



CHEMONICS INTERNATIONAL INC.

RAISE IQC Task Order No. 800

Final Report

Contract No. OUT-PCE-I-00-99-00003-00

USAID – Government of Honduras Results Framework  
for Results Package 1.1  
Economic Reactivation Meeting Needs of the Poor

Submitted to:  
U.S. Agency for International Development/Honduras  
Dennis Sharma, Cognizant Technical Officer

Submitted by:  
Chemonics International Inc.

Authored by:  
Efrain Laureano, Milton Muñoz, Margarita Rojas,  
Magdalena García, Emil Falck, Susanna Mudge  
Christian Kolar and Michelle Falck

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Submitted by:  
Chemonics International Inc.  
1133 20<sup>th</sup> Street, NW, Suite 600  
Washington, DC 20036  
202-955-3300  
Fax 202-955-3400

Contact:  
Christian Kolar, Project Manager  
ckolar@chemonics.net

# **RAISE IQC Task Order No. 800 Final Report**

## **A. Background & Purpose**

The Rural and Agricultural Incomes with a Sustainable Environment (RAISE) Indefinite Quantity Contract provided an ideal mechanism to continue the provision of high quality technical assistance during the difficult post-Hurricane Mitch period in Honduras. RAISE Task Order No. 800 was issued to serve as a bridge between the conclusion of Chemonics International's Agricultural Policy Development Project (PRODEPAH) contract in March 1999 and the award of the PROPEP contract in October 1999. The primary objectives of the task order were to safeguard against the possible backsliding of many of the achievements gained under the PRODEPAH project and to provide critical assistance and continuity to the reconstruction process. Originally scheduled to conclude in August 1999, the task order received two no cost 30-day extensions which enabled Chemonics to provide assistance through October 1999.

The extent of the damage to rural areas and the agricultural sector as a result of Hurricane Mitch left Honduras and its economy extremely vulnerable. This reality jeopardized the advancements made by PRODEPAH for the modernization of the agricultural sector. Continued assistance to the Ministry of Agriculture, as well as to the private agricultural sector, was critical to the reconstruction effort. The RAISE IQC Task Order prevented a lapse in technical assistance from occurring, and it continued to support the agricultural policy reform efforts, thereby enabling the Ministry of Agriculture to complete the recovery plan and to implement necessary activities in the months prior to the start-up of the PROPEP project.

### **A1. Statement of Work**

The work under the RAISE Task Order No. 800 began March 1, 1999 and concluded on October 31, 1999. Its conclusion coincided with the award of the PROPEP contract. As specified in the statement of work for the task order, the primary focus of the activities were to:

- (a) continue policy reform efforts and where necessary promote changes that contribute to poverty reduction through increased investments, increased exports and economic growth.
- (b) provide support to the Hurricane Mitch recovery efforts. This would include:
  - i. activities to generate employment in rural areas affected by the storm, and;
  - ii. the rehabilitation of rural roads intended to reactivate this important productive sector.

## **A2. Expected Results**

Throughout the implementation of the RAISE IQC Task Order No. 800, the contractor was expected to address the following results and activities:

### **Result 1: Improved Policy Environment**

Activities:

- Monitor the policy environment affecting agriculture and maintain public-private policy dialogue to prevent backsliding.
- Encourage a strong private sector role in support of policy dialogue and in efforts to address Hurricane Mitch reconstruction.
- Design and implement a mass media campaign that stresses the need to maintain open market-based policies during the hurricane reconstruction period as well as beyond.
- Assist in coordinating Hurricane Mitch reconstruction activities with the Ministry of Agriculture.

### **Result 2: Rehabilitation of Rural Roads**

Activities:

- Coordinate USAID resources intended for rural road rehabilitation with the Ministry of Agriculture and other rural agencies.

### **Result 3: Generation of Employment**

Activities:

- Provide technical support to the Ministry of Agriculture in completing its sectoral reconstruction plan.
- Assist the Ministry of Agriculture in implementing Hurricane Mitch recovery activities directed at increasing employment in rural areas.

## **B. Task Order Activities and Results**

A long-term technical assistance team, composed of Efrain Laureano as Chief of Party/Senior Policy Economist and Milton Muñoz as Transition Advisor, was provided for the duration of the task order. Key support staff, strategic short-term advisors and related activities were also provided to promote the achievement of the anticipated results.

The following summarizes the key activities and accomplishments organized by expected results.

**Result 1: Improved Policy Environment – Monitor the policy environment affecting agriculture and maintain public-private policy dialogue to prevent backsliding.**

The long-term technical team closely and continuously monitored the Honduran policy environment affecting the agricultural sector. This was achieved through close policy dialogue with various counterparts, including: the Ministry of Agriculture (SAG), the Unit for Planning, Evaluation, and Management (UPEG), the Agriculture Policy Council (CONPPAH), the Honduran Council for Private Enterprise (COHEP), the National Federation of Honduran Farmers and Ranchers (FENAGH), the National Rural Council (CNC), the Honduran Coordinating Council of Rural Organizations (COCOCH), the Central Bank of Honduras (BCH), the Reconstruction Cabinet, other donors, and other producer groups. Specific activities included the following:

1. Participated in key meetings with the Minister of Agriculture, outside donors and technical visitors and provided technical guidance on the policy agenda and the need to deepen policy changes in the agricultural sector. Also accompanied the Minister on several field trips to exchange views with local producers.
2. Established and strengthened communication bridges between decision makers in Congress, private sector officials and key agrarian reform groups, in order to consolidate policy dialogue regarding the new Agricultural Investment and Rural Employment Generation Law.
3. Served as mediators in an agreement between the poultry agroindustry and the basic grain producers aimed at improving marketing of grains and lowering import tariffs. The agroindustry, the basic grain producers, and the Minister of Agriculture requested this intervention.
4. Provided assistance to the Minister of Agriculture in the development of his position paper/policy presented during his March 1999 trip to Washington, D.C.
5. Provided technical assistance to FENAGH to facilitate the analysis of the price crisis in the dairy subsector and to help them organize their national convention. Also, support was provided to Olancho tomato producers to help alleviate their price crisis.
6. Provided technical support to the agrochemical and fertilizer subsector aimed at finding a solution to the financial crisis brought about by Hurricane Mitch.
7. Participated in the presentation of the Master Reconstruction Plan at the National Convergence Forum (FONAC) together with representatives of the civil society.
8. Organized a field trip with the Minister of Agriculture and USAID representatives to Choluteca, La Lima and La Ceiba. The purpose of the trip was for the Minister and USAID representatives to see and hear firsthand from the producers what their needs were in the aftermath of Hurricane Mitch. Also helped to organize a strategic planning seminar for the

Ministry of Agriculture. The seminar resulted in a committee charged with implementing the recommendations discussed during the seminar. Strategic planning seminars were also held with Directorate of Agricultural Science and Technology (DICTA), National Agro-sanitation Service (SENASA), UPEG, and General Directorate of Integrated Agricultural Development (DGDAI).

9. RAISE staff conducted a technical trip to Nicaragua and Guatemala to examine their experiences with the reconstruction effort - specifically looking at small producer participation, rural credit initiatives, investment, and agro-export regimes. They also looked at success stories in order to enhance the Honduran reconstruction effort.
10. Worked closely with the Congressional Agricultural Commission to review the pending agricultural laws and to discuss a possible technical assistance program for the commission.
11. Monitored closely the basic grains market, including wholesale regional prices, imports, and trends, in order to provide strategic policy advice on this key sector.
12. Conducted a workshop to review the questions for the 1999 agricultural survey. Technical staff from the General Directorate of Statistics and Census (DGEC), SAG/UPEG and the National Agrarian Institute (INA) attended.
13. Provided technical assistance to the Agricultural, Household, Income and Expenditure Survey teams in several technical areas. This involved supervising the surveys to improve the quality of the data collected.
14. Provided information and support to USAID consultant Roberta Van Heften in the development of a document to assess the impact of Hurricane Mitch on food security in Honduras. The purpose of the document was to determine the extent of the damage caused by the hurricane and the amount of food required for the population. The Food and Agriculture Organization (FAO) prepared a similar diagnostic soon after Hurricane Mitch. A lot of the initial information gathered about the damage sustained by the agricultural sector was not accurate. More accurate information about the losses was necessary to safeguard against price distortions in the market. These findings resulted in the withdrawal of FAO's initial diagnostic from their website. The findings also prompted the acquisition of local basic grains for the PMA program.
15. Participated in technical meetings with SAG/UPEG, INA and USAID to review the progress of the resolution of Decree No. 8 cases and the Agrarian Reform Groups Census, both activities funded under PL480.
16. Provided limited assistance to the Minister of Agriculture in the technical discussions analyzing the proposed Forestry Incentive Law, including the identification of alternatives to foster the development of this important subsector.
17. Initiated a constructive policy dialogue with the Congressional Agricultural Commission that culminated in the passage of key legislation for the agricultural sector. This included an

improved collateral and mortgage law, the AGROBOLSA law and an improved titling law that allows for titling small farms.

18. In coordination with the Minister of Agriculture, conducted an observational trip with 29 members of the National Congress. This activity exposed key members of Congress to success stories in the areas of agricultural exports and investment. Locations visited included: Comayagua, Santa Cruz de Yojoa, and San Pedro Sula. Persons/places visited included producers of non-traditional agricultural exports, agroindustries, a maquila, and the Honduras Agricultural Investigation Foundation (FHIA).
19. Initiated discussions with USAID on a possible assistance agenda for the Congressional Agricultural Commission and other key legislators, which could help to increase their awareness on policies that will promote rural employment and alleviate poverty.
20. A short-term advisor, Kevin White, was contracted to work with the DGEC on the development of a course on SPSS (statistical software package).

**Result 1: Improved Policy Environment – Encourage a strong private sector role in support of policy dialogue and in efforts to address Hurricane Mitch reconstruction.**

Specific activities that address the encouragement of a strong private sector in the policy environment include the following:

1. Provided peer review to the Inter-American Development Bank's Rural Assessment document that was published and recently discussed.
2. Provided support to CONPPAH to conduct key meetings and discussions on the reconstruction process of the agricultural sector. Assistance included helping CONPPAH inform the international community about the extent of Hurricane Mitch damage to the productive sectors, resulting in CONPPAH forming part of the team overseeing the reconstruction process.
3. Worked closely with CNC, COCOCH and the Rural Development Foundation (FUNDER) in understanding the positions of agrarian reform groups in the reconstruction process and other relevant policy topics.
4. Initiated the action plan for the establishment of the National Agribusiness Council of Honduras (CONAGROH) as the umbrella organization for the agricultural sector. This was facilitated through the short-term technical assistance provided by Osmar Benitez.
5. Re-initiated the Economic Topical Seminar Series with the Honduran National Autonomous University (UNAH).

**Result 1: Improved Policy Environment – Design and implement a mass media campaign that stresses the need to maintain open, market-based policies during the hurricane reconstruction period as well as beyond.**

To contribute to the achievement of this result, the RAISE task order facilitated the diffusion of mass media messages regarding the need to maintain open market-based policies through radio and newspapers. Press articles as well as radio interviews with the Minister of Agriculture and other top officials were critical in this regard.

**Result 1: Improved Policy Environment: Assist in coordinating Hurricane Mitch reconstruction activities with the Ministry of Agriculture.**

Many of the activities conducted under the RAISE task order contributed to the achievement of this result. These included:

1. Participated and helped organize several meetings and discussions with private and public sector representatives to discuss the need to maintain open-based policies during the hurricane reconstruction period and beyond, and to identify key projects to be included in the sector reconstruction plan.
2. Supported the Minister of Agriculture as technical advisors in several meetings with the Government Reconstruction Cabinet and its technical advisory unit (UNAT).
3. Worked together with technical advisors from FAO, the United Nations Development Programme (UNDP), the Inter-American Institute of Agricultural Cooperation (IICA), *Centro Agronómico Tropical de Investigación y Enseñanza* (CATIE), INA, SAG and the Regional Unit of Technical Assistance (RUTA) in detailing the individual project profiles to be integrated into the Master Reconstruction Plan for the country. As a result of these activities a Reconstruction Plan for the agricultural sector was completed. The Plan consists of three priority programs: rehabilitation of production units affected by Mitch; reactivation of the agricultural sector; and watershed management. The majority of specific projects included in the agricultural reconstruction plan are directed at increasing employment in rural areas.
4. Much of the technical assistance provided under this task order was devoted to assist personnel from the Ministry of Agriculture in their efforts to implement the program to rehabilitate the production units affected by Hurricane Mitch.
5. A short-term advisor, Javier Flores, was contracted through RAISE to provide assistance to the Ministry of Agriculture with the development strategy for the agricultural sector.

**Result 2: Rehabilitation of Rural Roads: Coordinate USAID resources intended for rural road rehabilitation with the Ministry of Agriculture and other rural agencies.**

The RAISE IQC task order team assisted the Minister of Agriculture with the preparation of the initial version of the rural road rehabilitation project, as part of the Agricultural Reconstruction Plan. Once the plan was discussed with UNAT it was decided that the project must appear in the Ministry of Public Works, Transportation, and Housing's (SOPTRAVI) agenda as part of the

Master Plan for National Reconstruction and Development (PMRTN). Now the Honduran Social Investment Fund (FHIS) will be in charge of the project in coordination with other institutions.

**Result 3: Generation of Employment in Rural Areas – Provide technical support to the Ministry of Agriculture in completing its sectoral reconstruction plan.**

In an integrated effort with different units from the Ministry of Agriculture such as UPEG, representatives from private sector and farmers' organizations and UNAT, it was possible to complete the agricultural sectoral plan prior to the Estocolmo meeting.

As mentioned above, the plan is composed of three major programs: a) rehabilitation of production units affected by Hurricane Mitch, b) reactivation of the agricultural sector, and c) watershed management. All programs have specific projects that emphasize employment generation in rural areas, as will be explained in the next section. The total estimated cost of the plan is US\$671 million.

In addition to assisting with the development of the plan, technical support to the Ministry also included participation in several meetings with representatives from the public sector, private sector and producer organizations. The purpose of these meetings was to analyze and evaluate the plan. RAISE staff also participated in meetings with international financial institutions and other donors to evaluate the plan.

Once the plan was completed, RAISE staff focused their efforts on assisting personnel within the Ministry of Agriculture in the preparation of specific project profiles. This assistance was coordinated with IICA, FAO, UNDP and other international institutions.

**Result 3: Generation of Employment in Rural Areas – Assist the Ministry of Agriculture in implementing Hurricane Mitch recovery activities directed at increasing employment in rural areas.**

The technical assistance provided through the RAISE IQC Task Order No. 800 has been crucial for defining specific actions oriented to increasing employment in rural areas. Short-term technical assistance provided through the RAISE task order was important to the development of "clusters" and regional competitiveness committees, among other strategies oriented to attract investment in the rural sector and increase agricultural exports and employment.

The Hurricane Mitch recovery activities that have been defined with the assistance of the RAISE task order team included:

**PRONADERS (National Program for Sustainable Rural Development)**

The RAISE team worked closely with personnel from IICA, FAO and UNDP to define a national rural development policy that will be carried out through PRONADERS. PRONADERS is a national program that encourages local participation in the design, implementation and evaluation of sustainable rural development activities. The Government of Honduras allotted US\$18 million to carry out the initial stage of this program. The objective of the project is to

generate rural employment opportunities, specifically through the support for new local entrepreneurs and productive initiatives.

### **PROREMI (Rehabilitation Program for Production Units Affected by Mitch)**

This program was designed with assistance from the RAISE team, at the request of the Minister of Agriculture. The program targets farmers affected by Hurricane Mitch who were identified through a national census supervised by UPEG. The majority of the farmers targeted for this assistance live on riversides. The total cost of the initial phase of this program is Lps. 80 million and is currently being implemented by the Ministry of Agriculture throughout the country. In addition to assisting the farmers affected by Hurricane Mitch, it will also provide local workers with an opportunity to participate in the reconstruction effort.

### **FEDECAMARA (National Federation of Municipal Chambers of Commerce and Industry)**

A short-term advisor, Dario Flores, was contracted through the RAISE task order to develop a proposal for assistance to FEDECAMARA. Assistance to FEDECAMARA will increase the availability of services for businesses in secondary cities. This activity will form a major part of the Productivity and Policy Enhancement (PROPEP) assistance to secondary cities in Honduras.

### **Strengthen Phyto-Zoosanitary Regime**

The main purpose of this project is to strengthen Honduras' phyto and zoosanitary regime as a way to create an improved climate for increasing traditional and non-traditional agricultural exports. Some of the activities contemplated within this project are being carried out successfully. In a few months Honduras will be able to export mangos to the U.S. market, for example. This will have a direct effect on rural employment in the Comayagua region. Hopefully the same will happen with other crops such as papaya, medicinal plants and tropical fruits (e.g. rambutan). Likewise there are efforts underway in relation to the poultry industry. All of these activities will have a tremendous impact in rural employment and exports.

### **Crop Diversification Program**

A short-term advisor, Mark Gaskell, was contracted to provide recommendations for the development of a countrywide crop diversification program in Honduras. As a result of this activity, the Ministry of Agriculture implemented demonstration farms in Comayagua and La Esperanza.

### **Financial Services**

A short-term advisor, Jorge Daly, was contracted to work in close coordination with USAID consultant Hilario Hooker. They developed a program for the delivery of financial services to small non-agricultural businesses, to small and medium scale commercial farmers and agribusiness owners in areas affected by Hurricane Mitch.

### C. Short Term Technical Assistance

In addition to providing the services of two long-term personnel, Chemonics also provided several short-term technical consultants. The activities they conducted are included above. The table below provides a brief summary of their assignments and duration of each one.

Consultant	Activity	Duration of Assignment
Jorge Daly (Chemonics Home Office Employee)	Program for delivering financial services to those affected by Hurricane Mitch.	11 days
Javier Flores (local)	Assistance to the Ministry of Agriculture on a new development strategy for the agricultural sector.	23 days
Kevin A. White (expatriate)	Worked with DGEC to develop a course on SPSS (statistical software package)	1 day
Osmar Benitez (third country national)	Provide technical assistance to CONPAH in the development of an umbrella private sector agricultural institution.	7 days
Dario Flores (local)	Developed a proposal for assistance to FEDECAMARA.	12 days
Mark Gaskell (expatriate)	Provide recommendations for the development of a countrywide crop diversification program in Honduras.	5.5 days

### D. Major Accomplishments

The technical assistance provided through the RAISE IQC task order helped to:

- sustain and consolidate policy reforms already adopted and in some ways helped to improve the policy environment;
- support the Ministry of Agriculture in the completion of the sector reconstruction plan and to provide technical assistance to the implementation of the plan;
- define several projects that are currently being implemented (e.g. PROREMI and PRONADERS);
- strengthen the relationships between Congress, farmer organizations, private sector groups, and other Government entities;
- facilitate the establishment of the new agricultural private sector organization COAGROH; and

It is also important to note that the new Minister of Agriculture appointed at the beginning of the task order period assisted with project activities and also played a central role in facilitating the policy dialogue between the public and private sector.

## **E. Problems Encountered**

While there were no major limitations to the activities conducted under the RAISE task order, the following obstacles were identified:

- Delays in the approval and implementation of several projects due to uncertainty in the international donor community regarding transparency in the use of funds.
- Excessive bureaucracy within the public sector continues to affect the efficiency of its institutions as well as its ability to establish linkages with the private sector.
- Delays in specifying the amount of resources available for the rural roads rehabilitation program.

## **F. Budget**

The effective start date for the RAISE IQC Task Order No. 800 was March 1, 1999. At the time of the task order contract award, the contract budget was \$363,406.64. This included \$177,197.12 for WorkDays Ordered and \$186,209.52 for Other Direct Costs. An amount of \$169,000.00 was obligated at that time. The performance period for the task order was to be for six months, with an end date of August 31, 1999.

On May 14, 1999 a modification was issued to the RAISE IQC task order to fully fund the activity. An additional obligation of \$194,406.64 was added to the contract, bringing the total obligation up to \$363,406.64.

On August 20, 1999 we received approval for a 30-day no cost extension from the Cognizant Technical Officer. The new end date was September 30, 1999.

On September 29, 1999 a second modification to the RAISE IQC task order contract was issued. This provided a second 30-day no cost extension to the period of performance. The effective end date was changed to October 31, 1999.

On October 29, 1999 a third modification to the RAISE IQC task order contract was issued. The modification provided for a realignment of the level of effort authorized under the contract and to the cost line items. This was done to allow for the provision of additional technical assistance under the task order and to include the general and administrative costs that had been omitted from the original budget. The new budget provided \$212,717.44 Work Days Ordered, \$143,815.34 for Other Direct Costs, and \$6,874.00 for G&A. The total ceiling price remains \$363,406.64.

The table below presents the monthly expenditures invoiced under the task order.

Category	Contract Budget	Mar 99	Apr 99	May 99	Jun 99	Jul 99	Aug 99	Sep 99	Oct 99	Total
Work Days Ordered	\$212,717	\$31,643	\$27,467	\$24,687	\$24,531	\$23,495	\$25,934	\$24,958	\$19,933	\$198,764
Other Direct Costs	\$143,815	\$11,649	\$29,297	\$15,000	\$9,787	\$9,210	\$12,456	\$19,836	\$17,935	\$129,055
G&A	\$6,874	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,983	\$5,983
Total	\$363,407	\$43,292	\$56,763	\$39,687	\$34,318	\$32,706	\$38,391	\$44,794	\$43,851	\$333,802

The final invoice for the RAISE IQC Task Order No. 800 has not been submitted. Several expenditures incurred during the performance period of the task order contract have not yet been captured in the invoices submitted to date. We are working to finalize our review of these expenditures in order to prepare the final invoice. We do not anticipate that these pending costs will exceed the contract ceiling.