

PD-ABK-292

**MISSION DIRECTOR'S
NARRATIVE**

OVERVIEW

Honduras, a nation of nearly five million people, is one of the poorest countries in Latin America. Having made a number of social strides since the 1970s, begun the democratization process in the 1980s, and engaged in a sweeping economic reform in the early 1990s, all with strong A.I.D. support, Honduras has reached a major crossroads. Does the country continue to take the politically difficult steps needed to keep pace with other nations as we enter the 21st century or does it pull back to more familiar patterns that will doom it to falling further behind its neighbors? The program presented in this ABS at the CP level focuses on helping Honduras to continue along the modernization path.

The Country Situation

The Honduran economy was essentially stagnant from the 1980s through 1990 due in part to external factors, but even more to poor policies and an inward-looking, inefficient private sector. In 1991, the sweeping and comprehensive economic reform program begun in 1990 by the administration of President Callejas, combined with positive private sector response, helped the economy shift into a growth mode.

Despite this recent upturn in the economy, the majority of Honduras' population remains poor. In 1992, Honduran per capita GNP was \$634. According to a UNDP study, over 60 percent of the population earn less than \$100 per month; 30 percent earn less than \$50 per month. Despite significant progress in the social sectors since the 1970s, too many Hondurans still suffer from high infant mortality, poor health, inadequate education, unemployment, and inadequate access to basic services and shelter. Moreover, the economic adjustment begun in 1990 did, as anticipated, impact adversely on the poor, although the social-safety-net programs cushioned some of that impact. A 1992 Mission analysis of the Planning Ministry's biannual household survey that looked at ability to purchase the basic food basket revealed that the percentage of the population below the poverty line increased from approximately 65 percent in June 1988 to about 74 percent in May 1991. Inflation was the most significant contributing factor. This situation should begin to improve now that most market price adjustments have taken place and as economic growth and thus employment increase.

In November 1989, Honduras held its third consecutive free and fair general election for national and local officials. However, there is not yet a deep sense among people about the values of free and open debate, tolerance for opposing opinions, and a government of laws by the people and of the people. Key democratic institutions are traditionally weak, hampered by poor administration, insufficient budgets, and staffs whose tenure is unstable or who are poorly qualified. Key among these institutions is the justice system which is critical to upholding the rule of law, without which there can be little sustained social, economic, or political development.

The natural resources situation also threatens sustained economic progress, and the well-being of the population. Honduras is one of the most geographically and biologically diverse countries in Central America. However, its forests and other natural resources are being exploited with little or no consideration for sustainability. In the past 25 years, Honduras has lost half of its four million hectares of broadleaf forest and the volume of commercial pine timber has declined by more than 40 percent. In addition, the area dedicated to agriculture and pastures exceeds by almost 50 percent the land area suited to such production.

The Fragile Base

Despite the considerable progress achieved so far in implementing the comprehensive economic reform program, the program remains fragile. It has not been institutionalized fully by the GOH; the GOH continues to experience technical and institutional limitations in its ability to effectively formulate and implement a consistent set of macroeconomic and sectoral structural reform policies. Moreover, in many respects the reform program still is incomplete. Among other challenges facing the current and future governments, Honduras must continue to further reduce the fiscal deficit, pursue divestiture of loss-generating enterprises, institute additional cuts in a still-bloated civil service, increase the productivity of a smaller public sector as well as increase the coverage and efficiency of its social programs--while resisting populist and protectionist pressures to reverse market-based reforms.

The impending national elections will place substantial pressure on the program. The new government, elected in November 1993, will face considerable pressure to roll back the reforms and return to the more politically popular policies of subsidy and protectionism. It is imperative that the new government persist in pursuing structural adjustment efforts. It is equally important that the government also work to improve the standard of living of the poor majority so as to reduce economic inequality and to broaden and deepen the consensus in favor of a democratic society. In addition, to build credibility among the electorate as well as investors, the GOH will need to make concerted efforts to combat corruption in government and to keep the military from further encroaching on the civilian economy.

Honduras has the potential to achieve a much higher level of economic development by the end of this century, one that generates self-sustaining growth and that is able to meet the basic needs of the majority of its population. Such a level of enhanced economic well-being would also provide a solid base for the deepening and broadening of Honduran democracy. Yet, realization of this potential will not be easy.

The Challenge for the U.S.

The critical variable for the future is the political will of the Honduran government to maintain and to deepen the reform of its socioeconomic system. USAID has an essential

role to play in Honduras in persuading future governments that they must stay the sometimes unpopular course and guide the reform process through to fruition over the next decade.

To play this role successfully, we will require modest ESF balance of payments assistance (i.e., \$10–15 million) to assure follow-through on recent economic reforms and to leverage policy reform in the democracy and environment areas, and the CP level of DA resources to finance the project intervention, technical assistance, policy dialogue and advice for equitable, sustainable growth and development.

After investing \$400 million in ESF and forgiving \$430 million of debt in support of Honduran reform since 1990, it would be a tragic waste if the U.S. were to pull back financially at this juncture and let the opponents of reform undercut the most far-reaching economic restructuring in Honduran history.

The USAID Honduras Program at the CP Level

The USAID/Honduras program is built around the concept that the development of a country involves integrating its population into its economic, social, and political processes so that they contribute to and benefit from national progress. Reducing poverty and stimulating economic growth are at the heart of our sustainable development strategy. At the CP level, USAID's program in Honduras is specifically focussed on the Agency's four new policy areas.

Economic Growth

In the area of economic growth our strategic objectives are 1) increased agricultural production and exports and 2) increased private investment and trade. To promote economic growth the Mission integrates project, ESF, and PL 480 resources to (1) support economic policy reforms in the agriculture, trade and investment, and financial sectors and (2) to encourage vigorous private-sector-led job creation and income improvement in response to those reforms.

Policy Reform

In policy reform, USAID will help Honduras implement the recently passed landmark Agriculture Modernization Law, effectively reducing government intervention in agricultural markets which contribute to a misallocation of resources, market distortions, reduced investments, and most importantly food shortages. Activities also will help open up the land tenure system and production factor markets making land, capital, and technology more accessible to lower income Honduran farmers.

Honduras passed an ESF supported private investment law in June of 1992 and has just enacted an intellectual property rights law. USAID policy dialogue and support will continue to help implement these laws and help consolidate these important gains.

With USAID (and other donor) policy dialogue and support, the Central Bank (BCH) has abolished legal ceilings on commercial-bank interest rates, has eliminated interest-rate subsidies on Central Bank rediscounts, and is phasing out directed credit lines. The BCH has drafted a new banking law (we expect passage this year), that will encourage greater domestic savings and establish a system that will provide for more efficient savings allocation to productive enterprises. We expect that the legislation will also provide for greater competition among financial institutions, new disclosure rules, restrictions on insider lending, expansion of banking services, and better supervision of the banking system by the Superintendency of Banks. USAID/Honduras will monitor progress of the legislation and continue to provide technical assistance and training to support its effective implementation.

USAID is the only donor supporting privatization of state-owned enterprises. The IDB and the World Bank have conditioned their assistance to progress on privatization but only USAID is providing support for this program. To date 41 enterprises have been privatized and as a result of these privatizations the GOH has recovered \$158 million previously invested in mostly money losing enterprises. The GOH has also reduced its external debt by \$29 million, generated some \$18 million additional exports yearly, and created over 2,000 new permanent jobs and some 5,000 indirect jobs. While the largest parastatals have yet to be privatized, the GOH with USAID assistance is moving to privatize the telephone parastatal HONDUTEL and is considering privatizing selected functions of the electric parastatal ENEE--the largest in Honduras.

Job Creation and Increased Incomes

Increased economic growth brought about by economic and trade reforms achieved by the Callejas administration with USAID and other donor support has led to rapid job creation over the past several years, particularly in the export sector. Further consolidation and implementation of recent reforms can be expected to continue this trend. In addition, USAID Honduras specifically supports job creation activities among low income Hondurans in both rural and urban areas through small business support programs, agribusiness development, labor-intensive export industries, and basic education and vocational skills training. Together these programs have created nearly 80,000 jobs over the last several years. This equals 5% of the work force and represents an important inroad in combatting poverty and unemployment.

Significant economic activity in Honduras takes place in the small business and informal sectors. USAID Honduras seeks to leave a viable, self-sufficient informal financial intermediation mechanism that will provide resources to small enterprises, especially women-owned businesses. Thus, we hope to increase the participation and

empowerment of the poor by improving access to credit and stimulating the creation of opportunities in the small and microbusiness sector.

The development of farmer-owned agribusinesses (many as cooperatives) presents the opportunity for members and their families to profit from value-added processing of their farm products, improved access to agricultural inputs, as well as providing off-farm employment opportunities in rural areas. USAID will help stimulate the development of promising agribusinesses development opportunities in this small farm sector.

With USAID assistance there has been a 40 percent increase in primary school graduates since 1986, and a 22 percent reduction in dropout rates. Total enrollments in grades one through six increased by more than 30,000 in 1992 alone. Significantly the enrollments increased while repetition rates declined indicating increased efficiency as well as coverage.

However, with accelerated economic integration and trade in Central America, and Honduras having the lowest average educational level in the region, the nation cannot afford to wait to replace its work force of less-educated and less-skilled workers by attrition over several decades. USAID Honduras intends to address this problem by developing alternative educational systems which will allow massive and rapid increases in basic education and vocational training enrollments and graduates. The need for these alternatives is critical. The potential beneficiaries for alternative basic educational systems are more numerous than the current number of children now in primary school. They include:

- children over the age of eight who are not being allowed to enroll in the first grade of primary school;
- dropouts over the age of twelve who are not allowed to return to primary school;
- 1,700,000 people over the age of fifteen who have not gone to the third grade of primary school; and
- over 50% of the adult work force which has not completed primary school.

Environment

Improved management--toward long-term sustainability--of selected natural resources is USAID Honduras' strategic objective in the environment focus area. In the interest of sustained economic growth and the well-being of the Honduran population, the USAID program is using policy dialogue and project assistance to support efforts to arrest forest, land resource, and watershed deterioration. These efforts include development, implementation, and enforcement of a new policy framework, support for effective

activities of private–sector environmental groups, and increased environmental awareness and technology transfer.

On the policy side USAID will continue to help the GOH implement the 1992 Agricultural Modernization Law which takes a positive step toward improving forestry management by returning ownership of trees on private land to the owners. We also will assist the GOH in implementing the recently passed environmental law. USAID will continue to work with the GOH to strengthen its regulatory and natural–forest management role by replacing the Honduran Forestry Development Corporation (COHDEFOR) with a public sector Honduran Forestry Administration, dependent on public budget and responsible only for those planning regulatory and management functions associated with a public forest service in an open economy. Helping the new agency make the organizational improvements needed to fully assume its new responsibilities for the management of parks, reserves and other protected areas will be an important part of USAID efforts.

To improve environmental practices USAID will continue to support efforts to persuade farm households to adopt environmentally sound cultivation practices, work with public and private groups to adopt sustainable forest management practices, and support the work of nascent local environmental NGOs.

Population and Health

The USAID objective in health and population is healthier, better–educated Hondurans. To help improve the quality of life of poor Hondurans, improve their productivity, and prepare them to participate in democratic processes, the USAID program has sector–wide projects in health (including family planning) and education.

The health program focuses on primary health for children under five and their mothers. Over the next several years at the CP level, USAID will shift some resources within this sector program to give greater emphasis to maternal health issues, AIDS and sexually transmitted diseases, and acute respiratory diseases. USAID will also collaborate with other donors on improving water and sanitation. Efforts will be made to consolidate and assure sustainability of the dramatic gains made in the sector on infant mortality and diarrheal diseases over the past ten years.

The highly successful education program currently focuses on efficiency, coverage, and quality of primary education. As the education project nears completion, we propose a follow–on that will extend basic education to out–of–school youths and adults through alternative systems and nonformal vocational training. It is expected that other donors will move in to continue to reinforce the significant gains in primary education made with US assistance over the past ten years.

Democracy

More responsive selected democratic institutions and processes, with greater citizen participation is USAID Honduras' strategic objective in support of strengthening democracy. A primary focus of the Mission democracy programs is the judicial system, since Honduras cannot develop its social and economic potential without honest courts to uphold personal and property rights guaranteed by law. Anticorruption through effective Inspector General operations is a key theme, both within the judicial system and throughout government. USAID will continue to provide assistance to help assure free and fair elections in Honduras. The fourth major element of our democracy program is municipal development because it is at this level that citizens can have the strongest say in decisions that affect their daily lives and that opportunity for participation is greatest.

The USAID Honduras Program with 25% Cuts in FY 94 and 95

The ABS exercise includes a zeroing out of ESF in FY 1994 and FY 1995. Without ESF and cuts of 25% in 1994 and 95 the Mission would get out of support for restructuring the financial sector altogether, abrogating our commitments to the GOH in this area. Support (both technical assistance and financial) for economic policy dialogue in areas other than agriculture and forestry would be virtually eliminated. In addition, DA LOP funding would have to be substantially reduced for work in investment and export development, privatization of state enterprises, and two environmental activities, forestry development and land use productivity enhancement. Work in rural roads will be terminated early, having accomplished only 70% of project objectives.

The start up of work on alternative basic and vocational education systems for out-of-school youths and adults would be postponed until 1995. Activities in support of small farmer agribusiness development, AIDS, municipal development, and the National Environmental Protection Fund would have to be carried out at a reduced rate over the 1994/95 period, but we would attempt to preserve LOP funding in these areas. Efforts would be made to meet our current commitments fully in primary education and strengthening democracy.

Providing for increased funding for AIDS and sexually transmitted diseases within planned CP budget levels for health and population means we will have to substantially reduce current commitments under on-going health and family planning programs. Funding available for water and sanitation--probably the biggest health problem in Honduras--and reform of administrative and logistics systems would be hardest hit.

Cuts at the 25% level combined with a lack of ESF would mean a drastic reduction in funding for the Economic and Financial components of the Policy Analysis and Implementation project (PAIP). With these actions the Mission's ability to influence the Government's economic policies will be reduced sharply. The absence of policy dialogue

resources will severely handicap our efforts to persuade the new Honduran Government which takes office in January 1994 to stay the politically unpopular course and to continue support for the most far-reaching economic restructuring in Honduran history.

The loss of ESF resources will be especially devastating. Absent ESF resources, we will lose our leadership role in the economic policy dialogue. That role has produced a remarkable turnaround in economic performance, including (a) 4.9 percent growth in 1992 -- the first positive growth in per capita terms since 1989, (b) a sharp reduction in inflation from 34 percent in 1991 to around 10 percent today, (c) the negotiation of a most favorable debt-rescheduling agreement last October, and (d) sharp increases in exports of nontraditional agricultural commodities (shrimp, melons, and lobsters) and manufactures. The reduction in inflation is especially good news to the country's poor.

In addition to providing important balance of payments and budget support, ESF programs in FY 1994 and FY 1995 would enable us to address key policy issues in the environmental and democracy sectors, areas where development constraints are most severe in Honduras. We had planned to negotiate a reform agenda including legislation providing for separate election of deputies--apart from the Presidential slate, the creation of a criminal investigation and prosecution office ("Public Ministry") which would separate investigation and prosecution of crimes from judicial functions, adoption and implementation of regulations to manage forest protected areas and promote biodiversity conservation, and effective pine and hardwood forest protection.

The Mission had been looking toward the Economic component of the Policy Analysis and Implementation project as a key vehicle through which to affect economic policy outcomes in the near term. Sound economic policies are not "trickle down;" they can have a significant, direct, positive impact on the lives of the poor majority. Moreover, it would be of great value to have a functioning Economic Policy Analysis and Implementation Unit attached to the Ministry of Finance as a vehicle to persuade the GOH of the benefits of a sound economic policy framework. In the absence of such a framework, all project interventions including those of AID produce less benefits than they would otherwise generate. In addition to providing economic intelligence to enable the Government to make sound economic decisions, the PAIP activity was expected to help address key issues including, among others, (a) fiscal mismanagement -- a primary source of the country's economic difficulties, (b) accession to the North American Free Trade Agreement and other regional trade arrangements, and (c) financial markets liberalization.

While Honduras has made great strides in other areas, the financial system remains relatively underdeveloped. We were counting on PAIP Financial component to support the modernization of Honduras' financial system to meet the challenges of the global economy. With the financial sector reforms to be encouraged by PAIP, Honduras would have had a modern legal framework for the financial system on par with the most advanced legislation in effect anywhere in Latin America. Financial sector reforms, most importantly, would help eliminate the strangle-hold that the "old boys" banking network

had on credit within the country. PAIP work with the Superintendency of Banks would strengthen prudential regulation; this would enhance public confidence in the financial system, thereby helping to eliminate the possibility of bank failures and ensuing financial crises. Finally, PAIP work in the financial system would promote competition, make monetary policy more effective, and lower the cost of credit. For example, more rapid judicial procedures to seize and liquidate collateral in the case of default by borrowers would permit banks to lower the interest they charge on loans.

The lack of ESF starting in FY 1994 and beyond will also severely affect the GOH ability to provide counterpart for ongoing and future USAID and other donor projects. Currently available ESF local currency generations will not even cover the counterpart mortgages for on-going USAID projects let alone provide the additional sector support available in the past. Support for the Government's targeted social safety-net/food coupon program designed to help ameliorate the impact of economic reform on the poorest Honduran's will be hit particularly hard. In the past we have provided more than \$10 million in ESF counterpart to support the social safety net program.

At the full FY 1994 and FY 1995 CP levels the Mission will have very little flexibility to respond to the interests and needs of the new Honduran administration taking office in January 1994. With no ESF resources on the table, we will be sending the signal that the U.S. really doesn't care whether the new government follows through on the implementation of the economic reform program. At cuts of 25% in FY 1994, even the little flexibility we might have to reorient already committed funds will disappear.

The USAID Program with 25% Cuts in FY 94 and 50% Cuts in FY 95

Cuts of 25% in FY 1994 and 50% in 1995 and beyond would affect LOP funding for virtually the entire portfolio of on-going projects. The Mission would have to break existing commitments with both the government and private groups across all sectors.

At the 50% level the Mission would not support any further work in privatization of state enterprises leaving most of the largest and most expensive parastatals untouched. Another donor is unlikely to provide support in this area once AID moves out. In spite of impressive gains in privatization made over the past five years, there is still a net transfer of \$40 million of GOH resources to parastatals annually adding to serious government deficits and affecting investments in badly needed economic infrastructure and in education, health and the environment.

LOP funding for technical assistance under the Agriculture component of the PAIP would be substantially reduced for agriculture, forestry and environment seriously affecting our ability to pursue policy reform even in these remaining sectors. LOP funding for Small Farmer Agribusiness Development would be reduced and assistance for Small Business Development II would be halved. At these levels, the Mission would have to redesign its

strategic objectives in the growth area, dropping Strategic Objective 2 pertaining to private sector growth altogether. The Mission would retain only one strategic objective focused on agricultural sector growth. At that point the Mission also would have to seriously review its continued support for small business development in the future since it would probably no longer fit within a reasonable strategic objective framework. Going forward with the new Basic Education and Skills Training Project would have to be examined in the same light.

In environment, the 50% cut level would further reduce LOP funding for the Land Use Productivity Enhancement project and would seriously affect both annual and LOP funding for the National Environmental Protection Fund with Fundación Vida which supports the work of local environmental NGOs and their US partners. Cuts in the PAIP project would seriously affect the Mission's ability to carry out policy dialogue related to forestry and environmental issues.

Even at the 50% cut level the Mission would try to meet its ongoing commitments in primary education. This project is almost completed and the remaining funds are covering the costs of assuring the availability of textbooks in primary schools, an intervention which has shown enormous returns on investment world wide. The establishment of alternative basic educational systems for out-of-school youths and adults is absolutely critical to future growth and development and the alleviation of poverty in Honduras. Nevertheless the Mission would need to seriously review the start-up of this one of two new starts, given the number of on-going commitments we would have to break at the 50% cut level.

Although a real effort would be made to protect health and population commitments both LOP and annual funding would be hit. In this case, the funding for AIDS activities would be most seriously affected. There would also have to be a substantial reduction in funding for the new follow-on family planning project. This would seriously affect the Honduran IPPF affiliate's ability to continue with its highly successful private family planning activities.

The Mission would try very hard to protect the democracy programs even at the 50% cut level. Nonetheless the Mission's ability to continue with activities in municipal development would be seriously affected. While we would be able to meet commitments under the on-going project, the planned amendment for 1995 would be in serious jeopardy. If the Honduran Peace Scholarship program is to be maintained at the \$500 dollar level, a choice would probably have to be made between focusing resources on municipal development or helping the GOH put in place the necessary institutional infrastructure to fight corruption, one of Honduras' major economic and developmental problems. If both were to be maintained, either the new Basic Education and Skills Training or support for small business development would have to go.

The bottom line is that with the disappearance of ESF, cuts of 25% in 1994 and 50% in 1995 the Mission would have to go back and completely reformulate its strategy, its specific objectives and reassess what it could actually accomplish in the future. Many on-going initiatives and policy reforms which have reached critical points with the help of substantial AID investments are likely not to be fully implemented without continued AID support.

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To recapitulate, in terms of need, Honduras is one of the poorest countries in the hemisphere; in terms of performance, the country has undertaken the most sweeping structural reform program in Latin America; and it has radically reoriented the policy environment so as to build the base for equitable, sustainable growth and development. AID has played a key role in policy dialogue, negotiation and implementation of these changes. We are also deeply engaged in strengthening the institutional capacity of both the national government and local government to improve the lives, opportunities and rights of the Honduran population.

The policy framework is largely in place; the success will come from vigorous implementation of the new policy measures. There is a very thin consensus within the country in favor of the sometimes painful reform measures. Continuing U.S. financial support at a significant level will be essential to carry through on the implementation of the reform program as well as to achieve major advances in the democracy, environment and social sectors.

OPERATING EXPENSE BUDGET.

Based on the guidance received from AID/W, USAID Honduras has conducted an intensive review of the Mission's portfolio and the human resources required to manage a scaled down program. The Mission has been steadily reducing its U.S. Direct Hire positions over the last several years in accordance with the Mission's CDSS. By the end of FY-94, the Mission will have reached the Bureau's US/DH target level of 25, not counting the Regional Legal Advisor. However, it is our judgment that we cannot reduce the level of direct hire Americans significantly below this number if we are to manage and meet our accountability responsibilities. Overall the Mission must continue to play a major role in assisting the Government of Honduras in formulating and implementing its sector reforms. Moreover, the GOH implementing agencies, as well as many local PVO's require assistance and monitoring to assure that they maintain proper management and reporting systems. Proper and careful oversight of the large and complex development portfolio has proven essential in the past to avoiding embarrassing audits and scandals.

The guidance provided on OE funding levels requires two budgets, one at 100% and one at 75% of our FY-1993 combined OE/Trust Fund level. The Mission's combined OE/Trust Fund level for FY-1993 is \$4.1 Million. This figure is used when discussing the CP level. The figure of \$3.1 million is used when discussing the 75% reduced level.

In 1994 even at the 100% OE level the Mission will have to absorb a 25% increase in FSN salaries which became effective in July 1993. The Mission has already taken several management actions in anticipation of the OE budget squeeze, and many cost saving ideas have been put into effect. The Mission has fully implemented its NXP standardization plan as well as its approved replacement cycle. This has allowed us to forecast and budget our needs accurately. We have also, over the past several years, worked to upgrade the Mission's office facilities and computer system. Both of these are now 100% completed and now will require only minimal maintenance expense. In addition, we have recently renegotiated the major portion of our real property lease portfolio which resulted in an average rent reduction of 10 to 15 percent. To save on OE personnel costs, the Mission regularly reviews position descriptions to determine if the work is project specific and if it would be more appropriate to fund from the project. After a recent review, we found that we had three high level FSN/PSCs who could be funded from project funds. These improved management processes as well as the CDSS programmed staff reductions will allow the Mission to continue to effectively support the CP program level with no increase in OE costs.

It will not be possible, however, for the Mission to continue the current level of program support at the 75% OE level. There are only so many management efficiencies that can be achieved within a budget level before cuts in programs, services, and personnel become necessary. Should OE be cut to this level, we would need to find savings of \$1 million. This would require reducing services and implementing a reduction-in-force of 16 employees (2 US/PSCs and 14 FSNs). In addition to the RIF, we have targeted

travel, staff training, replacement of NXP, and communications for major cuts. A savings of \$500,000 is gained in the transfer of OE funded employees to projects and through the above mentioned reduction-in-force. The other \$500,000 was found in the housing, office operations, and non-expendable procurement areas. We do not contemplate reducing our US/DH staff below the FTE level of 25. We have found that a reduction of US/DH saves very little from the OE budget. In addition, this US/DH level is essential in assuring that we meet our accountability responsibilities and in the management of our projects. Since FSN salaries and benefits presently consumes 45% of our OE budget, the most cost-efficient solution in meeting the 75% target level is to cut, within limits, the FSN staff.

Planning for FY95 follows the same basic pattern. Increased OE requirements due to inflation and price increases will be covered by the scheduled staff reductions contemplated in the CDSS. It should be recognized that any major reduction in staff must be made in the very near future, or no later than January 1994, to achieve the resulting cost saving. Reduction of US/DHs must be made in order to coincide with the normal transfer season and school years. FSN reductions must be made early in FY-1994 to eliminate the additional salaries and severance pay. Whatever the level of OE we are authorized, we must receive advice of the level early on so that it can be managed efficiently and wisely.

Staffing Levels

Fiscal Year 1994

	<u>CP Level</u>	<u>OE Amount</u>	<u>Reduced Level</u>	<u>OE Amount</u>
US/DH	26		25	
US/PSC	17		12	
PASA	3		3	
FSN/DH	16		11	
FSN/PSC	125		119	
TCN	1		0	
TOTAL	188	\$4.1 M	173	\$3.1 M

Fiscal Year 1995

	<u>CP Level</u>	<u>OE Amount</u>	<u>Reduced Level</u>	<u>OE Amount</u>
US/DH	25		25	
US/PSC	15		13	
PASA	3		3	
FSN/DH	15		10	
FSN/PSC	122		114	
TCN	1		0	
TOTAL	181	\$4.1 M	165	\$3.1 M

ATTACHMENT 1

FY 1994 PROGRAM BY STRATEGIC OBJECTIVE (\$000)

Strategic Objective	Policy Area	FY 1994 Congressional Presentation Level	
		100%	75%
1. Increased Agricultural Production and Exports			
	Growth	4,200	925
2. Increased Private Investment and Trade			
	Growth	2,812	900
3. Improved Management -- Toward Long-Term Sustainability -- of Selected Natural Resources			
	Environment	5,492	4,650
4. Healthier, Better-Educated Hondurans			
	Growth	1,610	1,610
	Health/Population	10,697	10,497
5. More Responsive Selected Democratic Institutions and Processes, With Greater Citizen Participation			
	Democracy	2,231	1,575
6. Other *			
		497	497
Total:		27,539	20,654

* Program Development & Support

ATTACHMENT 2

FY 1995 PROGRAM BY STRATEGIC OBJECTIVE (\$000)

Strategic Objective	Policy Area	BASE: 100% FY 1994 CP Level					
		50% of BASE		75% of BASE		100% of BASE	
		Ongoing	New	Ongoing	New	Ongoing	New
1. Increased Agricultural Production and Exports							
	Growth	1,300		1,800		4,700	
2. Increased Private Investment and Trade							
	Growth	1,000		3,000		5,144	
3. Improved Management -- Toward Long-Term Sustainability -- of Selected Natural Resources							
	Environment	2,878		3,758		4,498	
4. Healthier, Better-Educated Hondurans							
	Growth	1,400		3,101		3,871	
	Health/Population	2,957	1,240	3,357	2,100	3,157	2,100
5. More Responsive Selected Democratic Institutions and Processes, With Greater Citizen Participation							
	Democracy	2,581		3,110		3,535	
6. Other *							
		414		428		534	
Total:		12,530	1,240	18,554	2,100	25,439	2,100

* Program Development & Support

PROJECT TITLE: Basic Education and Skills Training
PROJECT NO: 522-0388
LOP FUNDING: \$10,000,000
FISCAL YEARS: FY 1994-00

FY 94-95 ABS

MISSION STRATEGIC OBJECTIVE: Healthier, Better Educated Hondurans

PROJECT PURPOSE: Provide more productive human resources to achieve more equitable and sustainable economic growth.

NARRATIVE: Human resource development is becoming ever more critical as a factor of production and economic growth throughout the world. Data from other developing countries indicate that until at least 50% of the adult work force completes primary school and 25% completes secondary school, and access to vocational training is available for young people and adults with no marketable skills, equitable and sustainable economic growth will be difficult to achieve because of the low productivity of a poorly trained work force.

The Mission's Primary Education Efficiency Project (522-0273) and its project with the Advisory Council for Human Resource Development (CADERH; 522-0257), an indigenous PVO, have been very successful in reducing repetition and dropout rates, increasing the number of primary school graduates, and expanding vocational opportunities for the unemployed and underemployed. The population of Honduras, however, has historically had the lowest average educational level in the region and cannot afford to wait several decades to replace less-educated and unskilled workers by attrition while regional and international economic integration and trade are accelerating.

The Basic Education and Skills Training (BEST) Project will provide a more innovative, flexible and lower-cost strategy to address human resource constraints to economic growth and sustainable development. The project will work with the Ministry of Education to establish a nationwide alternative delivery system for grades 1-9 (primary and middle school) for out-of-school youth and adults. Building on the successes of the CADERH Project, the new project will expand CADERH's network of PVO and municipal training centers. These components of the project are complementary, strategic interventions which will meet the education and training needs of some of the least privileged sectors of society. These strategies will allow massive and rapid increases in basic education and vocational training enrollments and graduates, and achieve substantial reductions in recurrent cost pressures on the GOH for education and training.

PROJECT OUTPUTS/INDICATORS:

LOP

1) Additional primary school graduates:	125,000
2) Additional middle school graduates:	80,000
3) PVO and municipal training center graduates:	15,000

PROJECT TITLE: Agricultural Export Development
PROJECT NO.: 522-0312
LOP FUNDING: \$1,500,000
FISCAL YEARS: FY 1994-98

FY 94-95 ABS

MISSION STRATEGIC OBJECTIVE: Increased agricultural production and exports

PROJECT PURPOSE: To increase private investment in and export production of agricultural products while providing incentives and means to adopt environmentally-sustainable production and processing methods.

NARRATIVE: This project will directly support the Agency's objectives of promoting sustainable development and addressing global problems involving the environment and economic growth. The project will be a follow-on to the Export Development and Services project (EDS), which has been successful in promoting nontraditional exports. One of the major achievements of the EDS project has been an increase in melon and seafood exports of 192% and 358%, respectively, since 1986. To sustain growth in the critical agricultural sector, this project will identify potential export crops, define their markets, and improve production and processing, using environmentally sound methodologies. It supports the Mission's strategic objectives by improving the climate for agricultural investment; increasing access to regional and international markets; increasing awareness of environmental concerns; and, developing environmentally appropriate production and processing of agricultural products. The emphasis on environmental sustainability of production is directly related to the long-term economic sustainability of agricultural production. This project will work through the Federation of Agricultural Exporters (FPX), an indigenous nongovernmental organization (NGO), to achieve these objectives. FPX will work with cooperatives and other organizations representing small and medium size growers and exporters.

PROJECT OUTPUTS: FPX will be a fully self-sufficient institution with at least 300 members (exporters and producers); a system for inspection of agricultural exports that certifies quality and meets sanitary requirements of the USDA will be in place for melon and other export crops; and environmentally sound agricultural production will be an integral part of the assistance program of FPX.

PROJECT INDICATORS:

- 1) Increase investments in export-oriented agriculture;
- 2) Increased membership base for FPX;
- 3) New crops exported profitably from Honduras (onion, asparagus, exotic plants, etc.);
- 4) Adoption of improved environmentally sound production methods;
- 5) Increased environmental and economic sustainability of selected export products.

PROJECT TITLE: Strengthening Family Planning Services
PROJECT NUMBER: 522-0389
LOP FUNDING: \$7,000,000
FISCAL YEARS: FY 1995-99

FY 94-95 ABS

MISSION STRATEGIC OBJECTIVE: Healthier, Better-Educated Hondurans

PROJECT PURPOSE: To reduce the Total Fertility Rate in the country from 4.7 in 1994 to 4.0 in 1999. To achieve this, the Contraceptive Prevalence Rate will be increased from 50% in 1994 to 55% in 1999.

NARRATIVE: The project will conform with USAID population policy which links development to health and population growth, and with the current AID policy area of population and health. The project will have a significant positive impact on the health of women and children through the reduction of reproductive risk, related illnesses, and death. A secondary benefit will be economic improvement in the lives of families using contraceptive methods. The project will serve as a follow-on to the current health and population projects (both scheduled to end in CY 1995) and will continue to strengthen family planning institutions in both the public and private sectors.

The principal elements of the **Public Sector** component will include the provision of equipment, supplies, contraceptives, training, construction and technical assistance for administrative, logistical, educational and technical upgrading of the family planning programs in the Ministry of Health and the Honduran Social Security Institute.

The **Private Sector** component will support the Honduran Family Planning Association in three major areas: Community Based Distribution (CBD) of contraceptives in rural and marginal areas; Clinical Services, including high quality voluntary surgical sterilization; and Social Marketing of contraceptives through pharmacies and nontraditional outlets. Due to their capability for outreach into various and often remote communities, selected private voluntary organizations (PVOs) will receive assistance to provide educational and referral services for the populations they serve.

PROJECT OUTPUTS/INDICATORS:

- Total Fertility Rate decreased from 4.7 to 4.0.
- Contraceptive Prevalence Rate increased from 50% to 55%.
- Number of users of CBD increased from 60,000 to 75,000.
- Number of community distribution posts increased from 1,900 to 2,350.
- Number of sterilizations increased from 110,000 to 185,000.
- Sales of oral contraceptives increased 30% per year.
- Number of IUD insertions increased approximately 25,000 per year.
- Number of condoms sold increased from 720,000 to 1,200,000 units per year.

PROJECT TITLE: Small Business II (Amendment)
PROJECT NUMBER: 522-0241
LOP FUNDING: \$23,300,000 (including this \$7,500,000 Amendment)
FISCAL YEARS: FY 1995-98

FY 94-95 ABS

MISSION STRATEGIC OBJECTIVE: Increased private investment and trade.

PROJECT PURPOSE: Strengthen and expand an institutional system that will increase and improve the supply of credit, training, and technical assistance to small and microenterprises, and thereby help to achieve equitable and sustainable growth.

NARRATIVE: Problems of urban poverty, declining labor absorption in agriculture, and slow employment growth in other sectors have intensified the need for creative strategies that expand the participation of private enterprises and contribute to employment and income generation. Small and micro enterprise development fosters indigenous entrepreneurial talent and offers an attractive grassroots weapon for creating productive jobs and enhancing the incomes of poor entrepreneurs, including women.

The Amendment will improve access to credit by increasing the competitiveness of PVO financial intermediaries, resulting in increased private investment and employment generation. It will build on the success of the existing Small Business II Project (SB II) by strengthening and expanding a network of institutions that provide credit, training, technical assistance and services to small and micro enterprises. The SB II has supported the formation of a network of PVOs, strengthened through the small business program of the National Association of Industries (ANDI/PYME), and directly funded the National Development Foundation of Honduras (FUNADEH).

Approximately 15 PVOs with the greatest potential for self-sufficiency, including FUNADEH and the ANDI/PYME core group, will receive technical assistance to improve management effectiveness and administrative controls, increase portfolio returns, install modern information systems, and develop innovative savings mobilization and credit mechanisms for the informal sector. Assistance will be focused on assuring the sustainability of these PVOs. The project will provide technical assistance to reduce loan transaction costs in the formal credit delivery system and develop new modes of collaboration between banks and PVOs engaged in lending to the small and microenterprise sector. Results of the Amendment will be: 1) a self-sufficient informal financial sector intermediation mechanism that will provide resources to the smallest enterprises, especially women-owned and operated enterprises, and 2) increased participation and empowerment of the poor through improved access to credit and increased opportunities in the small and microbusiness sector.

PROJECT (AMENDMENT) OUTPUTS/INDICATORS:

Number of Loans: 38,000 (of which 32,000 go to women)
Number of New Jobs Generated: 13,000
Number of self-sufficient PVOs: 15

PROJECT TITLE: Municipal Development (Amendment)
PROJECT NO.: 522-0340
LOP FUNDING: \$12,000,000 (including this \$2,000,000 Amendment)
FISCAL YEARS: FY 1995-98

FY 94-95 ABS

MISSION STRATEGIC OBJECTIVE: More Responsive Selected Democratic Institutions and Processes, with Greater Citizen Participation.

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

NARRATIVE: Many Hondurans are disenfranchised from the political and economic development process. Local communities have their leaders appointed by the cliques controlling the political party machines. Decisions are made by a central government bureaucracy lacking interest in serving real municipal needs. This top-down governing practice is being addressed by the Municipal Development Project (MDP).

At the national level, the efforts of the MDP have already produced one of the most advanced municipal laws in Central America. This has given a sound fiscal base to Honduran municipalities. In November 1993, Hondurans will for the first time be able to vote for a presidential candidate from one party and a mayoral candidate from another. At the municipal level the MDP is showing marked progress in its work with fourteen municipalities. Tax collections have doubled and tripled from 1991 and 1992, operating expenses have been cut dramatically, while investment in basic infrastructure has been increased. The Association of Municipalities of Honduras (AMHON) is now playing an important role in advancing the collective interests of all the municipalities. Two private universities have initiated training and research in the municipal sector, and a private foundation is now providing technical assistance to particular municipalities paid in part out of their operating budgets.

This Amendment will allow the MDP to: provide support to local nongovernmental organizations promoting more responsive and accountable local governments; further strengthen the ability of municipalities to provide basic services and infrastructure; and extend selected activities to an additional eight municipalities.

PROJECT OUTPUTS/INDICATORS:

Increased community participation town meetings and similar participatory mechanisms involving local governance.

Increased budget allocations for basic infrastructure.

Increased population coverage for the combined services of water supply, sewerage and solid waste collection.

PROGRAM TITLES: Structural Adjustment Programs III and IV
PROJECT NOs.: 522-0397 and 522-0398
LOP FUNDING: FY 1994: \$7,500,000; FY 1995: \$7,500,000

FY 94-95 ABS

MISSION STRATEGIC OBJECTIVES: More Responsive Selected Democratic Institutions and Processes, with Greater Citizen Participation; and Improved Management--Toward Long-Term Sustainability--of Selected Natural Resources.

PROJECT PURPOSE: To improve the policy framework in the environmental and judicial sectors.

NARRATIVE: Through policy reforms of predecessor Structural Adjustment Programs I and II, USAID has successfully encouraged the Government to embrace an outward-looking, private sector, free-market-oriented economic model. These efforts culminated in 4.9 percent economic output growth in 1992 -- the first growth in per capita terms since 1989. In FY 1994 and FY 1995, there will be a marked transition in the use of ESF resources. The Mission will no longer play a role in economic policy dialogue at the macroeconomic level. Instead, in light of more modest levels of ESF resources and the assumption of responsibility on the part of the multilateral donors for macroeconomic policy dialogue, FY 1994 and FY 1995 ESF resources will shift to address key policy issues in the environmental and democracy sectors, areas where development constraints are most severe in Honduras.

Such a reorientation is fully consistent with Mission Strategic Objectives and Agency Policy Areas for environment and democracy. These are areas of major concern in Honduras. The loss of forest cover is alarming; in the past 25 years Honduras has lost half of its four million hectares of broadleaf forest and the volume of commercial pine timber has declined by more than 40 percent. In the democracy area, the weak judicial system and consequent inability to protect property rights, has become the most significant impediment to doing business in the country. The Government has requested our assistance in these two areas.

PROGRAM OUTPUTS. The Mission is prepared to negotiate a reform agenda including: (a) adoption and implementation of regulations to manage forest protected areas and to promote biodiversity conservation, (b) effective pine and hardwood forest protection, (c) legislation providing for separate election of deputies apart from the Presidential slate, and (d) creation of a criminal investigation and prosecution office which would separate investigation and prosecution of crimes from judicial functions.

INDICATORS.

- Environment: -- forest reserves/protected areas under long-term management plans,
- increased use of acceptable forest management practiced nationwide
- increased training of forest management personnel
- Democracy: -- increased public confidence in the judicial system,
- number of qualified full-time personnel in the justice sector, and
- separate election of deputies
- creation of a Public Ministry separating investigation and prosecution of crime from judicial functions.

**HONDURAS (522)
FY 1994 ANNUAL BUDGET SUBMISSION**

TABLE V : PROPOSED PROGRAM RANKING

RANK	PROJECT	TITLE	PROGRAM FUNDING	
			(\$000) APPROP	INCR
	522-0000	PROGRAM DEVELOPMENT & SUPPORT	FN	179
	522-0000	PROGRAM DEVELOPMENT & SUPPORT	PN	120
	522-0000	PROGRAM DEVELOPMENT & SUPPORT	HE	15
	522-0000	PROGRAM DEVELOPMENT & SUPPORT	EH	100
	522-0000	PROGRAM DEVELOPMENT & SUPPORT	SD	83
	522-0216	HEALTH SECTOR II	HE	1,516
	522-0216	HEALTH SECTOR II	CS	5,972
	522-0216	HEALTH SECTOR II	DG	629
	522-0246	FORESTRY DEVELOPMENT	FN	1,500
	522-0273	PRIMARY EDUCATION EFFICIENCY	EH	1,610
	522-0289	PRIVATIZATION OF STATE ENT.	SD	800
	522-0292	LAND USE PRODUCTIVITY ENHAN.	FN	1,250
	522-0296	STRENGTHENING DEMOCRATIC INS.	SD	500
	522-0312	AGRICULTURAL & EXPORT DEVELOP.	FN	200
	522-0325	POLICY ANALYSIS IMP. (ECON)	SD	100
	522-0364	HONDURAS PEACE SCHOLAR. II	FN	175
	522-0364	HONDURAS PEACE SCHOLAR. II	HE	75
	522-0364	HONDURAS PEACE SCHOLAR. II	EH	100
	522-0364	HONDURAS PEACE SCHOLAR. II	SD	150
	522-0369	PRIVATE SECTOR POP PROG. II	PN	2,380
	522-0381	STRENGTH. ACCOUNTABILITY SYS.	EH	575
	522-0383	SMALL FARMER AGRIBUSINESS DEV	FN	725
	522-0385	NATIONAL ENVIRON. PROT. FUND	FN	1,900
	TOTAL MCC REQUEST			20,654
INCREMENT LEVEL				
	522-0397	STRUCTURAL ADJUSTMENT PRO III	ES	7,500
	522-0383	SMALL FARMER AGRIBUSINESS DEV.	FN	275
	522-0340	MUNICIPAL DEVELOPMENT	SD	656
	522-0388	BASIC EDUCATION & SKILLS TRN.	EH	421
	522-0216	HEALTH SECTOR II	HE	200
	522-0325	POLICY ANALYSIS IMP. (AGR)	FN	1,400
	522-0289	PRIVATIZATION OF STATE ENT.	SD	262
	522-0312	AGRICULTURAL & EXPORT DEVELOP.	FN	200
	522-0325	POLICY ANALYSIS IMP. (ECON)	SD	450
	522-0246	FORESTRY DEVELOPMENT	FN	500
	522-0385	NATIONAL ENVIRON. PROT. FUND	FN	342
	522-0325	POLICY ANALYSIS IMP. (AGR)	FN	1,400
	522-0325	POLICY ANALYSIS IMP. (FIN)	SD	779
	TOTAL INCREMENT REQUEST			14,385
	TOTAL REQUEST			35,039

ATTACHMENT 3

MISSION: USAID/HONDURAS

EXPENSE CATEGORY	FUNC CODE	FY 1994 REDUCED (75%)			FY 1994 (94CP) (100%)			FY 1995 REDUCED (75%)			FY 1995 (94CP) (100%)		
		DOLLARS	TRUST FUND	TOTAL	DOLLARS	TRUST FUND	TOTAL	DOLLARS	TRUST FUND	TOTAL	DOLLARS	TRUST FUND	TOTAL
U.S. DIRECT HIRE:													
Other Salary	U105			0.0			0.0			0.0			0.0
Education Allowances	U106	85.0		85.0	85.0		85.0	91.4		91.4	91.4		91.4
Cost of Living Allow.	U108			0.0			0.0			0.0			0.0
Other Benefits	U110	6.4		6.4	6.4		6.4	6.4		6.4	6.4		6.4
Post Assign Travel	U111	34.5		34.5	34.5		34.5	33.0		33.0	33.0		33.0
Post Assign Freight	U112	86.0		86.0	86.0		86.0	92.0		92.0	92.0		92.0
Home Leave Travel	U113	52.0		52.0	52.0		52.0	42.0		42.0	42.0		42.0
Home Leave Freight	U114	14.0		14.0	14.0		14.0	9.5		9.5	9.5		9.5
Education Travel	U115	8.0		8.0	8.0		8.0	8.0		8.0	8.0		8.0
R&R Travel	U116	12.5		12.5	12.5		12.5	1.5		1.5	1.5		1.5
Other Travel	U117	8.0		8.0	8.0		8.0	8.0		8.0	8.0		8.0
Subtotal	U100	306.4	0.0	306.4	306.4	0.0	306.4	291.8	0.0	291.8	291.8	0.0	291.8
F.N. DIRECT HIRE:													
F.N. Basic Pay	U201		281.9	281.9		510.8	510.8		250.0	250.0		502.0	502.0
Overtime/Holiday Pay	U202		15.0	15.0		11.0	11.0		8.2	8.2		10.7	10.7
Other Code 11 - FN	U203		21.0	21.0		19.2	19.2		10.9	10.9		17.9	17.9
Other Code 12 - FN	U204		35.0	35.0		37.0	37.0		29.3	29.3		46.7	46.7
Benefits - Former FN	U205			0.0			0.0			0.0			0.0
Accrued Severance	U206			0.0			0.0			0.0			0.0
Subtotal	U200	0.0	352.9	352.9	0.0	578.0	578.0	0.0	298.4	298.4	0.0	577.3	577.3
CONTRACT PERSONNEL:													
U.S. PSC - S&B	U302	165.0		165.0	227.7		227.7	170.0		170.0	239.1		239.1
Other U.S. PSC Costs	U303			0.0			0.0			0.0			0.0
FN PSC - S&B	U304		824.0	824.0		1,062.7	1,062.7		823.4	823.4		974.7	974.7
OTHER FN PSC COSTS	U305		60.0	60.0		100.0	100.0		222.0	222.0		245.0	245.0
Manpower Contracts	U306			0.0			0.0			0.0			0.0
Accrued Severance	U307			0.0			0.0			0.0			0.0
Subtotal	U300	165.0	884.0	1,049.0	227.7	1,162.7	1,390.4	170.0	1,045.4	1,215.4	239.1	1,219.7	1,458.8
HOUSING:													
Residential Rent	U401	333.0		333.0	333.0		333.0	310.1		310.1	310.1		310.1
Residential Utilities	U402		51.5	51.5		51.5	51.5		55.6	55.6		55.6	55.6
Maint/Repairs	U403		5.0	5.0		5.0	5.0		5.8	5.8		5.8	5.8
Living Quarters Allow	U404			0.0		6.9	6.9			0.0		7.2	7.2
Security Guards	U407		45.6	45.6		45.6	45.6		40.0	40.0		48.8	48.8
Official Res. Exp.	U408	1.6		1.6	1.6		1.6	1.7		1.7	1.7		1.7

ATTACHMENT 3

MISSION: USAID/HONDURAS		FY 1994 REDUCED (75%)			FY 1994 (94CP) (100%)			FY 1995 REDUCED (75%)			FY 1995 (94CP) (100%)		
EXPENSE CATEGORY	FUNC CODE	DOLLARS	TRUST FUND	TOTAL	DOLLARS	TRUST FUND	TOTAL	DOLLARS	TRUST FUND	TOTAL	DOLLARS	TRUST FUND	TOTAL
Representation Allow.	U409	1.3		1.3	1.3		1.3	1.4		1.4	1.4		1.4
Subtotal	U400	335.9	102.1	438.0	342.8	102.1	444.9	313.2	101.4	414.6	320.4	110.2	430.6
OFFICE OPERATIONS:													
Office Rent	U501	327.6		327.6	327.6		327.6	344.0		344.0	344.0		344.0
Office Utilities	U502		81.8	81.8		81.8	81.8		88.3	88.3		88.3	88.3
Building Maint/Repair	U503		30.3	30.3		30.3	30.3		22.7	22.7		32.7	32.7
Equip Maint/Repair	U508		64.6	64.6	6.2	64.6	70.8	6.5	49.8	56.3	6.5	69.8	76.3
Communications	U509	18.0	42.4	60.4	34.9	47.4	82.3	16.1	25.8	41.9	26.1	51.2	77.3
Security Guards	U510		57.7	57.7		57.7	57.7		61.6	61.6		56.1	56.1
Printing	U511			0.0			0.0			0.0			0.0
Site Visits - Mission	U513	3.3	26.7	30.0	3.6	45.5	49.1	2.0	22.0	24.0	4.2	46.5	50.7
Site Visits - AID/W	U514	6.0		6.0	9.8		9.8	4.8		4.8	10.1		10.1
Information Meetings	U515	5.0		5.0	8.7		8.7	4.0		4.0	8.5		8.5
Training Travel	U516	45.0		45.0	73.4		73.4	36.0		36.0	76.0		76.0
Conference Travel	U517	10.0		10.0	16.4		16.4	8.0		8.0	16.9		16.9
Other Operational Tvl.	U518	4.0		4.0	6.5		6.5	3.2		3.2	6.8		6.8
Supplies	U519	66.3	20.0	86.3	171.2	42.0	213.2	50.0	25.0	75.0	179.8	47.9	227.7
FAAS	U520	80.0		80.0	80.0		80.0	80.0		80.0	80.0		80.0
Consultant Contracts	U521			0.0			0.0			0.0			0.0
Mgmt/Prof Svcs. Cont.	U522			0.0			0.0			0.0			0.0
Spec. Studies/Analyses	U523			0.0			0.0			0.0			0.0
ADP II/W Lease/Maint	U525			0.0			0.0			0.0			0.0
ADP S/W Lease/Maint	U526			0.0			0.0			0.0			0.0
Trans/Freight - U500	U598		35.0	35.0	52.0		52.0	30.0		30.0	44.1		44.1
Other Contract Svcs.	U599	30.0	30.0	60.0	30.0	30.0	60.0	20.0	10.0	30.0	20.0	25.0	45.0
Subtotal	U500	595.2	388.5	983.7	820.3	399.3	1,219.6	604.6	305.2	909.8	823.0	417.5	1,240.5
NXP PROCUREMENT:													
Vehicles	U601			0.0	65.8		65.8			0.0	41.6		41.6
Residential Furniture	U602	10.0		10.0	38.8		38.8	10.0		10.0	17.4		17.4
Residential Equipment	U603	5.0		5.0	16.5		16.5	5.0		5.0	17.3		17.3
Office Furniture	U604	5.0		5.0	13.1		13.1	5.0		5.0	13.8		13.8
Office Equipment	U605	10.0		10.0	16.4		16.4	5.0		5.0	17.2		17.2
Other Equipment	U606	5.0		5.0	6.3		6.3	5.0		5.0	6.6		6.6
ADP II/W Purchases	U607			0.0	18.2		18.2	5.0		5.0	19.1		19.1
ADP S/W Purchases	U608			0.0	28.4		28.4	5.0		5.0	20.3		20.3
Trans/Freight - U600	U698	15.0		15.0	37.2		37.2	10.0		10.0	27.7		27.7
Subtotal	U600	50.0	0.0	50.0	240.7	0.0	240.7	50.0	0.0	50.0	181.0	0.0	181.0

ATTACHMENT 3

MISSION: USAID/HONDURAS		FY 1994 REDUCED (75%)			FY 1994 (94CP) (100%)			FY 1995 REDUCED (75%)			FY 1995 (94CP) (100%)		
EXPENSE CATEGORY	FUNC CODE	DOLLARS	TRUST FUND	TOTAL									
TOTAL OE EXPENSE BUDGET		1,452.5	1,727.5	3,180.0	1,937.9	2,242.1	4,180.0	1,429.6	1,750.4	3,180.0	1,855.3	2,324.7	4,180.0
Less FAAS	U520	80.0		80.0	80.0		80.0	80.0		80.0	80.0		80.0
TOTAL OE EXPENSE BUDGET		1,372.5	1,727.5	3,100.0	1,857.9	2,242.1	4,100.0	1,349.6	1,750.4	3,100.0	1,775.3	2,324.7	4,100.0
636(C) REQUIREMENTS	U999												
GRAND TOTAL OE EXPENSE BUDGE		1,372.5	1,727.5	3,100.0	1,857.9	2,242.1	4,100.0	1,349.6	1,750.4	3,100.0	1,775.3	2,324.7	4,100.0
=====		=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
USDH FTEs			25.0			26.0			25.0			25.0	
FNDH FTEs (U200)			9.0			18.0			9.0			18.0	
US PSC FTEs (U300)			3.0			5.0			3.0			5.0	
TCN PSC FTEs (U300)			0.0			1.0			0.0			1.0	
FN PSC FTEs (U300)			94.0			101.0			94.0			101.0	

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