the problem of lack of access to and participation in government. Formal education as a means of democratic development will be addressed in SO1.

Other Areas Considered. A number of other sub-sectors were considered but ultimately not included in our strategy. To a large extent, the decision to limit our activities to those discussed above is the result of a realistic assessment of our likely resources in the coming years. With our current budgetary and personnel constraints, we cannot effectively address more than the justice and municipal sectors. If increased resources become available, we will undertake activities related to More Genuine and Competitive Political Processes, some key aspects of which could be addressed with a fairly limited amount of funds. Anything more is out of the question.

More Transparent and Accountable Government Institutions. This area would be ripe to undertake in Honduras, given the levels of corruption in government. However, to address this area effectively requires a great deal of resources, a functioning judicial system, and effective oversight institutions. We decided to exclude work on this at the level of the central government. However, transparency and accountability at the local level will continue to be a major element of our municipal development program.

Civilian Control of the Military and Police. USAID will not address this directly. However, this is an important theme that is currently being addressed by other members of the country team and which will continue to receive focused attention. The GOH has made great strides in reducing the influence of the military during the last decade. The Embassy will continue to emphasize the importance of civilian control of the military in both public statements and its policy dialogue with the GOH. Many of the activities of the DAO and MILGRP are directed at this goal. Additionally, ICITAP is implementing an aggressive program to support the transition of the police from military to civilian control (\$1 million in FY 1997), building on the 1996 constitutional amendment which established the basis for this major reform. Furthermore, we will continue to address the issue indirectly through our Rule of Law efforts, which have supported the investigation and prosecution of former and current members of the military.

News Media. Increasing the effectiveness and independence of the local media is also an area which we considered, and discussed at length during our consultations. We were left with a mixed impression. In general, independence of the media is not considered to be as big a problem in Honduras as it is in some other countries, since the government does not attempt to exercise any official censoring or control of the media. Furthermore, there are six independently owned newspapers which result in a broad representation of perspectives. However, none of these newspapers is free from the biases of its owners, and it is also quite easy to buy coverage and editorials in any of them. Thus, the written press still doesn't represent an objective and analytical forum which can act as a catalyst for democratic reform. Furthermore, there is a much larger audience for radio and TV news reporting than for newspapers, and their conditions appear to be more monopolistic. We concluded that although an activity directed at the media could be worthwhile in Honduras (following up on the regional Latin America Journalism Project, which had a number of activities in Honduras over the past several years), it is a very tough area to address effectively. There appears to be no compelling reason to sacrifice our current programs to begin something in this field.

Human Rights Organizations. We had very useful discussions with the three main human rights organizations, the government's independent Commissioner for Human Rights, the Center for the Investigation and Promotion of Human Rights, and the Human Rights Committee, and were very positively impressed with all three organizations and their programs. However, none of these organizations indicated a desire for USG support at this time; nor is it clear to us that on

balance it would be beneficial to them. Respect for human rights can best be addressed by fundamental justice system reforms which lead to speedy trials for accused individuals. We will therefore continue to address human rights concerns through our justice sector program, where it is an essential element. We will maintain relations with the human rights organizations, but not plan to include a separate program directed at supporting these organizations.

Crime. In some Latin American countries, increasingly high levels of crime have caused citizens to resort to extra-judicial means of redress and to reassert support for the military. While crime is on the rise in Honduras as well, and is a cause of great concern to most Hondurans, particularly after recent events, we do not believe that it is resulting in any real threat to the democratic progress. Vigilante groups have not arisen, and the strength of the military continues to decline. We will continue to address crime through our Rule of Law efforts, which are focused on the criminal law system and are showing significant results in confronting not only the impunity of elite groups, but also burgeoning common crime. Additionally, ICITAP will continue its support to both the police and Public Ministry investigators.

3. Strengthened Rule of Law and Respect for Human Rights (IR 4.1²⁵)

Current Program. During the past strategy period, many of our efforts were directed at achieving passage of a new Criminal Procedures Code (CPC) which would replace the current written inquisitorial system with an oral adversarial system that includes public trials. This is a trend which began in Argentina and in one form or other is being addressed in most Latin American countries. The overall purpose of this fundamental structural change is to create a system which is more transparent and has more checks and balances, and thus is less subject to manipulation and corruption. By its nature, a written system is much more subject to corruption; not only can an individual judge change documents behind closed doors and alter outcomes with little risk of exposure, but support personnel can do the same. Additionally, in an inquisitorial system, the judge exercises much more control of the entire process, again facilitating the possibility that one person can act improperly with little risk of exposure. In an adversarial system, control of the process is more evenly shared among the actors and proceedings are open to the public, lessening the ability for one actor alone to distort the outcome. Furthermore, the rights of the defendant, as an individual subjected to the power of the state, receive vastly greater protection under oral adversarial systems.

At the same time we focused on the necessary legislative changes, we also supported the establishment of an independent Public Ministry (PM), which broke off the prosecutorial function from the courts, and in effect jump-started the adversarial aspect of the new system before the legal structure was fully in place. Even without the new CPC in place, the PM has been able to actively bring cases forward that otherwise might have died quietly or never been introduced into the judicial system, as well as provide unprecedented access to the system for Hondurans with complaints of crimes against them.

Parallel activities took place in the judiciary, albeit at a somewhat lower level of intensity. We supported improvements and modernization of administrative practices; merit-based selection procedures for judges and court personnel; fundamental strengthening of the Court Inspector

²⁵ Supports Agency Objectives 2.1 (Strengthened Rule of Law and respect for human rights), 2.3 (Increased development of politically active civil society) and 2.4 (More transparent and accountable government institutions).

General's Office, to provide some effective means of monitoring judicial performance; and training aimed at preparing judges for their new role in a completely revolutionized trial system.

While the above activities focused on structural changes and institutional capacity, others focused on facilitating the demand for improvements in the justice system. A fundamental component of this aspect of the program was to build civil society support for justice sector reforms. Absent such support, achieving reforms in the first place would be difficult; sustaining the level of reform over time would be almost impossible. However, the development of civil society organizations in Honduras is very limited. Supporting civil society involvement in the justice sector meant starting at very basic levels.

Another key component of the demand side of the program was carried out by the PM which, under the strong leadership of the current Attorney General, has emerged as the primary change agent in the system. With USAID support, the PM has developed a first-rate media office, which has generated several extremely effective campaigns directed at the public. One campaign has advised citizens of the PM's creation and emphasized that its doors are open to receive complaints of crimes. Other campaigns have been directed at battered women, advising them of their rights and of the role of the Special Prosecutor for Women and Minorities, and at victims of government corruption. These media efforts have been tremendously successful, creating a link between the general public and the justice system for the first time.

Proposed Program Under New Strategy. The new strategy builds on the achievements of the previous one. After several years of drafting and discussion and building support, the new CPC is expected to pass in July or August of this year. Consequently, the bulk of our program over the next strategy period of necessity must be directed at assisting in the implementation of the code. This is at minimum a five-year process, as experience in other countries has shown, although resource needs will decline over time. Implementation of the code will entail a whole series of efforts, which in their sum are almost overwhelming: training judges, prosecutors, public defenders, and support personnel for their new roles; ensuring that the private bar is prepared for its new role; adapting equipment and infrastructure needs to the new process; drafting implementing regulations and amending other codes which are affected; adapting informational practices; and reorganizing administrative operations.

Public Ministry. We also will continue to give support to the prosecutorial function through assistance to the PM. Under the new code, the PM is even more important, and it is essential that it be able to make a strong showing early in the process, so that the reforms do not lose credibility. Although the PM has made tremendous progress over the past two years since it was created, it is still a young organization, and institution building will continue to be essential. Training and technical assistance will be provided to the PM in such areas as the role of the prosecutor under the new code, substantive legal issues, caseload management, case tracking, and collaboration with investigations.

Court Administration. This will assume greater prominence in the new strategy period. Regardless of the theoretical structure, no court system can deliver fair, impartial, and speedy justice if it lacks the organizational capacity to do so. The court system in Honduras is organizationally quite weak; the new procedures will strain it even further. Improved court administration is a critical link to the adequate functioning of the new system. This will entail a 3-4 year effort, with resource requirements also declining over time.

Civil Society. Support from civil society for reforms is even more crucial over the new strategy period, given the fact that the upcoming November elections will result in changes in the Supreme Court. The current Court is very supportive of the reform measures; the new Court is an unknown. It is essential that non-governmental organizations provide a guard against diminishing commitments to the reform efforts with the political turnovers. The Mission will focus particular attention on supporting civil society efforts to gain passage of a constitutional amendment changing the selection process for Supreme Court judges. We will continue to work with the Honduran Foundation for Democratic Development (FDDH), which has taken the lead on justice sector activities over the past few years. However, we will also continue efforts begun this year to broaden the number of NGOs involved in this sector and to build coalitions. We have recently made a grant to FOPRIDEH, an umbrella NGO organization, which will both organize its own activities related to the sector and make subgrants to other NGOs. Although FOPRIDEH and its member organizations are in general not very well versed in this sector, and thus we will need to begin working from the ground up, they are extremely eager to develop their technical knowledge and strategic skills in the area, and initial activities have been very promising.

Changed Mind Set. Although civil society is an absolutely critical element for generating and supporting a reform environment, the demand for justice sector reform often also comes from within the legal profession itself. Bar associations and law schools are frequently the source of these reforms in other countries; however, neither is considered to be a particularly viable candidate for that role in Honduras. The National University, which dominates the field of legal education, is commonly considered to have extremely low standards and to be part of the current justice sector crisis. The *Colegio de Abogados* is fairly weak, with very limited financial resources. It has not taken a leadership role in reform efforts up to this point, and is not expected to do so anytime in the near future.

Our primary approach to the legal sector itself will be longer term in nature, and will be designed to encourage a changed mind set. Expectations that the justice system in Honduras will be fair and speedy are fairly low; expectations that it will continue to be subject to influence by powerful sectors are quite high. The current attitude of lawyers and law students reflect these expectations, and shape their own participation in the system. We will seek to engage young law students and other actors in raising the ethical standards and making personal commitments to the improvement of the justice system. Returning HOPS scholars will be asked to organize seminars and activities with the law schools to share their experiences. We will try to take advantage of outside consultants brought in for other programs and engage them in such programs. We will seek to have at least one group of law students participate in a HOPS-type program in the U.S., with appropriate follow-on activities planned. Over time, this activity, though low in cost, could become the most important element in the reform process.

Although also directed at shorter term results, our training programs within the court system and the PM will complement the above activities. Sustained training programs tend to lead to increased levels of professionalism within the affected organizations; judges and prosecutors see more clearly their roles as responsible officials who merit respect, and they begin to act accordingly. This mind set change is an important one to pursue over time, particularly within the highly politicized judiciary.

Critical Assumptions. There are three critical assumptions. The first is that the new CPC will pass this summer. The second is that the new Supreme Court which takes office in January

1998 will provide the level of support necessary to make the program function. The third is that the new Attorney General, who will take office in 1999, will provide the level of leadership necessary for the Public Ministry to continue to play a strong role in the reform process.

Commitment of Partners. Our consultations and current program activities revealed a strong commitment to justice sector reforms among many sectors of Honduran society. At present, this commitment is equally reflected by our main partners: the Supreme Court, the Attorney General, and civil society. However, as discussed above, upcoming elections and changes in key persons could change the environment. In order to avoid any possible reversals, we will work with new partners early on to build the level of commitment we have seen in our current partners.

Other Donors. The main other donors active in the justice sector are the IDB, UNDP, the Spanish Cooperation Agency (acting both bilaterally and through UNDP), and ICITAP. The IDB will be working on: structural modification, construction, and equipping of courthouses (primarily at the justice of the peace level) to adapt them to the new trial procedures; improving court administration at the centralized levels; introducing of alternative dispute resolution mechanisms in civil cases; and drafting of four new pieces of legislation. We are coordinating closely with the IDB and will continue to do so.

The Spanish Cooperation Agency, with UNDP as implementing agency for part of its program, is planning to work primarily in five areas: the Public Defenders Program; training of judges; the new Juvenile Code; prisoners without sentences; and prisons. Activities aimed at training the Public Defenders in their new role under the revised CPC are critical to the success of the new system, and thus to the success of our program. We will coordinate closely with the Spanish/UNDP in order to ensure consistency in implementation of the new code. Similarly, activities aimed at general institutional strengthening of that office, formerly part of our program, are critical to ensuring that counsel is provided to all defendants, an important element of the new code. To avoid any duplication, we are coordinating our programs to train judges.

The other activities being carried out by Spain and UNDP are not as closely related to our program, and therefore are not critical to its success; nor do they present the likelihood of duplication. The new Juvenile Code has been adopted, and under it the court has begun carrying out the first oral procedures in the country, prior to passage of the new CPC, which applies to adult defendants. USAID is not working in the juvenile justice area at all. Although many of our activities should indirectly affect prisoners who have been held for years without being sentenced, the Spanish/UNDP will organize a program aimed directly at short-term solutions to this problem. The Spanish will also work with the prison system, an area in which USAID has no program.

ICITAP is the other organization active in the justice sector. ICITAP will primarily be concerned with strengthening the investigative function of the DIC (part of the PM), and in helping Honduras to make the transition to a civilian police force. USAID's program with the prosecutorial side of the PM complements that of ICITAP, and we coordinate closely. ICITAP's program is also critical to the long-term success of the new CPC, and thus to our program.

Tools and Tactics. We plan to use: a combination of both long and short-term technical assistance and training; grants to local NGOs; and observational travel to the U.S. and other Latin American countries. Given the focused effort and continuity required for implementation of the new CPC, there will be more long-term technical assistance provided during this strategy

period than previously. We will also have more grants to NGOs as we seek to enhance civil society participation in the reform efforts.

Sustainability. Technical sustainability of the reforms is being addressed by the civil society and changed mind set components of the program. Financial sustainability is always a concern when working with a judicial sector that is competing for tight budgetary resources. We will address this by working with the Court on its budgetary practices, so that it can use its resources as efficiently as possible, and adequately justify requests for increases. We are also assisting the Court and PM in analyzing the costs for implementing the new code in advance, so these costs can appropriately be taken into account.

4. More Responsive and Effective Municipal Government (IR 4.2²⁶)

Current Program. Although there can be various aspects to decentralization of government, USAID/Honduras' program during the last strategy period has focused on the key objective of strengthening local government. Given our conclusion and that of our partners that lack of participation is one of the fundamental obstacles to strengthened democracy in Honduras, we consider that enhancing the ability of citizens to participate in their government by bringing the bases of power closer to them is equally fundamental to achieving sustainable democracy in this country.

Our strategy to date has followed a three-pronged, but highly integrated approach. The first prong has strengthened both the authority of municipal governments (mayors, municipal corporations, and their staffs) to provide services to their citizens, as well as their financial and technical capability to provide these services. The main vehicle for strengthening their authority has been through support to the Honduran Association of Municipalities (AMHON). AMHON worked for passage of the 1990 reforms to the Municipal Law which vastly increased the authority vested in municipalities and provided for the transfer of 5% of the national budget to local governments. AMHON has fought to ensure that this transfer is provided in a timely way to all municipalities, rather than selectively according to political criteria. It also worked to have the actual amount of the transfer increased (despite the law, it stands at only 1 1/2% today). In addition, AMHON has campaigned successfully to have mayors elected separately, rather than as part of the presidential party slate. AMHON today stands as a powerful advocate for municipal autonomy and reform.

Increasing the municipalities' capacity to provide services began with a two-week HOPS/CAPS orientation trip to the U.S. for all mayoral candidates in 1993. Many of the mayors credit the success they have achieved during the past four years to this activity which instilled a new vision in many that has shaped their period of governance. Furthermore, because the losing, opposition candidates also participated, and they became members of the municipal corporations (in accordance with Honduran election rules), a sense of teamwork was fostered in the municipal governments which never before existed.

The bulk of assistance directed at capacity building has been provided through a second Honduran NGO, the Foundation for Municipal Development (FUNDEMUN). FUNDEMUN has

²⁶ Supports Agency Objectives 2.1 (Strengthened Rule of Law and respect for human rights), 2.3 (Increased development of politically active civil society) and 2.4 (More transparent and accountable government institutions).

provided technical assistance to the municipalities in such areas as finance, administration, cadastres, and tax policy and collection. As a result, many of the participating municipalities have increased their revenues tremendously (as much as 300%); have cut staff and reduced operational expenses; and have increased investments and improved services. Direct technical assistance by FUNDEMUN has been supplemented by short courses, seminars, and two-year degrees for municipal employees provided by local universities in areas such as finance, administration, accounting, urban planning, environmental issues, and municipal autonomy.

The second prong has increased directly the participation of citizens in local government decision-making, both by encouraging municipalities to provide fora for participation, as well as by educating citizens and community groups about how to participate effectively, and the importance of doing so. FUNDEMUN has provided technical assistance to both the municipal authorities and community leaders in the organization and implementation of "*cabildos abiertos*" (open town meetings), and short courses provided by the universities have also addressed this issue.

The third prong has assisted municipalities in improving their coverage of basic services, which has allowed them to demonstrate that participative local governments can be responsive and work to improve the lives of their citizens. USAID/Honduras has financed urban and rural infrastructure since the early 1980s with Housing Guarantee loan funds and ESF local currency. In 1995 these activities were integrated into the Municipal Development Project (MDP) to finance water, sewerage and solid waste disposal systems in the participating municipalities, particularly focusing on marginal neighborhoods. Infrastructure projects are financed only after the municipal government, in conjunction with the community (through open town meetings), has determined its priorities, commitment and ability to pay back the loan and maintain the project. These infrastructure projects have helped spur community interest in local government and increased citizen participation in the decision making process. They are an integral part of the program and our strategy for strengthening democracy in Honduras. Without the infrastructure financing, the mayors' ability to respond to community needs would be severely limited.

Proposed Program Under the New Strategy. As with the Rule of Law program, our new strategy for municipal development will build on the previous one. The three key components are fundamental building blocks and will not change; however, they will be amplified, and one new component will be added.

Strengthening Municipalities. We will continue to work to strengthen the 32 larger to medium-sized municipalities (which account for approximately 50% of the country's population). In addition, we will also begin to incorporate smaller municipalities into the program. Most of these smaller municipalities continue to operate under traditional structures that are administratively inefficient and do not allow for citizen participation. Many of the MDP-supported municipalities receive regular calls for assistance from their smaller and weaker neighbors, and they have already asked that the project expand its efforts to these municipalities.

Given the much more limited resources and capacities of these municipalities (average population is 2,500-5,000), our approach will have to be different. Rather than providing direct assistance, we plan to support partnerships between the current participating municipalities and their smaller neighbors. Three different possibilities are anticipated:

- * FUNDEMUN will conduct "training of trainers" sessions for technicians in the larger municipalities so that they may in turn conduct training sessions and provide technical assistance to their smaller neighbors in the basic areas of municipal administration.
- * Larger municipalities may provide services such as billing for basic services and maintenance of land cadastres that require computers and trained operators, which the small municipalities do not have and cannot afford. They would charge a small fee for these services.
- * AMHON is currently in the process of organizing associations of municipalities by departments, which will include all municipalities. As these associations become operational, both AMHON and FUNDEMUN will be able to use their meetings to conduct training activities and discuss important issues surrounding municipal development and decentralization.

Citizen Participation. In spite of the advances made to date, many participating municipalities still do not systematically involve the community in all important investment and tariff-setting decisions. Some hold meetings that are only informative in nature, but do not involve community input. Others require a great deal of pressure and assistance from FUNDEMUN in order to hold their meetings. Many mayors and city corporation members are uncomfortable with their roles in town meetings, especially when they involve potential conflicts or differences of opinion. On the other side of the picture, community members often lack an understanding of what responsible participation means. We will continue to put a great deal of emphasis on this area, incorporating the following new approaches into our strategy:

- * Increased levels of very concretely oriented training will be provided to both municipal governments and community members through FUNDEMUN and UNITEC.
- * AMHON will work with municipal governments to encourage them all to comply with the legal requirement to hold a minimum of five open town meetings a year in their communities, and will more actively promote citizen participation through its bulletins and conferences.
- * FUNDEMUN and AMHON will work with municipal governments to encourage them to use not only the traditional open town meetings, but also other fora, such as meetings with neighborhoods and interest groups.
- * FUNDEMUN will arrange observation trips for both municipal authorities and community members to travel to communities that hold regular, successful open town meetings so they can observe constructive interaction between community members and municipal authorities.
- * FUNDEMUN will offer technical assistance in community participation at no cost to the municipalities. (Municipalities currently pay a percentage of the cost of all assistance provided by FUNDEMUN.)

Basic Public Services. Our approach for improving the provision of basic services is addressed essentially through two mechanisms. Financing for infrastructure is provided through either grants or loans, depending on the community's capacity to repay. Technical assistance is provided to the municipality to improve its capacity to make and maintain investments and charge and collect fees.

We will continue to provide financing for basic infrastructure for as long as possible. The addition of DA Child Survival funds this year will allow us to reach more poor communities which do not have the financial capacity to repay loans. We will continue to seek funding from this source. However, even now, the amount of donor financing available does not meet the needs of the municipalities, and USAID funds available for this purpose are beginning to dry up. Commercial bank lending, although available in Honduras, is at interest rates too high for municipal governments to afford. As part of our new strategy, therefore, we will begin to look at sustainable alternatives for capital investment in municipal infrastructure, such as municipal bonds and revolving funds, tapping into the experience of the U.S. and other neighbors in the region where possible.

We are adding a new element to our infrastructure component. Heretofore the project has financed only the construction of the main water and sewerage lines; individual hook-ups to houses had to be financed by the owners themselves. However, since the lines were primarily located in marginal neighborhoods, the families' ability to pay for hook-ups was limited, and the intended health benefits were fairly slow to be realized. We will finance a Cooperative Housing Foundation (CHF) program to create a revolving fund to make loans for the hook-ups, and will provide intense technical assistance to maximize the health benefits. Depending on how rapidly the revolving fund is drawn down, new infusions of funding may be needed during the strategy period.

Privatization of services will also receive increased emphasis as a mechanism for improving service coverage and quality, as well as for strengthening the municipal governments. Municipal governments in Honduras often manage a wide range of services such as markets, bus terminals, garbage collection, garages, etc.. These burden their limited budgets and overtax their management capacity. The result is often poorly run services that drain municipal budgets. We are encouraging municipal governments to contract out some services in order to lessen their budget burden, reduce their number of employees, and earn income that can be used to support capital investment. The limited experience to date has been very positive, and we will expand upon this effort in the new strategy period.

Enhanced Equality of Women and Ethnic Groups. This is the only new component of our municipal development strategy. Women and ethnic minorities are already under-represented in municipal governments (and in government and politics in general). Alarming, fewer women will run for mayor and city council in the 1997 elections than in the previous two elections. The reason for this decline is not obvious; nor are concrete strategies for approaching the problem. One of the major barriers to participation by women and ethnic minorities is the current political party and electoral structure, in which only those with access to both economic wealth and political influence can realistically run for public office. This is a difficult problem to attack. During the upcoming months, we will explore this issue further with our partners and begin to design concrete activities to address it.

Commitment and Responsibility of Partners. The Municipal Development Project (MDP) has experienced and committed partners that have been engaged in municipal development for many years. Although AMHON has been in existence since 1962, with the passage of the new municipal law in 1990 it was "re-born", taking on a degree of autonomy and participation in the sector that it had never previously exercised. Since 1990 AMHON has transformed itself into the strongest municipal association in Central America and has gained national prominence in Honduras, participating in virtually all national fora related to issues of decentralization and

municipal development. FUNDEMUN, which was established in 1992 with USAID assistance, has an experienced and committed staff that comes largely from the municipal sector (the municipal bank, municipalities, etc.) and is the only institution that provides direct technical assistance to municipal governments in Honduras as its primary activity. UNITEC was established more than 10 years ago with USAID support. UNITEC is the only national university with a municipal development program and it has assigned significant resources and staff to this project, indicating a serious, long-term commitment to municipal development. The participating municipalities themselves have demonstrated their commitment by making profound changes in their administrative practices and by providing a cash counterpart for technical assistance.

Critical Assumption. Our main assumption is that our partners will remain as strong as they currently are. With respect to FUNDEMUN, this would appear to be quite likely. The strength of AMHON is more dependent on the results of the upcoming elections. However, given the number of strong mayors that are likely to be reelected, we are optimistic that AMHON will also remain strong. The main factor outside of our control during the previous strategy period was passage of the Municipal Law reforms. It is highly unlikely at this point that these reforms will be reversed, so the underlying framework for decentralization should remain in place. Another critical assumption is that, with USAID help, municipalities will be able to mobilize alternative infrastructure resources for expansion of basic services.

Other Donors. While no other donors have a large-scale national efforts to strengthen municipal governments, USAID is coordinating with other donors on several related activities are planned:

- * The IDB is planning a project that will strengthen municipal governments and provide infrastructure financing in 10 northern Honduran municipalities.
- * The French government has provided training through AMHON in public services for municipal employees.
- * UNDP is working in several small, rural municipalities and in marginal areas of San Pedro Sula with projects geared toward poverty alleviation.
- * The Spanish government supports public services in the municipality of Choluteca, in coordination with our partners there.

Tools and Tactics. Our decentralization program will continue to use the tools and tactics which have been so effective during the previous strategy period. Most of the technical assistance and training for municipal governments and community groups will be provided through a grant to FUNDEMUN. Organization of departmental associations, work on legislation, public education, and network activity among mayors will be carried out through a grant to our other main partner, AMHON. A grant to UNITEC will continue to support short-term training. We will continue our grants to Cooperative Housing Foundation (CHF) for its water and sewerage hook-up program for as long as possible. A new tactic will be to enlist the assistance of the larger municipalities in incorporating the smaller municipalities into the program.

Sustainability. USAID's partners are all engaged in efforts to ensure their sustainability when USAID support is no longer available. AMHON currently collects dues from its members that cover its basic operating costs. It does not, however, have sufficient funds to sustain the additional activities currently carried out with USAID support. AMHON has widened its donor

base and may turn to the municipalities to request increased contributions when USAID support is no longer available.

FUNDEMUN depends largely on USAID support for its operational costs and in all likelihood will need donor support for its efforts for some time. However, it has been expanding its donor base; two significant contracts have recently been given to FUNDEMUN from the IDB and the Honduran Ministry of Natural Resources and Environment. In addition, FUNDEMUN has accumulated significant savings from consulting work it has done in other countries, which can be used to sustain its operations to a degree in the future. The FUNDEMUN board is also looking at possible linkages between FUNDEMUN and the private sector to ensure its sustainability.

UNITEC is already a well-established university capable of sustaining its operations indefinitely. In all likelihood, it will continue long-term training in municipal administration when USAID financing ceases, since interest in the program has attracted enough students to support it in the future.

5. More Genuine and Competitive Political Processes (IR 4.3²⁷)

Although elections have been successfully held in Honduras since 1980, and are accepted as the only legitimate means of transferring power, the electoral process still has room for a vast amount of improvement before it can fulfill its role as the principal means by which citizens participate in their own governance. Given that lack of participation and lack of access to government institutions have been trademarks of Honduras' political history and are currently widely considered to be the fundamental existing impediments to the consolidation of democracy, electoral and political processes are an important area in which to work if adequate resources exist over the strategy period.

Two political parties have dominated the scene in recent history: the National Party and the Liberal Party, which almost equally split approximately 83% of party affiliation. Two smaller parties have had important swing vote roles in the past, but comprise only 1% of the remaining voters. Sixteen percent of the voters have no party affiliation.

Although active participation in parties at some level is fairly common in Honduras, control of the parties is still tightly held at the leadership level. It is very difficult for new players to challenge the existing party leadership, and because of the electoral processes, the party leaders can extensively control the positions which their party wins. As a result, elected officials have little reason to be responsive to voters, and, conversely, elections do not provide much opportunity for voters to express their wishes, except with respect to which party is elected.

Until recently, voters could vote for only one party slate or the other; a vote for the party was a vote for the president, congressmen, mayors, and municipal corporations nominated by the party leadership. A major reform took place in 1993 when voters were permitted to vote separately for mayors (although on a single ballot). As a result of that reform, 10% of the voters cast ballots for mayors and presidential candidates belonging to different parties. The implications have

²⁷ Supports Agency Objectives 2.1 (Strengthened Rule of Law and respect for human rights), 2.3 (Increased development of politically active civil society) and 2.4 (More transparent and accountable government institutions).

become apparent: mayors can no longer expect to slide in completely on the coattails of their parties, but know they have to win the support of their constituents. Conversely, the mayors are no longer completely dependent upon and thus controlled by their parties (although they still must receive the party's nomination), but can act somewhat more independently if they have strong constituent support.

Several steps remain in this process of electoral reform, which is probably the most direct route to providing access and enhancing citizen participation in government. Electoral reforms passed in 1993 require completely separate ballots for mayoral candidates in the 1997 elections, providing further separation from the national slate. Future reforms could include separate voting for municipal corporation members, and separate voting for congressmen. All of these reforms would be major advances in making the political parties, and elected officials, more responsive to constituents.

A second area of potential focus is to create a better informed electorate. Now, candidates provide little information about their platforms; nor does the electorate demand this information. This would be a second major approach to creating a more participatory political process.

Both of these areas are being addressed to a very limited extent in our ongoing programs, primarily through support to the Foundation for Democracy and Development (FDDH) under the Rule of Law activities, and through AMHON under the Municipal Development Project. If resources permit during the new strategy period, we would expand this approach, although current staff constraints are also an impediment to expansion of our democracy activities and would have to be taken into account.

A more direct program with the political parties or the National Electoral Tribunal, which is itself highly politicized, is not considered a viable alternative at this time. It is simply not in the interest of the party leadership to seek change. However, one of the ultimate results of electoral reforms would, over time, necessarily be reform of the parties themselves. As the link between voters and the individual candidates became more direct, the parties would have to adapt accordingly. Popular candidates would be able to challenge the party leadership on their own strength.

One other area of electoral/political processes which would justify support is increasing the access to and equality of women and minorities in electoral processes. The number of women mayors is declining significantly this year. The ethnic population, although smaller than in many other countries, has never enjoyed an active role in the political process. However, our consultations revealed no clear solution or approach to these problems. We will therefore continue to explore these issues over the next year.

6. Linkages to Other Parts of the USAID Strategy

SO4 supports the objectives of all three of the other SOs. An efficient and effective judicial system is essential to a vibrant economy. Although economic issues are more often civil in nature, they may be criminal. Forgery of land titles is criminal, fraudulent use of government funds is criminal, bribery of government officials is criminal, murder of a competitor is criminal. Foreign investors are often reluctant to become involved in a country when they know that crimes of this nature cannot be resolved, or resolved fairly. Furthermore, not all actors can participate fairly in the economy when the judicial system allows a small number to dominate

illegally, impeding both competition and the productivity of the country's human resource base. Additionally, although our Rule of Law program is working primarily in the criminal area, some of the activities, particularly those involving court administration, seek to improve the efficiency and effectiveness of the entire system, and will affect the adjudication of civil matters as well as criminal.

Our Rule of Law activities also affect the environment (SO2). The protection of environmental resources in Honduras is still threatened by economic exploitation which violates the law. Recognizing the seriousness of this issue, the Public Ministry has established an office of Special Prosecutor for the Environment, which has received technical assistance under our program.

Finally, our Rule of Law affects all of the sectors in which we work by attacking corruption and the huge loss of government funds that results, and which would otherwise have been directed to these sectors.

The Municipal Development Project also affects economic growth, primarily through the ability of municipalities to provide the basic services necessary for business enterprises. As the revenues and effectiveness of municipalities increase, their ability to provide these essential services increases commensurately. From the opposite perspective, the MDP program is even more directly linked to our economic growth program by virtue of the *maquila* industry. The growth of the *maquila* industry in the northern part of the country has resulted in a massive migration of workers, generally poor and from rural areas, into the cities where the *maquiladores* are located. Large, marginal neighborhoods have sprung up over a short period of time, greatly taxing the resources of these cities and their ability to provide basic services. All of the cities which are hosts to *maquiladores* are active participants in MDP and have sought solutions to these pressing problems.

MDP also directly supports SO3 in improving family health. Ninety percent of our infrastructure program is directed at marginal neighborhoods which lack the basic water, sewerage, and refuse collection services necessary for better health.

7. Judging Achievements

Our highest level indicators seek to measure improvement in overcoming the one impediment to democracy that surfaced over and over again during our consultations: lack of participation and access. Our strategy works on both the supply and demand sides. As a proxy measure for improvements on the supply side, we will measure the percentage of citizens who are able to identify alternatives to personal contacts (i.e., the highest level person in the government or party they can reach) for obtaining a normal government service or attempting to influence a government policy, indicating a move away from centrally controlled, personalistic institutions. On the demand side, we will expand our previous indicator to include participation in NGO-sponsored activities promoting political and governmental reforms, as well as participation in town meetings. Although we believe that improvements in access and participation are the most accurate measures of the consolidation of democracy in Honduras, we also recognize that change will be slow, and we do not expect to see dramatic improvements at this level during the strategy period. We would, however, like to see the beginnings of a trend. We have avoided using public perception as an indicator, since it is often not an accurate reflection of objective change.

Our Rule of Law indicators will measure overall improvements in the ability of the justice system to function, as well as how well the justice system protects human rights. Overall improvement will be measured by an increase in the convictions that result from indictments (or the equivalent in the Honduran system). This number will be influenced by all the institutional actors. The assumption is that in an improved system, the police investigations will be better, prosecutors will only take to trial cases on which they have good evidence, and courts will act promptly on that evidence.

The human rights element of the program will be measured by the incidence of pre-trial detainees. The proposed new CPC incorporates the assumption that those accused of crimes should be held prior to trial only when absolutely necessary. This is a complete departure from the philosophy incorporated into the inquisitorial system, where the accused is routinely held pending trial. It will take a concerted effort by the parties to change established behavior, and to resist public pressure to keep alleged criminals off the streets.

Municipal development indicators also will measure the supply and demand sides. On the supply side, we will measure increase in municipal revenue, which comes from both municipal revenue collections and transfers from the central government. Revenue is key to better municipal management and provision of services. We will continue to measure the percentage of municipal residents simultaneously covered by water, sewerage, and refuse collection services. This is an excellent measure of the municipal government's ability to respond to citizen needs. In addition, we track the average number of participants in open town meetings. We recognize that this number cannot expand infinitely, and we may already have reached the optimum levels in the best communities. In those cases, we will look for participation levels to be maintained and for new mechanisms, such as neighborhood meetings, to be on the rise. We also will measure the number of small municipalities incorporated into the program. Although the original group of 32 municipalities covers approximately half the population of Honduras, and represents some of the most difficult municipal problems (including rapid migration from the rural areas), we recognize, as do our partners, that it is important to try to reach the smaller municipalities as well.

Our political process efforts will focus on NGOs, thus indicators related to NGO activity are proposed. The first, NGOs with programs to inform the public on good governance issues, is a proxy measure of the dissemination of public information on governance issues. The second, the number of NGOs involved in better government issues, is a proxy measure for citizen participation in the processes of government.

STRATEGIC OBJECTIVE 4 PERFORMANCE INDICATORS

OBJECTIVE NO. 4: Democracy Consolidated APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME:			
INDICATOR: 4.A ALTERNATIVES TO PERSONAL CONTACTS FOR OBTAINING NORMAL GOVERNMENT SERVICE OR INFLUENCING POLICY			
UNIT OF MEASURE: Percentage of survey respondents	Year	Planned	Actual
SOURCE: CID/Gallup poll	Baseline 1997	---	***
INDICATOR DESCRIPTION: This indicator will measure increase in the percentage of citizens who are able to identify alternatives to personal contacts (i.e., the highest level person in the government or party they can reach) for obtaining a normal government service or attempting to influence a general policy. COMMENTS: The overall objective of our strategy is to expand the extent and nature of citizen participation in government and to move the political process away from centrally controlled, personalistic organizations to ones which carry out their core functions consistently and on an equal basis for all citizens. This indicator is a proxy measure for improvements in the supply side of this objective, movement away from centrally controlled, personalistic organizations. Although we believe that improvements in access and participation are the most accurate measures of the consolidation of democracy in Honduras, we also recognize that change at this level will be slow, and we do not expect to see dramatic improvements during the strategy period. We would, however, like to see the beginnings of a trend. The results will be disaggregated by gender.	1998	TBD	***
	1999	TBD	***
	2000	TBD	***
	2001	TBD	***
	2002	TBD	***
	Target 2003	TBD	***

OBJECTIVE NO. 4: Democracy Consolidated APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME:			
INDICATOR: 4.B CITIZENS WHO HAVE PARTICIPATED IN AN ACTIVITY DIRECTED AT GOVERNANCE ISSUES			
UNIT OF MEASURE: Percentage of survey respondents	Year	Planned	Actual
SOURCE: CID/Gallup Poll	Baseline 1997	---	***
	1998	TBD	***
INDICATOR DESCRIPTION: Percentage of citizens who have participated in a town meeting, regional meeting, or NGO or NGO-sponsored activity promoting political/governmental reform (excluding political party activities).	1999	TBD	***
	2000	TBD	***
	2001	TBD	***
	2002	TBD	***
COMMENTS: This indicator is a proxy measure for improvements on the demand side of our highest level objectives. We have expanded an indicator previously used to include participation in NGO activities promoting political and governmental reforms, as well as participation in town meetings. Again, we do not expect to see major improvements at this level during the strategy period, but we would like to see the beginnings of a trend. The results will be disaggregated by gender.	Target 2003	TBD	***

OBJECTIVE NO. 4: Democracy Consolidated APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 4.1 Strengthened Rule of Law and Respect for Human Rights			
INDICATOR: 4.1.a INCREASED CONVICTIONS AS PERCENTAGE OF INDICTMENTS			
UNIT OF MEASURE: 100 % X (convictions/indictments)	Year	Planned	Actual
SOURCE: Public Ministry and Court records	Baseline 1997	—	***
	1998	TBD	***
INDICATOR DESCRIPTION: This indicator will measure the percent of convictions that result from indictments (or the equivalent in the Honduran system). The number of convictions and indictments will be measured at the end of each year for that year.	1999	TBD	***
	2000	TBD	***
	2001	TBD	***
	2002	TBD	***
COMMENTS: Overall improvement in the ability of the justice system to function will be measured by the increase in the convictions that result from indictments. This number will be influenced by all the institutional actors. The assumption is that in an improved system, the police investigations will be better, prosecutors will only take to trial cases on which they have good evidence, and courts will act promptly on that evidence.	Target 2003	TBD	***

OBJECTIVE NO. 4: Democracy Consolidated APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 4.1 Strengthened Rule of Law and Respect for Human Rights			
INDICATOR: 4.1.b DECREASED INCIDENCE OF PRETRIAL DETAINEES FOR NEW CRIMINAL CASES			
UNIT OF MEASURE: 100 % X (unsentenced new prisoners/total new prisoners)	Year	Planned	Actual
SOURCE: Records from selected pilot courts	Baseline 1997	---	***
INDICATOR DESCRIPTION: This indicator will measure the percentage of prisoners entering the system who remain unsentenced. The baseline will be established during the first year after the new Criminal Procedures Code is approved by Congress. COMMENTS: The indicator will measure the human rights element of the program. The new Criminal Procedures Code incorporates the assumption that those accused of crimes should be held prior to trial only when absolutely necessary. This is a complete departure from the philosophy incorporated into the inquisitorial system, where the accused is routinely held pending trial. However, even after the new code is in effect, it will take a concerted effort by the parties to change established behavior, and to resist public pressure to keep alleged criminals off the streets. Defense attorneys (usually the Public Defender) will have to assert the defendants rights vigorously, and judges will have to be conscious of their duty to implement these changes. We do not expect to see perfect compliance as soon as the new code is passed but will monitor compliance over time.	1998	TBD	***
	1999	TBD	***
	2000	TBD	***
	2001	TBD	***
	2002	TBD	***
	Target 2003	TBD	***

OBJECTIVE NO. 4: Democracy consolidated APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 4.2 More Responsive and Effective Municipal Government			
INDICATOR: 4.2.a ANNUAL PERCENTAGE REAL INCREASE IN MUNICIPAL INCOME IN PARTICIPATING MUNICIPALITIES			
<p>UNIT OF MEASURE: Average percent real income increase over previous year for participating municipalities (income from municipal revenue collection plus central government transfers)</p> <p>SOURCE: Municipal records, Ministry of Finance transfer report.</p> <p>INDICATOR DESCRIPTION: 100% X (current year/previous year). Averaged across all participating municipalities. Increases will be corrected for inflation. Baseline will be municipal income in 1997.</p> <p>COMMENTS: This indicator measures two important aspects of decentralization: 1) municipalities' capability to utilize the tax and tariff authority ceded to them in the municipal law of 1990; and 2) the central governments's willingness and capability to transfer the legally mandated 5% of national revenues to municipal governments. Currently the central government only transfers about 1.5%. AMHON and municipal governments are pressuring the Ministry of Finance to comply with this mandate.</p> <p>Revenue collection is key to decentralization and municipal development because it gives local authorities the resources to invest in capital projects such as water, sewage and garbage collection in direct response to citizen's needs and demands.</p> <p>* Election year, fiscal discipline is generally weaker during election year due to political campaigns.</p>	Year	Planned	Actual
	Baseline 1997	---	***
	1998	10	***
	1999	10	***
	2000	15	***
	2001	5*	***
	2002	10	***
	Target 2003	10	***

OBJECTIVE NO. 4: Democracy consolidated APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 4.2 More Responsive and Effective Municipal Government			
INDICATOR: 4.2.b INCREASED COVERAGE OF PUBLIC SERVICES (WATER, SEWERAGE, REFUSE COLLECTION) BY MUNICIPALITIES			
UNIT OF MEASURE: Percentage of Urban Inhabitants Receiving all Three Services in Participating Municipalities	Year	Planned	Actual
SOURCE: Municipal Development Project (MDP/522-0340), Municipal Data	Baseline 1996	---	30
	A		3
INDICATOR DESCRIPTION: Percent of inhabitants simultaneously receiving water, sewerage and refuse collection services.	1997	30	***
	B	8	
COMMENTS: As noted in last year's R4, the project is now assisting several smaller municipalities and has separate indicator targets for these new participating municipalities. The "A" category municipalities represent the medium and large municipalities that have been participating and the "B" category municipalities represent the smaller, recently incorporated municipalities. To achieve progress in this indicator requires a substantial capital investment by local governments and international donors. It is estimated that each 1% increase in coverage (all three basic services) requires an investment of \$10 million. If local and donor resources continue to decline, it will become increasingly difficult to provide additional coverage of basic services. Population growth in these communities is high and this combined with migration into these same communities will make it difficult to keep total service coverage growing faster than the population.	1998	32	***
	B	12	
	1999	33	***
	B	17	
	2000	34	***
	B	20	
	2001	35	***
	B	22	
	2002	36	***
	B	24	
Target	2003	37	***
	B	26	

OBJECTIVE NO. 4: Democracy consolidated
APPROVED: DD/MM/YY

COUNTRY/ORGANIZATION: USAID/Honduras

RESULT NAME: 4.2 More Responsive and Effective Municipal Government

INDICATOR: 4.2.c INCREASED AVERAGE NUMBER OF PARTICIPANTS IN OPEN TOWN MEETINGS

UNIT OF MEASURE: Average number of participants

SOURCE: Municipal records

INDICATOR DESCRIPTION: Average number of participants in town meetings.

COMMENTS: In 1991, an average of only 20 persons participated in open town meetings in participating municipalities. Community participation in the decision making process has increased impressively and continues to grow in participating municipalities. Community members now have the opportunity to participate in the municipal planning process and have a voice in the setting of tariff and service charges. The project expects continued growth in participating municipalities as community members become accustomed to wide spread participation in municipal government.

The "A" category municipalities represent the medium and large municipalities that have been participating for several years and the "B" category municipalities represent the smaller, recently incorporated municipalities.

Baseline for this indicator table dates to 1991, when an average of only 20 participants per open town meeting in participating municipalities.

Year		Planned		Actual
		"A"	"B"	
Baseline 1996	Total	180	97	***
	Female	75	28	
	Male	105	69	
1997	Total	200	125	***
	Female	100	62	
	Male	100	63	
1998	Total	210	130	***
	Female	105	65	
	Male	105	65	
1999	Total	215	135	***
	Female	108	68	
	Male	107	67	
2000	Total	220	140	***
	Female	110	70	
	Male	110	70	
2001	Total	225	145	***
	Female	113	73	
	Male	112	72	
Target 2002	Total	230	150	***
	Female	115	75	
	Male	115	75	

OBJECTIVE NO. 4: Democracy consolidated APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 4.2 More Responsive and Effective Municipal Government			
INDICATOR: 4.2.d INCREASED NUMBER OF SMALL MUNICIPALITIES INCORPORATED INTO PROGRAM			
UNIT OF MEASURE: Number of municipalities	Year	Planned	Actual
SOURCE: FUNDEMUN records.	Baseline 1997	0	***
INDICATOR DESCRIPTION: Cumulative number of small municipalities in the program during the subject year.	1998	3	***
	1999	6	***
	2000	9	***
	2001	9*	***
	Target 2002	12	***
COMMENTS: Under the new strategy the project will reach out to smaller, poorer municipalities in order to equip them with the basic skills to take advantage of authority granted to them in the municipal law of 1990. This service will be provided through three different channels: 1) through associations, or "congresos" of municipalities formed at the departmental level, 2) through the larger municipalities that have been involved in the project which will provide certain basic services, training and technical assistance to the smaller municipalities, and 3) through FUNDEMUN which will oversee the assistance in its initial stage to guarantee successful implementation. The assistance will be in three basic areas: revenue collection, community participation in the decision-making process and capital investment planning. Some of the larger municipalities may provide computer services (i.e. for billing) to the smaller municipalities for a nominal fee in order to expedite certain administrative processes for them.			
* Election year, very difficult to incorporate any new municipalities due to the campaign activities and the fact the city council will be turning over within a year.			

OBJECTIVE NO. 4: Democracy Consolidated		COUNTRY/ORGANIZATION: USAID/Honduras	
APPROVED: DD/MM/YY			
RESULT NAME: 4.3 More Genuine and Competitive Political Processes			
INDICATOR: 4.3.a INCREASED NUMBER OF NGOs WITH PROGRAMS TO INFORM PUBLIC ON GOOD GOVERNMENT ISSUES			
UNIT OF MEASURE: Cumulative number of NGOs	Year	Planned	Actual
SOURCE: FOPRIDEH, FDDH	Baseline 1997	---	***
	1998	TBD	***
INDICATOR DESCRIPTION: Actual number of NGOs having implemented programs that inform the public regarding good government issues, such as: legal reforms, anticorruption, electoral reforms, citizens rights and duties.	1999	TBD	***
	2000	TBD	***
	2001	TBD	***
COMMENTS: This indicator was developed with assistance of G-Bureau. Very few NGOs are involved in implementing programs that promote good government issues in Honduras. It will require a concerted effort to involve NGOs as active civil society participants in improving government's responsiveness to society. This is an indicator of both NGO involvement and public awareness.	2002	TBD	***
	Target 2003	TBD	***

OBJECTIVE NO. 4: Democracy Consolidated APPROVED: DD/MM/YY		COUNTRY/ORGANIZATION: USAID/Honduras	
RESULT NAME: 4.3 More Genuine and Competitive Political Processes			
INDICATOR: 4.3.b INCREASED NUMBER OF NGOs INVOLVED IN BETTER GOVERNMENT ISSUES			
UNIT OF MEASURE: Cumulative number of NGOs	Year	Planned	Actual
SOURCE: FOPRIDEH, FDDH	Baseline 1997	---	***
	1998	TBD	***
INDICATOR DESCRIPTION: This indicator measures the increase in the number of NGOs involved in issues promoting better government.	1999	TBD	***
	2000	TBD	***
COMMENTS: This indicator is a proxy for measuring increases in the dissemination of information on governance issues. Our ultimate objective for this intermediate result is to improve political and electoral processes and the participation of citizens in these processes. However, since we do not believe that we can approach these processes directly, our program will work primarily through NGOs. One of the first steps in improving participation is to increase the amount and quality of information available to the public on governance issues. This indicator is directed at measuring success in that first step.	2001	TBD	***
	2002	TBD	***
	Target 2003	TBD	***

III. RESOURCE REQUIREMENTS

A. REQUIRED PROGRAM FUNDS

Background

A rational and predictable budgeting process is essential to achievement of the new strategic objectives. In recent years severe and unanticipated budget cuts have diverted staff attention from achievement of results and made rational planning virtually impossible. During the last four years (FY93-FY96), USAID/Honduras actual obligations (from all spigots) were cut by 59% from the Action Plan levels, 54% from our Annual Budget Submission (ABS) planning figures, and 36% from our Congressional Presentation (CP) levels. The cuts for DA funding were 46% from Action Plan, 43% from ABS, and 38% from CP. In some sectors, the effect was more drastic. For example in SO1 (Economic Growth), the average cuts over the four year period were 65% from the Action Plan and 68% from the ABS. These cuts forced the Mission to break seven commitments to the GOH thus undermining our credibility with all our Honduran partners and adversely affecting our strategic planning process. Continuation of this type of budgeting will make achievement of the results contemplated in new strategy impossible.

During the last three years (FY94-96) net new obligations for development projects averaged \$13M per year, less than half the amount of project expenditures (\$28M/year)²⁸. To fill this gap and maintain the pace of implementation, the Mission had to draw \$15M per year from its pipeline. A 15-month end of fiscal year pipeline is the minimum required to cover adequately earmarks and contract/grant commitments sufficiently prior to expenditures to avoid momentum-losing disruptions due to lack of funds. Unfortunately, project pipelines no longer are sufficient to meet this minimum need. We expect end of year pipelines for FY97 and FY98 to be \$32M and \$21M, respectively. These amounts will not be sufficient to cover adequately expected FY98 and FY99 expenditures of \$27M and \$22M, respectively. The point is, budget shortfalls are having very serious impacts on achievement of development results.

When USAID-generated local currency is brought into the analysis, the picture becomes considerably bleaker. Since 1990, we have spent an average of \$26M per year in generated local currency (at current exchange rates at the time of expenditure) in support of our strategic objectives. With the phasing-out of ESF and PL 480 Title III, local currency generations and expenditures have declined dramatically and are expected to be only about \$5.5M in 1997 and \$3.3M in 1998. Without new sources of generated local currency and with declining DA dollar resources, it will be very difficult to achievement of the results set forth in this document.

Required Development Assistance (DA) and PL - 480 Resources

To achieve the target results indicated in this Strategic Plan, the Mission will require annual DA budget obligations of \$22M per year for the five year period, FY98-FY02. This budget would be distributed roughly as follows: Economic Growth - Poverty Reduction (SO1) - \$6.4m/yr; Natural

²⁸ Excludes both the expenditures and the obligations associated with OYB transfers to Global.

PLANNED OBLIGATIONS FOR STRATEGY PERIOD FY-98/FY03

	FY-98 CP	S T R A T E G Y					
		FY-98	FY-99	FY-00	FY-01	FY-02	Total
SO 1 - Economic Growth Poverty	0	250	250	250	250	250	1,250
1.1. Policy	1,550	1,300	1,050	1,050	1,050	1,050	5,500
1.2 Small Farmer/Business	650	1,800	3,000	2,700	2,700	2,700	12,900
1.3 Education	2,400	2,400	2,500	2,500	2,500	2,500	12,400
Subtotal DA	4,600	5,750	6,800	6,500	6,500	6,500	32,050
TITLE III	0	2,500	2,500	2,500	2,500	2,500	12,500
SO 1 Total	4,600	8,250	9,300	9,000	9,000	9,000	44,550
SO 2 - Natural Resources							
2.1 Forestry	950	920	1,600	1,000	1,000	1,077	5,597
2.2 Hillside Agriculture	500	530	0	0	0	0	530
2.3 Protected Areas	1,300	1,300	1,000	1,000	1,000	923	5,223
Subtotal DA	2,750	2,750	2,600	2,000	2,000	2,000	11,350
TITLE III	0	2,500	2,500	2,500	2,500	2,500	12,500
SO 2 Total	2,750	5,250	5,100	4,500	4,500	4,500	23,850
SO 3 - Family health							
Bilateral							
3.1 Reproductive Health	3,084	3,084	3,100	3,350	3,500	3,500	16,534
3.2 STI/AIDS	1,170	1,170	1,240	1,340	1,400	1,400	6,550
3.3 Sustainable Health	1,950	1,950	1,860	2,010	2,100	2,100	10,020
Subtotal Bilateral	6,204	6,204	6,200	6,700	7,000	7,000	33,104
Global	2,346	2,346	1,800	1,800	2,000	2,000	9,946
Subtotal DA	8,550	8,550	8,000	8,500	9,000	9,000	43,050
3.4 Food Security (Title II)	4,828	4,828	4,466	4,085	2,326	1,969	17,674
SO 3 Total	13,378	13,378	12,466	12,585	11,326	10,969	60,724
SO 4 - Democracy							
4.1 Rule of Law	1,590	1,590	3,000	2,100	2,200	2,200	11,090
4.2 Municipal Government	600	600	2,000	1,500	1,500	1,500	7,100
Municipal Infrastructure	0	1,200	1,000	1,100	500	500	4,300
4.3 Political Process	0	200	600	300	300	300	1,700
HOPS	260	0	0	0	0	0	0
SO 4 Total	2,450	3,590	6,600	5,000	4,500	4,500	24,190
Mission DA Bilateral	16,004	18,294	22,200	20,200	20,000	20,000	100,694
Mission DA Global	2,346	2,346	1,800	1,800	2,000	2,000	9,946
Mission Total DA	18,350	20,640	24,000	22,000	22,000	22,000	110,640
Food Security (Title II)	4,828	4,828	4,466	4,085	2,326	1,969	17,674
Title III	0	5,000	50,000	5,000	5,000	5,000	25,000
Mission Total	23,178	30,468	33,466	31,085	29,326	28,969	153,314

Resources (SO2) - \$2.3M/yr; Family Health (SO3) - \$8.6M/yr; and Democracy (SO4) - \$4.8M/yr (See table). Compared to the previous five years (FY93-97), this allocation would be a marked increase in obligations for Democracy, which had a large pipeline and thus received obligations averaging only \$2.1M for FY93-FY97. The proposed allocation would mean a slight decline in obligations for Economic Growth - Poverty Reduction, a moderate decline for Family Health, and a substantial decline for Environment - Natural Resources. However, in the previous period pipelines were far more adequate and thus supported expenditure levels considerably higher than obligation levels.

In terms of expenditures, a better measure of annual level of assistance activity, the new strategy would result in almost a 50% cut for Economic Growth - Poverty Reduction (from \$12M to \$6.4M) and Environment - Natural Resources (from \$4.3M to \$2.3m). The declines would be less, but still significant, for Family Health (from \$9.8M to \$8.6M) and Democracy (from \$5.0M to \$4.8M). Given the pipeline situation described above, the requested DA budget levels are the absolute minimum needed to achieve our strategic objectives.

PL 480 resources are absolutely essential to the strategy. As shown in the Table, Title II requirements will decline during the strategy period from \$4.8M in FY98 to \$2.0M in FY02. These resources are the backbone of the Mission's household food security program (IR3.4) and also contribute significantly to poverty reduction (SO1), sustained natural resource management (SO2), as well as increased community participation and development of smaller municipalities (SO4).

Title III resources are extremely important to the strategy. Honduras' eligibility and need for a modest Title III program are clear. Per capita income is \$667; rural poverty is 75%; food insecurity is widespread (60% of all households consume less than 80% of minimal daily caloric requirements); stunting (chronic malnutrition) is at 38% among 1 to 5 year olds; and more than 20% of children under five are significantly underweight. The proposed Title III program would reduce the cereal deficit, help consolidate policy reforms, and improve the effectiveness and efficiency of poverty programs. Moreover, by effectively combining PL 480 local currency generations with DA funds, the Title III program would continue to serve as an Agency model for effective program integration and would make a significant contribution to the achievement of strategic objectives.

The Title III policy reform agenda would be an important tool for achievement of the Mission's major policy objective (IR1.1 - "improved policy environment conducive to poverty reduction through economic growth"). With "unrestricted economic growth" DA funds expected to be very scarce, it is doubtful that IR1.1 can be fully achieved without a complementary Title III program.

Title III local currency would be used for: (1) advancing economic, agricultural and food security policy analysis, dialogue, and reform; (2) supporting NGO and bilateral activities, which have a direct and immediate impact on food security and poverty alleviation; and (3) promoting effective, efficient, and fiscally sustainable income transfer programs that reach those most in need.

B. PROGRAMMING OPTIONS

The levels of priority the Mission attaches to its SOs and IRs are based on an analysis of several important factors. These include U.S. foreign policy interests in Honduras, Agency and Bureau priorities, USAID's strengths and comparative advantages, development needs and opportunities of Honduras, commitment and capability of GOH partners, planned activities by major partners such as other donors and NGOs, and staff and budget resources.

Highest Priorities

The Mission's highest priorities are implementation of economic policies which promote free trade and stimulate growth of small enterprises including farms (IR1.1), basic education (IR1.3), reproductive health including family planning (IR3.1), and strengthening the rule of law (IR4.1). USAID has played a vital leadership role in all four of these areas and should continue to do so.

Free trade, both internationally and domestically, is the stated policy of the GOH; however implementation of policies to bring this about has been uneven and inconsistent. For example, the GOH sometimes closes its borders to agricultural trade as a result of misguided efforts to promote food security. Such closures violate free trade agreements, but more importantly, reduce prices of the only products produced by the poorest of Honduran farmers. Continued strong leadership and assistance by USAID is needed to consolidate the reform program.

Improved basic education is the key to Honduras' future. It will not only lead to increased productivity and incomes, especially for the poor, but also to smaller and healthier families, more empowered civil society and communities, improved environmental awareness and protection, and a more democratic Honduras.

Reproductive health, including family planning, is also extremely important to Honduras' future. Recent survey data indicate that expanded efforts are needed in rural areas to ensure all Honduran women have access to quality reproductive health care. Family planning, as an integral part of reproductive health services, is the most effective means to close the gap between actual and desired fertility. It also reduces reliance on abortion, helps prevent sexually transmitted infections, and increases birth spacing, which improves maternal and child health. Furthermore, reduced population growth will greatly improve the country's ability to increase per capita incomes and to meet future needs for schools and other social services, for infrastructure, for environmental protection, and for employment.

Strengthening the Rule of Law in Honduras is at a crucial moment. The proposed new Criminal Procedures Code is expected to pass this year, opening the door for revolutionary changes in the judicial system. These changes will lead to improved justice, more transparency, better protection of human rights, as well as reduced corruption and impunity. These in turn will lead to other legal improvements and contribute to improving the environment in Honduras for investment, growth, and poverty alleviation.

High Priorities

In the high priority category are several other important activities including direct assistance to small enterprises including farms (IR1.2), sustained use of child survival services (IR3.2), alleviating poverty by improving household food security in Honduras' poorest rural areas (IR3.4), and more responsive and effective municipal governments (IR4.2). The top and high priority areas discussed above are extremely important. Efforts should be made to continue USAID support for these areas even under the severest budget limitations.

Impacts of Budget Shortfalls

As a result of budget shortfalls, the Mission has already decided to eliminate some very worthwhile programs from its Strategic Plan. We decided to phase-out of construction of rural water and sanitation systems, which is one of the most important factors in reducing infant mortality and also a major contributor to alleviation of rural poverty. Mission support is also being eliminated from hillside agriculture activities, which have increased on-farm incomes by 50% or more for thousands of very poor families as well as protecting watersheds and biodiversity.

While still critically important, some of the components of the new strategy are of relatively lower priority. If required DA resources are not forthcoming, the Mission would be forced to consider dropping several of the activities in the new Strategic Plan. The first to go probably would be USAID support for a proposed new program to foster more genuine and competitive political processes (IR4.3). In preparing the Strategic Plan, our customers identified this as one of the biggest obstacles to consolidated democracy in Honduras. Without additional resources, the Mission cannot initiate a program in this area without terminating midstream support for ongoing high priority activities. The elimination of this program would save about \$340,000 per year.

Additional budget cuts probably would force the Mission to drop infrastructure support for local government (IR4.2). This is one of the central and most important aspects of our decentralization strategy. Unfortunately, infrastructure is costly. USAID is increasing its efforts to identify other sources of financing for this vital program. By dropping this activity the Mission would be jeopardizing its government decentralization strategy, but would save an average of about \$860,000 per year.

Deeper budget cuts probably would result in the termination of the HIV/AIDS prevention program (IR3.3). The program is just starting to show real progress in addressing the worst AIDS problem in Central America. Cutting this program essentially would open the door to increased spread of HIV/AIDS in Honduras. The savings would be about \$1.3M per year.

Further budget cuts probably would result in phasing out assistance for pine forest management (SO2.1) at a time when the sector would be almost ready for takeoff. This cut would start in FY00, just at a time when USAID would be poised to realize great benefits from its investments in the sector over the past ten years. The Mission would fulfill its current commitments by making the planned FY98 and FY99 obligations. Thus the savings would be about \$3M spread over three years (FY00-FY02). In summary, the total DA savings from the cuts discussed above could be about \$2.5M per year for FY98/99 and about \$3.5M per year starting in FY00.

C. REQUIRED STAFF AND OE RESOURCES

Implementation of USAID/Honduras' strategy will require total staffing levels of 132 in 1998, 131 in 1999, and 126 for the years 2000 - 2003. The distribution of staff by strategic objective and by funding source are indicated in the tables below.

Staffing by Strategic Objective and Funding Category

	SO1	SO2	SO3	SO4	Subtotal	Subtotal Support	Grand Total
Total Staff 98 Request	16	7	14	11	48	84	132
Total Staff 99 Request	15	7	14	11	47	84	131
Total Staff 00-03 Request	14	5	14	10	43	83	126

	USDH	OE Internat. PSC	OE Local Hire	Program Funded	Grand Total
Total Staff 98 Request	14	0	83	35	132
Total Staff 99 Request	14	0	82	35	131
Total Staff 00-03 Request	14	0	81	31	126

During the strategy period, the Mission program will be complex involving a lot of policy dialogue, institutional reform, and institutional development elements. In many cases the success of a multi-donor effort will depend upon USAID leadership, as well as the key policy and institutional reform efforts of the USAID program. Furthermore, the program will rely heavily on networks of local NGOs for implementation. The proposed program takes advantage of USAID's unique strengths as a donor. However, in our experience, to be successful, such a program requires a relatively hands-on, labor intensive effort from USAID staff in dealing both with our Honduran partners and with our other donor partners.

The Mission will continue to draw heavily on Global Bureau for much of its technical assistance, particularly short term technical assistance. We will have relatively few large institutional contracts in country. This again makes achievement of results more dependent on USAID technical and program staff, both in terms of interaction with local partners and in coordinating and interfacing with Global Bureau resources. In Honduras this has proven to be a cost effective approach to carrying out the kinds of programs outlined in this strategy.

We recognize that at some point implementation of the NMS may allow us to take further cuts in financial management personnel; however, at this point we are unable to predict either the timing or the extent of these potential cuts. We have therefore straight-lined our financial management staff out to 2003. However, we are assuming that eventual savings in this category will help us in maintaining OE costs at 1998 levels through 2003, in spite of inflationary pressures on other cost categories. If this assumption does not prove to be the case, USAID/Honduras would have trouble supporting the proposed strategy at current OE levels.

IV. Strategy Annex

A. Environmental Compliance

Sections 118 and 119 of the Foreign Assistance Act require that USAID strategy documents include analyses of (1) the actions necessary to achieve conservation and sustainable management of tropical forests and conservation of biological diversity; and (2) the extent to which proposed Mission actions for support meet the identified needs. The situation in Honduras with respect to Tropical Deforestation and Biological Diversity is still critical. While definite progress has been made in the past 10 years, USAID efforts alone are not sufficient to meet Honduras' conservation and management needs. Our involvement and work with other donors, however, provide critical assistance to tropical forest and biodiversity management and conservation. Furthermore, our leadership role in forestry and conservation continues to be essential to environmental awareness and environmentally-friendly policy making by the GOH.

Under the proposed strategy USAID/Honduras, USAID/G-CAP, and USAID/LAC/RSD with development partners will continue to address the issues described in the following tables. The tables summarize the actions necessary for proper management and conservation in Honduras, along with a brief description of USAID contributions to these goals.²⁹

TROPICAL FORESTS	
<i>Actions Necessary</i>	<i>Related USAID Actions</i>
1. Improved GOH policies and/or involvement	
1.a. Enforcement of regulations regarding use of fire, land clearing, use of forest reserves	1.a. Limited USAID participation except for localized interventions under SO2.
1.b. Management of mangrove forests	1.b. USAID support via PROARCA and IR.3 contribute to protection and conservation of marine reserves.
1.c. Determination of proper use of national forests	1.c. IR1.1 and 2.1 work with the GOH and the private sector on such policy issues.
1.d. Execution of adopted forestry policies	1.d. IR2.1 continually monitors and fosters improved policy execution.
1.e. Private sector investment in forest management and production	1.e. IR1.1 and 2.1 will continue to foster an environment more conducive to investment.

²⁹ Mission actions are implemented through Strategic Objective 2, which includes three Intermediate Results (IR) teams. IR2.1 manages the Forestry Development Project (FDP), Forest Management Component. IR2.2 manages the Land Use and Productivity Enhancement Project, and IR2.3 manages the Honduran Environmental Protection Fund and FDP, Protected Areas and Wildlife Component. Other USAID activities are managed by USAID/Washington (LAC/RSD/ENV or Global ENV) and G-CAP.

2. Increased awareness of and interest in forest protection	
2.a. Educational/promotional campaigns	2.a. All SO2 IRs work in environmental education activities.
2.b. Training at technical and academic levels	2.b. Short-term training opportunities in-country and in the U.S. are supported by all SO2 IRs.
2.c. Articulation and analysis of environmental issues.	2.c. IR2.1 assists COHDEFOR with the development of mitigating measures for timber harvesting.
2.d. Improved participation of the rural inhabitants in the management and benefits of the forest resources	2.d. IR2.1 continues to explore various options with and for the poor.
3. Improved Honduran key efforts	
3.a. Development and implementation of long-term sustainable pine forest management	3.a. IR2.1 will concentrate on management of pine resources. (50% of Honduras' forest resources.) USAID will continue to coordinate with other donors on policy implementation issues.
3.b. Development and implementation of long-term sustainable broad-leaf forest management	3.b. IR2.3 assists through the management of selected protected areas and through dialogue with other donors.
3.c. Forest protection (existing forests)	3.c. IR2.1 supports forest protection/fire detection-control activities in pine areas.
3.d. Reforestation	3.d. IR2.1 will continue to promote and monitor reforestation as part of its sustainable forest management work. Under IR2.2, 3,800 lin. km. in agroforestry systems have been planted to date.
3.e. Management of predominantly forest watersheds; reduction of slash-and-burn agriculture	3.e. All SO2 IRs will continue to work with watershed management initiatives in approximately 700 micro-watersheds.
3.f. Proper agricultural development on forest lands, including reserve buffer zones.	3.f. Limited support provided by all SO2 IRs.
3.g. The development of viable options to reduce unsound fuelwood cutting practices.	3.g. IR2.2 promotes improved stoves, fuelwood-producing plantations and agroforestry activities.
3.h. Improved processing efficiency and higher-value added wood products	3.h. IR1.1 and 2.1 foster the improvement of business and forestry practices in this area.
4. Adequate GOH budget resources for forestry activities achieved	
USAID provides DA and local currency, including PL-480, support. USAID annually reviews direct expenditures designed by the GOH and leverages appropriate adjustments.	

Biological Diversity

<i>Actions Necessary</i>	<i>Related USAID Actions</i>
1. Improved GOH policies and/or involvement	
1.a. Establishment of the National Protected Areas System (SINAPH) regulations for effective conservation and management of priority areas of the country	1.a. IR2.3 supports the SINAPH and the proposed institutional model and regulations for the implementation of improved management in 25 priority protected areas.
1.b. Implementation of wildlife CITES treaties	1.b. IR2.3 activities provide support.
1.c. Regulation and enforcement of pesticide/fungicide use and other pollutants	1.c. USAID support is limited to IPM activities under IR2.2 and activity EA provisions.
1.d. Development and implementation of a national strategy on wildlife protection and management.	1.d. IR2.3 supports mechanisms for enforcement of national and international wildlife management norms, including CITES.
2. Increased awareness of and interest in biological diversity	
2.a. Education in the schools and for the public	2.a. All SO2 IRs support environmental education.
2.b. Training at technical and academic levels	2.b. Short-term training opportunities in-country and in the U.S. are supported by all SO2 IRs.
2.c. Analysis of environmental issues	2.c. IR 2.1 and IR2.3 subgrants support analysis by the GOH and NGOs. PROARCA supports training in environmental issues and laws. SO2 supports a CID/Gallup survey on environmental issues.
3. Improved Honduran key efforts	
3.a. Sustainable management of protected areas and biodiversity	3.a. USAID activity supports the management of forest reserves under IR2.1 and 2.3. The LAC/RSD/ENV Parks-in-Peril Project and the G/ENV Partnership for Biodiversity support management of the Río Plátano Biosphere Reserve. PROARCA supports the Central American Protected Areas System, including key coastal zones such as the Gulf of Fonseca.
3.b. Sustainable agricultural practices in upper watersheds and buffer zones (i.e. reduction of slash-and-burn agriculture) disseminated nationwide	3.b. Successful USAID activities in IR2.2 will terminate in CY1998 due to funding limitations.
3.c. Enhanced monitoring and control of farming systems, including chemical use, in agricultural areas in the context of biodiversity maintenance	3.c. USAID IPM activities under IR2.2, all IR activities in environmental monitoring, and activity EA conditions support this goal.
3.d. Privatization of biodiversity conservation efforts and development of local capacities in biodiversity management.	3.d. USAID supports US/Honduran-NGO partnerships through IR2.2 and 2.3. The Mission and PROARCA coordinate with international organizations.
3.e. Environmentally-sound tourism development	3.e. IR2.3 supports NGOs that consider ecotourism in their management plans. USAID and multi-donor effort provide support in the Río Plátano Biosphere.
4. Adequate GOH budget resources for biodiversity conservation achieved	
USAID provides DA and local currency, including PL-480, support. USAID annually reviews direct expenditures designed by the GOH and leverages appropriate adjustments.	

GLOSSARY OF ACRONYMS

ABS	Annual Budget Submission
ACDI	Canadian Agency for International Development
ADS	Administrative Directives System
AFE	Administración Forestal del Estado (State Forestry Administration)
AMHON	Asociación de Municipalidades de Honduras (Honduran Association of Municipalities)
AIDS	Acquired Immune Deficiency Syndrome
ANDI	Asociación Nacional de Industriales (National Association of Industrialists)
ASHONPLAFA	Asociación Hondureña de Planificación Familiar (Honduran Family Planning Association)
BEST	Basic Education and Skills Training Project
CADERH	Centro Asesor para el Desarrollo de los Recursos Humanos de Honduras (Advisory Council for Human Resources Development)
CDIE	Center for Development Information and Evaluation
CDC	Centers for Disease Control
CESAMO	Centro de Salud con Médico (Rural Health Center with Physician)
CESAR	Centro de Salud Rural (Rural Health Center)
CHF	Cooperative Housing Foundation
COHDEFOR	Corporación Hondureña de Desarrollo Forestal (Honduran Forestry Development Cooperation)
COHEP	Consejo Hondureño de la Empresa Privada (Honduran Council for Private Sector)
CP	Congressional Presentation
CPC	Criminal Procedures Code
CSF	Child Survival Fund
CSW	Commercial Sex Workers

DA	Development Assistance
DAO	Deffense Attache Office
DAPVS	Departamento de Areas Protegidas y Vida Silvestre (Department of Protected Areas and Wildlife)
DIC	Dirección de Investigación Criminal (Criminal Investigation Bureau)
DPT	Diphtheria, Polio and Tetanus
EFHS	Epidemiology and Family Health Surveys
ESF	Economic Support Fund
EU	European Union
FACACH	Federación de Cooperativas de Ahorro y Crédito de Honduras (Savings and Credit Cooperative Federation)
FAO	Food and Agriculture Organization
FDDH	Fundación Democracia y Desarrollo de Honduras (Honduran Foundation for Democratic Development)
FDP	Forestry Development Project
FHIA	Fundación Hondureña de Investigación Agrícola (Honduran Agricultural Research Foundation)
FIDE	Fundación de Inversiones y Desarrollo de Exportaciones (Foundation for Investment and Development of Exports)
FINACCOOP	Corporación Financiera de Cooperativas Agrícolas (Finance Corporation for Agricultural Cooperatives)
FOPRIDEH	Federación de Organizaciones Privadas de Desarrollo de Honduras (Federation for Honduran Private Development Organizations)
FSN	Foreign Service National
FTAA	Free Trade Area of the Americas
FUNADEH	Fundación Nacional para el Desarrollo de Honduras (National Foundation for Development of Honduras)
FUNDEMUN	Fundación de Desarrollo Municipal (Municipal Development Foundation)
GDP	Gross Domestic Product
G-CAP	Guatemala-Central American Program

GIS	Geographic Information Services
GOH	Government of Honduras
GPS	Geopolitical Position System
GTZ	German Development Agency
HEPF	Honduran Environmental Protection Fund
HIV	Human Infectious Virus
HOPS	Honduras Peace Scholarships
ICITAP	International Criminal Investigative Training Assistance Program
IDB	Inter-American Development Bank
IEC	Information, Education and Communications
IFI	International Financial Institutions
IHSS	Instituto Hondureño de Seguridad Social (Honduran Social Security Institute)
IMCI	Integrated Management of Child Illness
IMF	International Monetary Fund
IPPF	International Planned Parenthood Federation
IR	Intermediate Result
IUD	Intra Uterine Device
JICA	Japan International Cooperation Agency
LAC	Latin America and the Caribbean Bureau
LAC/HNS	Latin American and the Caribbean Bureau/Health and Nutrition Sustainability Division
LAC/PPC	Latin American and the Caribbean Bureau/Policy and Program Coordination Division
LAC/RSD	Latin American and the Caribbean Bureau/Regional Sustainable Development Division
LUPE	Land Use and Productivity Enhancement Project
MDP	Municipal Development Project
MILGRP	U.S. Military Group

MOE	Ministry of Education
MOH	Ministry of Health
NGO	Non-Governmental Organization
NRMP	Natural Resources Management Project
NTAE	Non-Traditional Agricultural Exports
OE	Operating Expense
ORS	Oral Rehydration Salts
OYB	Operational Year Budget
PACD	Project Assistance Completion Date
PAHO	Pan American Health Organization
PAs	Protected Areas
PEEP	Primary Education Efficiency Project
PPC	Policy and Program Coordination
PROARCA	Proyecto Ambiental Regional para Centro América (Central American Regional Environmental Project)
PRODEPAH	Proyecto para el Desarrollo de Políticas Agrícolas de Honduras (Project for the Development of Honduran Agriculture Policy)
PSC	Personal Services Contract
PSP	Private Sector Population
PVO	Private Voluntary Organization
PYME	Pequeña y Mediana Empresa (Small and Medium Enterprise)
R4	Results Review - Resources Request
RHUDO	Regional Housing and Urban Development Office
SANAA	Servicio Autónomo Nacional de Acueductos y Alcantarillados (National Water and Sanitation Authority)
SECPLAN/SETCO	Secretaría de Planificación/Secretaría Técnica y de Cooperación (Secretariat of Planning/Technical Secretariat for Cooperation)
SFED	Small Farmer Export Development Project

SIDA	Swedish International Development Agency
SINAPH	National System of Protected Areas of Honduras
SIT	Syndromic Infections Treatment
SO	Strategic Objective
STI	Sexually Transmitted Infections
UDAPE	Unidad de Análisis de Políticas Económicas (Economic Policy Analysis and Implementation Unit)
UNAH	Universidad Nacional de Honduras (National Autonomous University)
UNAIDS	United National Agencies Working on AIDs
UNDP	United Nations Development Program
UNFPA	United Nations Food and Population Agency
UNICEF	United Nations International Children's Emergency Fund
UNITEC	Central American Technological University
UPN	Universidad Pedagógica Nacional (National Pedagogical University)
USAID	United States Agency for International Development
USDH	U.S. Direct Hire
USG	U.S. Government
VIDA (FUNDACION)	Honduran Environmental Protection Foundation
WFP	World Food Program
WHO	World Health Organization
WHR	Western Hemisphere Region

ERRATA SHEET

USAID/HONDURAS STRATEGIC PLAN FY 1998 - 2003

May 15, 1997

NOTE: The Strategic Plan is missing 15 lines of text between pages 58 and 59. The highlighted text is the final two lines of page 58 of the document and the first three lines page 59. The lines in between are those missing from the document.

employ LUPE technologies. Furthermore, the Ministry of Agriculture and Livestock has expressed interest in continuing LUPE-type interventions using NGOs who would employ LUPE (end page 58)

trained technicians.

Improved Management of Protected Areas (IR2.3¹⁵). This program seeks to increase the number and area of GOH "protected areas" under improved management. These areas are included in the SINAPH (Honduran National System of Protected Areas), which includes about 25% of Honduras' total area). The program consists of the Honduran Environmental Protection Fund (HEPF) Project implemented by Fundacion VIDA (an "umbrella" environmental NGO which makes grants to participating U.S. and Honduran NGOs) and a component of the Forestry Development Project (FDP), which works with DAPVS (the protected areas unit in AFE/COHDEFOR).

What will we achieve? By FY03, 36 protected areas (286,429 hectares) will be under improved management. This area represents about 2.6% of Honduras' total area and approximately 10.2% of the total area designated as protected areas in the country. Our key partner, Fundacion VIDA, will be a viable and respected institution, in the final stages of achieving

(start page 59)

technical, operational, and financial sustainability. Local environmental NGOs will have the capacity to design and implement environmental projects and sustainably manage local protected areas. Public awareness of and concern for the environment will be expanding. The DAPVS

¹⁵ Directly supports Agency Objective 4.1 (Biological diversity conserved)