



COUNTRY EVALUATION: HONDURAS

ASSESSMENT OF DEVELOPMENT RESULTS



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Contents

Foreword	5
Executive Summary	7
1. Introduction	15
2. Honduras Development Context and Key Challenges	17
3. UNDP's Contribution to Development Outcomes	27
4. Strategic Positioning and Relevance of its Programmes	49
5. Lessons Learned and Recommendations	55
Annexes	
I. Summarised Terms of reference for ADR Honduras	61
II. Honduras Strategic Results Framework – List of Outcomes and Outputs	65
III. Intended development results 1998 - 2006	69
IV. Honduras aid receipts and UNDP Country Programme delivery	73
V. SWOT Analysis of UNDP, Honduras	68
VI. Evolution of UNDP planning frameworks 1998-2007	69
VII: List of People Met	71
VIII: Millennium Development Goals	74
IX Abbreviations	76

Foreword

This report presents the findings of the Honduras country evaluation, the Assessment of Development Results (ADR) that was conducted by the Evaluation Office (EO) of the United Nations Development Programme (UNDP) in 2004. This evaluation is part of a series of independent country evaluations that the EO undertakes every year in a selected number of countries. ADRs are forward-looking exercises that assess UNDP's contributions to the country's development with a view to generating lessons that can enhance the organization's performance, make it more accountable and promote organizational learning.

Honduras is of strategic interest for UNDP for two main reasons. First, its office is amongst the largest both in terms of staff and non-core resources in the Latin American and Caribbean region. This is largely due to its 'Business Centre' approach, UNDP's strategy to mobilize resources and ensure sustainability of country office operations where core funds are scarce or diminishing. This innovative approach has enabled UNDP to act as an important player in the country's development and have a say in advocacy and policy formulations.

Second, UNDP focused its support on strengthening democracy in a country that suffered from a weak embryonic government, a dearth of solid institutions and widespread corruption. UNDP ventured into almost all areas of governance and used the leverage gained through its business centre to contribute to human development in the country.

The team concludes that UNDP has contributed considerably to the strengthening of democratic institutions and processes, through the promotion of dialogue on sensitive issues such as corruption, political and electoral reforms, and the democratization of the armed forces. UNDP-promoted reforms have made the political system more transparent and representative, enhanced efficiency in public management and advanced the decentralization process.

The business centre has provided UNDP with a platform of operational sustainability enabling it to become an important player in the Honduran development scene. Notwithstanding its success, the report recommends the need to review the business centre concept with a view to aligning its activities with projects linked to the development agenda and to ensure that it does not get too close to business interests, private or public. UNDP also needs to explicitly map out a capacity-building plan to transfer procurement and management skills to local actors, and to lay out a clear exit strategy.

A number of people have contributed to this evaluation, particularly the evaluation team leader Michael Hopkins, Managing Director of MHC International Ltd. and Professor of Corporate and Social Research in the University of Middlesex in London, the principal international consultant, Mr.

Emilio Klein, former Programme Advisor from the Operations Support Group, Mr. Harold Robinson who played an important role during the exploratory phase, and from the Evaluation Office, Ms. Ada Ocampo for her contributions and Ms. Clara Alemann, Task Manager for this exercise.

Victor Mesa, Director of the Documentation Center of Honduras (CEDOH), undertook the in-depth study on democratic governance. Mr. Fuat Andic, peer reviewed the report and provided valuable technical advice to the Evaluation Office. Ms. Fadzai Gwaradzimba, Senior Evaluation Advisor, played a vital role throughout the entire ADR process providing overall guidance and advice. Ms. Margarita Bernardo, Ms. Mahahoua Toure and Mr. Anish Pradhan provided invaluable administrative and logistical support. I would also like to thank the numerous government officials, donors and members of civil society organizations and political parties whose insights were invaluable to the team.

We are extremely grateful to the entire team in the Honduras country office for their interest, cooperation and invaluable support throughout, particularly Ms. Glenda Gallardo, principal economist and main focal point for this exercise, Ms. Marcela Flores, Ms. Tania Martinez and Ms. Noelia Nuñez, who provided excellent in-country support during the team's mission, facilitating access to innumerable background documentation which was critical to the evaluation. I would like to thank the former and current Resident Representatives, Mr. Jeffrey Avina and Ms. Kim Bolduc, respectively, and the Regional Bureau for Latin America and the Caribbean (RBLAC) for their cooperation throughout the ADR process, in particular to its Director, Ms. Elena Martinez, Deputy Director, Mr. Gilberto Flores, Chief Oversight and Support Mr. Jose Eguren and Programme Advisor for Honduras, Ms. Maria Lucia Lloreda.

By providing an external critical assessment of development results from a strategic perspective, this ADR aims to provide lessons and recommendations that may be used to enhance UNDP's contributions to development effectiveness in Honduras in the near future. We hope that the report will be useful not only to the UNDP but also to its partners and other stakeholders in the country.

Saraswathi Menon



DIRECTOR
UNDP EVALUATION OFFICE

Executive Summary

BACKGROUND

This report presents the findings of the Honduras country evaluation undertaken by the UNDP Evaluation Office (EO) in July 2004. The evaluation is part of a series of independent country evaluations, called Assessment of Development Results (ADRs), that the EO carries out in a select number of programme countries. The purpose of this evaluation is to provide an overall assessment of the key development results and outcomes in Honduras and UNDP's contribution to the country's development through support provided in partnerships with other development actors from 1998 to 2004. It examines and analyzes how UNDP has positioned itself strategically in order to respond to national needs as articulated by the Government. Finally, based on the assessment of development results and strategic positioning forged by UNDP, the report offers strategic recommendations with a view to strengthening the country programme's performance and contribution to development effectiveness in Honduras.

Honduras is of strategic interest to UNDP for two main reasons. First, its office is amongst the largest both in terms of staff and non-core resources in the Latin American and Caribbean region. This is largely due to its 'Business Centre', an approach espoused by UNDP as a strategy to mobilize resources and ensure sustainability of country office operations where core funds are scarce or diminishing. Used extensively in the Latin American and Caribbean region, it facilitates and speeds up a variety of management services, especially those related to procurement processes within government agencies. In Honduras, UNDP has been managing up to 7% of public investment funds with the aim of enhancing efficiency in the management of large bidding and procurement processes. This innovative approach has enabled UNDP to act as an important player in the national development of the country, and to play a major role in advocacy and policy formulation.

Second, UNDP has focused its support on strengthening democratic governance in a country that suffered from an embryonic and weak governance system, dearth of solid governance institutions and from widespread corruption. UNDP ventured into almost all areas of governance and used the leverage gained through its Business Centre to contribute to human development in the country.

The evaluation is, above all, a forward-looking exercise that intends to draw lessons for the strategic positioning of UNDP support in the future and to serve as a basis for dialogue between UNDP and the Government. The report draws upon findings gathered through detailed background studies, field visits and interviews with Honduran decision makers, representatives of civil society and the donor community as well as in-depth studies and reports on poverty and governance, the two thematic areas to which appreciable UNDP resources were allocated during the period of the review.

NATIONAL CONTEXT

Honduras is a country of around seven million people and one of the poorest in Latin America. Its per capita income is US \$970 and about two-thirds of its population lives in poverty. Income is very unequally distributed: its human development index rank in 2004 and 2003 was 115 out of 177 countries and 115 out of 175 countries, respectively, compared to a ranking of 116 in 2002. The country also suffers from high unemployment and underemployment.

Hondurans have lived under authoritarian regimes from 1932 to 1982; thereafter a fragile democracy was installed. The armed forces led a regime of political repression. Since the mid-nineties, progress has been made in subordinating the armed forces to civilian authority and starting a transition to a more democratic society. The military is now firmly confined to its barracks. The democratic regime that was installed in 1982 is focusing on establishing all the necessary institutions for good governance, to reduce abject poverty and stimulate the economy.

The economic structure of the country shows all the characteristics of a developing economy. Agriculture is essentially a two-crop sector producing mainly banana and coffee for export. The fluctuations in the world price of these commodities affect foreign exchange earnings sometimes causing balance of payments deficits. Industry is a low-tech operation in which maquilas are preponderant.

The fragile economy is also affected adversely by frequent natural disasters, the last one of which was hurricane Mitch that raged through the country in 1998 devastating agricultural crops and causing serious floods and soil erosion, depriving many Hondurans of their livelihood. At the time, the country still had weak institutions, the state was inefficient and excessively centralized, and corruption permeated electoral institutions as well as the legislature and the judiciary.¹

Honduras is faced with a set of serious challenges that can be summarized as follows:

Reducing poverty and the income inequality underpinning it are the overarching development problems the country faces. Increasing income while reducing unemployment and underemployment is key to a future in which all Honduras reaps the benefits of growth. Lessening dependency on agricultural exports and maquila products is also indispensable.

On the governance front, Honduras needs to fortify its democratic institutions to effectively deliver policies that address human development, and to eliminate corruption to ensure that public resources are used properly to this end.

Legal, institutional and policy frameworks to further gender equality and to enhance the role of women in society have yet to be enforced in order to make rights and opportunities real for women. Enhancing quality education opportunities and providing health coverage for citizens, as well as reducing high infant mortality and undernourishment of children, and taking effective measures to counter the HIV/AIDS epidemic are all vitally necessary if the government is to make progress in lasting poverty reduction. Improving environmental management, especially with respect to deforestation and soil erosion and establishing effective and efficient disaster management systems are long-standing challenges.

As can be surmised from the summary above, the challenges that face the government are considerable. Given the tasks ahead, the Government of Honduras will have to supplement and complement its own resources with external assistance for some time to fulfill its objectives. The government plan was developed on the basis of the already existing Poverty Reduction Strategy Paper to which the country had committed during the previous government. Its goals are summarized in Box 1.

BOX 1. POVERTY REDUCTION STRATEGY OBJECTIVES

1. Accelerating sustainable and equitable economic growth
2. Reducing rural poverty
3. Reducing urban poverty
4. Strengthening social protection for specific vulnerable groups
5. Enhancing investment in human capital
6. Ensuring the sustainability of the strategy

KEY FINDINGS

Strategic Positioning of UNDP, 1998-2004

Overall, UNDP has been quite successful in Honduras. Its success stems from several factors. Despite the fact that Honduras is a small country, and UNDP's very modest core budget, it is perceived as a neutral but effective partner that can provide independent technical advice to the government and civil society. Its international reputation of impartiality has made it a trusted partner in resolving the country's most pressing issues. It has a critical mass of personnel that delivers a high level of technical advice. Last but not least, it has demonstrated the authority and flexibility to respond rapidly and effectively to the new challenges the country faces. In Honduras this has become an important asset especially after hurricane Mitch.

¹ Honduras is 106th on the list of Transparency International's corruption index.

Resource Mobilization and Strategic Partnership: The Business Centre Model

Core sources are very limited for Honduras. Over the period under evaluation (1998-2003) they amounted to \$13.8 million. The Country Office, on the other hand, had a comprehensive agenda for which it had to mobilize resources to supplement its own scant funds. UNDP's strategy was to set up a Business Centre (BC), to open up competition in sectors where previously only a select number of well-connected firms would participate. It has also been able to secure revenue from the services it provides and this has enabled the country office to sustain BC operations as well as country programme operations. During the period under consideration, the Country Office managed to mobilize about \$20 for every dollar of core funds, which as of 2000 was to a great extent due to BC's activities.

The ADR Team is of the opinion that the BC approach has several advantages within the Honduran context. It not only enhances the visibility and influence of UNDP, it brings full transparency to the public bidding processes and makes them more efficient. Hence, BC in Honduras is a worthwhile endeavour that could be replicated in countries where conditions are similar to those of Honduras. The team did not find hard evidence for the criticism made in some quarters that BC was draining business from the private sector, diverting attention from UNDP priorities, and risking UNDP's unique neutral stand. The mission concluded that the BC has provided UNDP with a platform of operational sustainability enabling it to become an important player in the Honduran development scene. However the mission recommends a review of the Business Centre as it currently stands, with a view to align its activities with projects that are linked to the development agenda of the country; to ensure it does not remain too close to businesses, private or public, in order to ward off any criticism that it is influenced by their interests; to explicitly map a capacity-building plan that ensures that skills in management of procurement processes will be transferred to local actors, and finally, to clarify the BC's exit strategy in order to quell criticisms concerning the risk of tainting UNDP's reputation of neutrality, and of UNDP replacing government functions without an explicit exit strategy nor a capacity-building strategy to transfer skills to government.

PROGRAMME PERFORMANCE

Poverty Reduction

The reduction of poverty is one of the declared objectives of the government's development plan, elaborated after hurricane Mitch. Lending banks had an important role in

elaborating the Poverty Reduction Strategy Paper (PRSP) upon which the government's development plan is based. UNDP's interventions in efforts to alleviate poverty can be grouped into three major areas: PRSP preparation, National Human Development Reports and rural development

Preparation of PRSP. UNDP played an important role as a facilitator of policy dialogue. Although at its inception the PRSP process was perceived as a donor-led initiative, UNDP worked with the government and other donor agencies towards a better definition of the PRSP. UNDP ensured the participation of political parties and civil society in the consultation process during the preparation of PRSP.

The National Human Development Reports. The second contribution of UNDP was through the publication of the National Human Development Reports. These widely received and respected documents (five reports have been published to date) were highly instrumental in identifying extreme poverty areas. PRSP used the human development index contained in the Human Development Report as a criterion for focusing on the poorest.

From 1998-2003, in cooperation with regional and international institutions, UNDP concentrated most of its efforts in this domain to the execution of several projects aimed at strengthening rural communities' capacity to implement local development initiatives, as well as providing technical assistance to government regarding rural development policy, and building the capacity of municipal governments to manage development projects. The contributions of these interventions to poverty reduction cannot be fully assessed, as their results cannot be isolated from other partner's work. However, some of these projects did contribute to enhance local capacity to manage rural projects at the local level, increased access to rural credit and promoted the participation of citizens in development planning processes at the municipal level. UNDP also contributed to setting up the national institution for sustainable rural development (DINADERS) and provided technical assistance to the Ministry of Agriculture in the formulation of the National Programme for Sustainable Rural Development (PRONADERS). However, besides the execution of numerous projects, UNDP did not use its leverage to facilitate a broad based policy dialogue among relevant stakeholders for the reduction of poverty in rural areas. Finally, UNDP provided financial and technical assistance resulting in the setting up of the Institute of National Statistics (INE), which is widely perceived as a positive and lasting outcome that has greatly facilitated the availability of quantitative data on poverty.

Democratic Governance

Participating in the quest of the government to establish the necessary institutions for good governance, UNDP undertook several interrelated projects and programmes.

Decentralization and municipal development. At the central level UNDP assisted the Ministry of Governance and Justice (Interior) in the elaboration of the programme for decentralization and local development (PRODEL), the outcome of which was the first clear national policy on decentralization. UNDP was instrumental in terms of policy advice in the formulation of the programme and placing decentralization high on the Government's agenda. At the municipal level UNDP embarked upon four different projects that aimed at strengthening the technical capacity of municipal governments in the urban and rural areas in partnership with SIDA in five municipalities chosen as pilot areas. The pilot programme made a significant contribution to strengthening local capacities, improving fiscal and administrative management, and promoting governance and transparency. One achievement that reflects the decentralization process underway is the increase in joint formulation of strategic local development plans between civil society and municipal governments. These two interventions regrettably remained separate efforts, yet interlinkages between the two would have yielded better results. Overall, UNDP's contributions to the elaboration of the national and municipal decentralization programmes have certainly been instrumental in laying the groundwork for decentralization in the country.

Fair and efficient administration of justice. In this sphere UNDP provided training assistance to different institutions within the justice sector – Supreme Court, National Human Rights Commission, Public Prosecutor's Office, and Ministry of Security – to enhance the capacity of their staff. Although these were all standalone interventions focused on the institutions located in the capital of the country, UNDP's support certainly contributed, albeit modestly, to enhance the skills and knowledge of some of the cadres in different justice institutions it supported. It also supported the establishment of a jurisprudence database, highly appreciated by the Supreme Court judges. At the policy level UNDP facilitated policy dialogue, discussion and consensus that led to the National Agreement for Transformation and Sustainable Human Development in the Twenty-First Century, a component of which was the commitment of all political parties to support reform and modernization of the justice system. The programme has enhanced capacity, focusing on the offices located in the capital Tegucigalpa. Although this may be perceived as a weakness of the programme, it has to be kept in mind that the available resources could not permit a coverage wider than designed.

Increased public debate on Sustainable Human Development: the Democracy Trust and National Human Development Reports. UNDP was instrumental in setting up the Democracy Trust (DT) in 2000, which brought together development partners, political parties and civil society to discuss policy issues related to good governance and poverty reduction. UNDP's intervention succeeded in setting up a legitimate, plural and professionally moderated public discussion forum, which responded to the need for open and transparent discussion to pinpoint social, political and economic problems and create consensus around sensitive issues toward implementing long-term policies. The DT became a convener and neutral interlocutor of at least two key national issues: the building of high degree of confidence and communication with civil society actors participating in PRSP consultations; and laying the groundwork for the signing of the Declaration of the political parties to implement political and electoral reforms. In the Honduran setting UNDP's effort was indeed timely.

Subsequently, UNDP disengaged from the Democracy Trust as the main driver of its initiatives with the view that the DT will have to develop its own endogenous strategy by the representatives from every sector of society. The establishment of the DT was an innovative approach with a clear exit strategy. It is now up to the Hondurans to continue the dialogue on key national issues to enable the implementation of long-term policies, and ensure that topics addressed are relevant to civil society and different sectors' urgent concerns.

UNDP stimulated debate on governance. Another substantial contribution of UNDP to articulate the development problems and the need for good governance was to initiate and stimulate public debate. The National Human Development Reports (NHDR) raised public awareness with respect to good governance and its relation with human development, and stimulated meaningful discussion in the country. These reports have received continuous praise among different sectors of Honduran society and helped the articulation of many issues previously ignored mainly due to a weak culture of democratic dialogue and open participation.

Effectiveness of parliament to perform its legislative functions. UNDP provided specific technical assistance to Congress in order to establish a database of legislative information that would allow parliamentarians to perform more efficiently their legislative function. The project installed a computer network and built a database containing all national laws. However, UNDP's assistance to the Congress did not succeed in enhancing the effectiveness of parliament to perform its legislative functions. The ADR mission considers that UNDP has taken note of these limitations and has adjusted the nature of its support to Congress.

Modernization of the Armed Forces. After a long period of supremacy both in the political and economic arena, the democratic governments of Honduras managed to have the armed forces return to their barracks. However, their compliance with the tenets of good governance had to be ensured. At the request of the Ministry of Defense UNDP initiated a project aimed at supporting the reform and modernization of the armed forces. The first initiative consisted of an international audit of the Military Pension Fund Institute. This initiative was unprecedented not only in the country, but also in the region, and it set the groundwork for building a partnership from which several other initiatives ensued.

It has made the armed forces more accountable, thus contributing to the process of their subordination to civil authorities and of becoming a useful instrument to establish democracy in Honduras. The second initiative was the promotion of human rights as part of the armed forces' academic and professional training. The ADR mission is of the opinion that this process is a good example of the synergy that can be created among the different areas of governance toward building a democratic society based on the rule of law.

Anti-Corruption and transparency. From 1998 to 2001 UNDP assisted the government in improving transparency in public administration through promoting accountability in public service. In addition to assisting the audit process of the armed forces' pension system mentioned above, UNDP decisively supported the government, in collaboration with the other partners from international community, in the creation of the Honduran Anti-Corruption Council (NAC) in 2001. UNDP also supported social auditing activities through a number of projects at the local level and these resulted in increasing social demands for transparency within the framework of decentralization and local development Programmes. It also worked closely with Transparency Committees which acted as watchdogs over municipal finance assuring transparent use of public resources. The functioning of these committees is an appreciable advance for Honduras. The first committee was created in Copan in 2001 with UNDP support and there are 30 such committees now. Although UNDP has contributed to the government's efforts to enhance governance through intervention in this area, it cannot be unequivocally stated that it succeeded in achieving all the expected outcomes.

Environment and Natural Resource Management

The prevention of environmental degradation is a key development challenge for Honduras, brought to the forefront of

the agenda after hurricane Mitch. UNDP was instrumental in pinpointing environmental concerns and integrating them into national development planning and policy. Its work has been chiefly based upon its relation with the Global Environment Facility (GEF) since it is an executing body for GEF funds. It spent most of its allocated resources on biodiversity and water resource management programmes through a project known as the Water Platform even though the concerns in the two CCFs covered other priority areas. It is also noteworthy that UNDP distinguished itself by several interventions immediately after hurricane Mitch and at the Stockholm Reconstruction Conference it was given a major role in reconstruction efforts. Although core and non-core funds allocated to environment during the period under consideration constituted only a small fraction of the total, and therefore the intervention areas were limited, the ADR Team finds that UNDP's involvement, though limited, was quite successful in the field of environmental protection as well as disaster management.

Response to Natural Disasters

Not being an emergency agency, UNDP was not equipped to deal with hurricane Mitch. At the start it played only a small role. However, after the hurricane both CCFs were adjusted to be able to undertake the strengthening of the national disaster management system. UNDP worked closely with COPECO (National Emergency Operation Center) in the implementation of mechanisms and methodologies for the strengthening of local capacities in risk management. Subsequently it provided technical and legal support to the law for National Risk Management System and the new construction code promoted by COPECO. The ADR mission finds that UNDP's work on the identification of high-risk areas and the certification of bodies for risk management is a step in the right direction; however, a full system to deal with such catastrophes in Honduras is by no means in place as yet.

HIV/AIDS

Overall, UNDP has played a key role in positioning the HIV/AIDS concern in the national agenda. It has promoted policy dialogue in order to approach HIV/AIDS as a development issue, rather than exclusively as a health problem, and to incorporate a human rights perspective approach. UNDP has also been effective in chairing UNAIDS and in managing the global fund for HIV/AIDS. It has demonstrated an unquestionable capacity for fostering policy dialogue among the UN agencies and for giving a say to civil society, and especially to the people living with AIDS in policy dialogue. It should be highlighted, howev-

er, that in spite of the results obtained, HIV/AIDS is spreading in new areas of the country and that no variations in incidence and prevalence have occurred. Hence, notwithstanding the above-mentioned results, it must be pointed out that UNDP's advocacy role in the future will have to be one of positioning the HIV/AIDS concern better in the Government's agenda. Additionally, present strategies would need to be reviewed in order to guarantee that they will be conducive to a decrease in prevalence and incidence rates; and the implications of HIV/AIDS for social and economic development would need to be incorporated more explicitly into policy dialogue

Gender Equality

UNDP's major milestone in the quest for mainstreaming gender into national policy was its assistance to the creation of the National Institute for Women (INAM) and the formulation of equality laws and national gender policies. Except for these standalone interventions the ADR team found, however, that UNDP has not undertaken efforts conducive to mainstream gender considerations into most of its programmes in the areas of governance, poverty reduction and environment. In almost all cases a gender perspective is lacking in UNDP's activities. UNDP's activities in all programmatic areas should assess the implications of any planned action for women and men, integrating their concerns in the design, implementation, monitoring and evaluation of UNDP's programmes, and in its efforts for advocacy, knowledge management, and policy dialogue with its partners.

CONCLUSIONS AND LESSONS LEARNED

Based on the findings emerging from this evaluation the team concludes that:

As a neutral development partner UNDP has established high visibility. Despite its limited financial resources UNDP has been very effective in promoting ideas, especially with respect to governance, and contributed to tangible results both at the central and local level. In poverty reduction it does not appear to be as successful as it was in the area of governance, for it did not use its comparative advantage as facilitator of policy dialogue as emphatically as it did in governance. A lesson that can be drawn from UNDP's experience in Honduras is that for this organization to be influential in such a sensitive area as governance, it must earn the trust and respect of the decision makers, as well as that of the civil society in any country where it operates.

UNDP has successfully mobilized funds for development. UNDP's success in mobilizing funds is twofold: joint efforts for programme finance with bilaterals and multilat-

erals; and the Business Centre whose revenues supplement its total funds. Success in establishing itself as a reliable partner allowed UNDP to attract funds from other development agencies to execute projects. As core funds shrink there is indeed pressure on Country Offices to supplement their own funds. An additional source for UNDP was the Business Centre that provided additional revenue for the Country Office, but at the same time assisted the government where it lacked capacity. Given its success, similar business centres are worth considering in other countries where socio-economic conditions and government capacities are similar to those of Honduras. But the lesson that one can draw from the Honduras experience is that the role and performance of business centres should be revised so that their activities support initiatives that are linked to the development agenda of the country, ensuring that they do not remain too close to businesses, private or public. Measures should be taken that the BC in fact transfers its knowledge to appropriate government agencies so that they will get well-trained and able staff. In short, business centers anywhere, and Honduras is no exception, cannot be permanent fixtures.

Capacity development is a long-term process, and a key strategy of UNDP interventions. However, in a country like Honduras where there is dearth of capacity and a large staff turnover within the government bureaucracy after each election, capacity development should be a strategy that includes more components than just training and is implemented in a systematic way. The lesson one can draw is that capacity building will be a slow and multifaceted process involving training, advisory and knowledge creation and dissemination. Progress can only be measured if quantitative and qualitative measurements of capacity building are explicitly incorporated into the projects and programmes.

Human Development Reports are extremely valuable tools for contributing to meaningful dialogues in the country. Their preparation and their diagnoses of development issues and their quantitative contents have become an important tool and venue for policy dialogues with the government as well as the civil society. With their statistics they became a standard reference book for donors. The lesson to draw is that if used strategically, National Development Reports can be valuable tools that put the country offices on the map.

The main drivers of poverty reduction programmes in Honduras have been the IFIs. UNDP contributed to these programmes as a facilitator, a role that has been important in the PRSP process. But its role in developing crucial poverty reduction alternative proposals or thinking was not significant. The lesson to draw from the Honduran experience is that to be more effective advocacy and policy

dialogue needs to be linked with projects specifically aimed at poverty reduction.

RECOMMENDATIONS

The findings and the conclusions of the ADR Team lead to a number of recommendations that are given below.

1. The role of the Business Centre should be reviewed.

The ADR mission strongly supports the gradual transformation of the Business Centre from one that only deals with procurement to a greater engagement with the private sector to raise resources particularly for poverty reduction by implementing business partnerships within the overall framework of corporate social responsibility. Refocusing of the Business Centre should not endanger resource mobilization.

2. Concentrate on strategic actions to address poverty reduction and inequality.

Prioritize market oriented and economic development alternatives. Fostering participation at the local level, albeit important, cannot supersede the goal of facilitating opportunities for pro-poor economic growth. Assistance is also needed to align municipalities' plans for local development with the PRSP's priority actions focusing on enhancing market oriented activities.

3. Sharpen the programme focus.

The ADR mission recommends that UNDP should start new areas to complement and fortify its existing programmes in its major areas, governance and poverty reduction. These would be:

I. Continue the interventions in governance. UNDP should continue supporting the process of strengthening democratic governance towards promoting human development. Its approach to decentralization and local development should foster the strengthening of local governance by giving priority to linking governance interventions with poverty reduction strategies at the local level.

II. Improve technical expertise in the area of poverty reduction and rural development. In order to enhance its intervention in this technical area UNDP should devise a strategic approach on PRSP and suggest positive actions for the Government to act upon. It should use its policy advice role in the design of poverty reduction strategy with the human development approach. An appropriate employment generation strategy needs to be developed that integrates rural development with poverty reduction by having a two-pronged approach, namely, carrying out policy dialogue with the Government and providing it with specific technical assistance for the development of a national strategy aimed at poverty reduction in the rural areas. Given the

importance of poverty reduction in Honduras, if such efforts were to be undertaken by UNDP, they should be properly monitored and evaluated.

III. Enhance the linkage between governance, and poverty reduction. The UNDP programme should give greater emphasis to the linkage between governance and poverty reduction, so that both governance and poverty reduction projects are implemented under a common strategy. It is also recommended that UNDP should support governance that emphasizes poverty reduction and local level capacity development

IV. UNDP should mainstream gender considerations into all its work. In the future a gender perspective should be incorporated into all programmes and projects. UNDP should assess the implications of any planned action for men and women, integrating women's and men's concerns in the design, implementation, monitoring and evaluation of its programmes, and in its efforts for advocacy, knowledge management, and policy dialogue with its partners.

V. Reduce standalone projects to the minimum. The ADR Team noticed that UNDP's overall work was organized more around the project logic rather than around development outcomes. It is important that the next CCF should strive to organize the work within the concept of development outcomes.

VI. Enhance skill formation and capacity. Project document design should give greater attention to monitoring and evaluation of capacity building. In particular, quantitative and qualitative indicators for outputs, outcomes and impact should be developed. Institutional needs must be assessed. Consequently training and advisory activities must be clearly identified, as must the audiences. Training courses must also be monitored and their impact measured through tracer studies.

VII. Enhance the monitoring and evaluation capacities. The ADR Team also noticed a need for the country office to improve its monitoring and evaluation capacities. It is recommended that in the future, programmes and projects be monitored diligently and outcome evaluations carried out for all important areas of intervention. UNDP should also explore the relevance of providing support to the government for reinforcing its own monitoring and evaluation capacities.

VIII. UNDP should integrate a broader spectrum of civil society groups and NGOs UNDP should integrate a broader spectrum of civil society groups and NGOs that have demonstrated genuine concern and credibility in order to have them share in the participatory

mechanisms UNDP helped to put in place through different government interventions at the national and local levels. In the same vein UNDP would do well by continuing to support the Democracy Trust until it develops a strong national leadership.

1

Introduction

The purpose of this chapter is to present the rationale for the Honduras country evaluation, describe the methodology utilized in assessing UNDP's support in the country, as well as to briefly describe UNDP's Country Programme in Honduras.² Chapter 2 elucidates the development issues and trends in the period under study (1998-2004) and key challenges facing Honduras. Chapter 3 examines UNDP's contribution to the country's development results by assessing key outcomes towards which its support was oriented. Chapter 4 highlights UNDP's strategic positioning achieved through its support to national partners in their development efforts. Chapter 5 presents the conclusions, the lessons learned, and recommendations for UNDP's role in the development trajectory of Honduras.

1.1 BACKGROUND AND RATIONALE FOR THE EVALUATION

Honduras is strategically interesting for UNDP mainly for two reasons. First, Honduras is one of the largest country offices both in terms of staff and in terms of non-core resources. The country is also an interesting case study for UNDP since the Business Centre that it set up in the country constitutes a corporate model used by the organization to mobilize resources and ensure sustainability of country office operations where core funds are scarce or diminishing. The Centre has been an important arm, for it contributed to UNDP's success by not only supplementing its own resources, but also by being an entity that has the demonstrative effect in establishing transparency in the public procurement processes, as well as building the capacity of the employees of the government who work together with UNDP personnel and thereby learn by doing.

Second, UNDP focused its support on strengthening democratic governance in a country that suffered from an embryonic and weak governance system, dearth of solid governance institutions and from widespread corruption. UNDP ventured in almost all areas of governance, partnered with a wide array of local actors and used dialogue and policy advice on different dimensions of democratic governance as a strategy to influence key root causes of the country's development problems. This evaluation therefore, attempted to assess the extent to which UNDP had brought to the surface the linkages between good governance and poverty reduction and incorporated these into its country programme

It is hoped, therefore, that the findings, conclusions and recommendations of this Assessment of Development Report (ADR) will be of some value for UN activities in other countries that are similar to Honduras, i.e. those that are at the lower echelon of middle income countries facing large pockets of poverty unemployment and fledgling democratic institutions.

² The TOR are summarized in Appendix I.

The Honduras ADR aims to capture and demonstrate UNDP's contribution to the development results in the country over 1998-2004 in order to enhance the effectiveness of its interventions in the years to come. In other words, the evaluation covers the cooperation of UNDP with Honduras in the 1998-2000 Country Cooperation Framework (CCF1) period, during its extension in 2001, and in the current CCF covering the period 2002-2006. The ADR also points out where support prior to 1998 may have served as foundation for current achievements. The emphasis of the ADR is on what UNDP actually achieved, its comparative advantage, and its value-added in relation to the key development challenges in Honduras. It also identifies how UNDP could potentially enhance its performance while being consistent with national development priorities as well as UNDP policy.

1.2 UNDP'S OVERALL APPROACH

The strategic areas of support where intended outcomes were planned in Honduras are indicated in the box below. These are: democratic governance, poverty reduction, environment and gender. Honduras also suffers from lack of capacity in its human resources. Hence, UNDP's activities have also been directed to capacity development, in the different areas of support.

Within the overall mandate, as illustrated in the box above, two important concepts have entered into UNDP's

lexicon at the corporate level. One is sustainable human development (SHD) and the other is the Millennium Development Goals (MDG). These two were coupled with a Multi-Year Funding Framework (MYFF) that is an overarching corporate framework which sets the strategic focus to be pursued by UNDP and determines the corresponding budget allocations. Since the UNDP Country Programmes are to adhere to Regional Cooperation Frameworks as well, they are expected to reflect their strategic objectives.

Hence, the programmes of a country office must reflect not only the need areas articulated by the governments, they must also contain the corporate as well as regional objectives. Nonetheless, for UNDP the 'ownership' of its country programme by national partners is paramount, as long as the programme is consistent with the objectives stated above.

1.3 METHODOLOGY

The methodology used in this evaluation is in accordance with UNDP's results-based management (RBM) approach, in that it focuses primarily on the analysis of development outcomes to which UNDP has sought to contribute. The outputs of specific programmes or projects are not the primary focus, given that an outcome is a change in development conditions through the efforts of several development partners of which UNDP is only one. The aim therefore is to explain UNDP's contribution by drawing a credible link between the results and UNDP's activities undertaken in

BOX 1. POVERTY REDUCTION STRATEGY OBJECTIVES

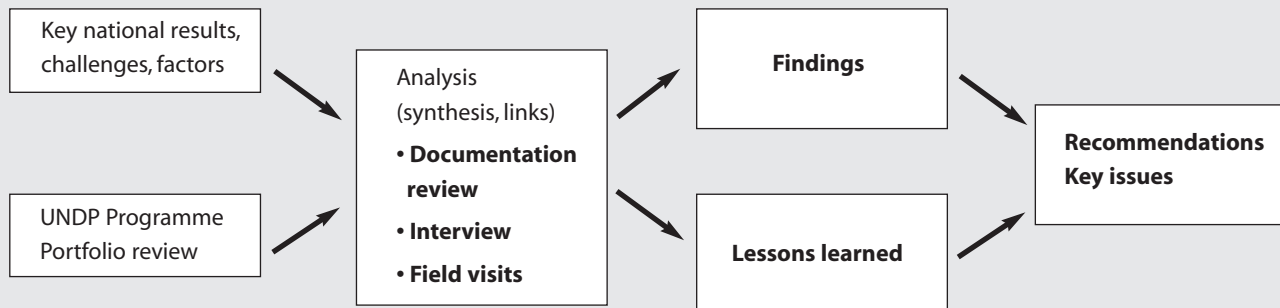
Governance	Poverty	Environment	Gender	Special Development Situations	UN System
* Policy Dialogue	* Poverty reduction strategies	* Global Conventions and funding mechanisms	* National Action Plans for the advancement of women	* Capacity development in disaster reduction and response system	* RC system (UNDAF)
* Parliament	* HIV/AIDS				
* Electoral Systems Justice					
* Decentralization and local governance					
* Modernization of the armed forces					
* Management capacity to administer public funds					

Source: RBMS, SRF 2000-2003 3

³ Human Development, MDGs and Donor Coordination were treated crosscutting themes.

BOX 2. EVALUATION METHODOLOGY

Figure 1: Evaluation Methodology



partnership with others. The evaluation utilized three major sources of information to collect empirical evidence and inform the judgment of the mission, in line with the ADR guidelines⁴, which propose the ‘triangulation’ of information gathered, i.e. cross-referencing of sources, corroboration and validation of the perceptions and views of relevant stakeholders against documentary evidence and onsite project visits. In other words, the ADR mission assessed progress in a set of strategic outcomes towards which UNDP support was geared, as they relate to the broader development challenges facing the country. This evaluation focuses on the UNDP supported outcomes which either yielded significant results and/or for which considerable outlays were made.

The Honduras ADR Team followed the four inter-related steps listed below for each development outcome considered:

- It stated the intended development outcome as understood by UNDP and its partners
- It assessed the status of development outcomes and progress towards outcomes during the 1998-2004 period.
- It outlined Government’s strategies, policies and priorities in relation to outcomes.
- It evaluated UNDP’s contribution to the outcomes – stating outputs and outcomes where evidence was available – and partnerships used to work towards it.

The mission gathered information on the views of key stakeholders to UNDP’s programme in Honduras, i.e. different government counterparts at the central and

municipal level; civil society representatives including grass root organizations; bilateral and multilateral development agencies; IFIs; political party leaders; and UN agencies. It reviewed the documentary evidence and made onsite project visits in Tegucigalpa, in three municipalities in the Department of Copan in the northwest, and one municipality in the Department of Intibuca⁵.

During an initial preparatory phase, EO undertook a comprehensive desk study to review background information and development trends in Honduras, and made an analysis of the entire country portfolio for the period 1998-2004. The desk studies were made available on a website for the ADR Team. EO undertook an exploratory mission for a week in December 2003 to lay the groundwork for the evaluation and to identify key areas for an in-depth study. A comprehensive study on Democratic Governance was commissioned to a local research institution⁶. The main evaluation mission was held during two weeks in Honduras in July 2004, and the final report was submitted in July 2005.

1.4 OVERVIEW OF UNDP’S PROGRAMME

This Report evaluates the overall support of UNDP mainly articulated in the first two CCFs and the one-year extension between the two that was designed to align the programmes of UNDP with revised national priorities.

Since 1998 UNDP has implemented more than 200 projects in Honduras. 120 were in governance, 50 in poverty,

⁴ <http://www.undp.org/eo/documents/ADR/framework/Methodology-guidance-final-draft.doc>

⁵ The project sites visited by the mission were located in four municipalities in two Departments where the lowest aggregate HDI in the country can be found: three municipalities in the Department of Copan (HDI: 0.556) where UNDP was implementing a local governance and poverty reduction project, and one municipality in the Department of Intibuca (0.483) where UNDP had recently initiated a project to promote rural tourism. The municipalities encompassed by the sample selected for the ADR team’s visit varied in their levels of human development (from a lowest HDI of 0.484 to 0.662, the national HDI is 0.657). Honduras National Human Development Report 2003.

⁶ Conducted by a multidisciplinary team from the Centro de Documentación de Honduras (CEDOH) directed by Victor Meza and liberally drawn upon in the evaluation of the Governance programme

The Table below presents the planned areas of intervention and the expected outcomes as of 1998.

Goals	Sub-goals	Expected Outcomes	No. of Projects
Governance	Dialogue to widen development choices	Increased public debate on SHD	16
	Key Governance Institutions	Increased effectiveness of Parliament	4
	Electoral systems	Institutionalization of fair electoral process	3
	Justice	Fair and efficient administration of justice	12
	Local governance	Reformed planning and budgeting at sub-national levels	12
	Financial management	Efficient and transparent management of the armed forces budget and funds	3
	Improved aid coordination	Increased government capacity to resources administer multilateral	70
Poverty	National poverty frameworks	Anti-poverty strategy developed and implemented	32
	Monitoring poverty	Institutionalization of tools to provide statistics on poverty related issues	15
	HIV/AIDS	Strategies developed to address impact of HIV/AIDS on poverty eradication	3
Environment	Instruments for environmental sustainability	Environmental concerns integrated into national policies	31
Special development situations	Disaster reduction	Capacity development, national disaster reduction and response situations system operational	17

and the rest in the remaining areas. For CCF1 UNDP adopted the following strategies:

- In the area of poverty reduction UNDP undertook to provide technical assistance in policy promotion that included consensus building with government bodies, civil society entities and private enterprises.
- In the governance area UNDP aimed to support measures to strengthen the democratic process and to provide the necessary framework for sustainable human development. Its interventions had three main components: (i). reform and modernization of the state; (ii). transparency of public administration; and (iii). Promotion of democratic ideas.
- The component of promotion of sustainable development comprised four main themes: (i). support for policy formulation and for the legal and institutional framework; (ii). promotion of productive options within the protected areas and consolidation of land/ownership rights; (iii). promotion of alternative sources of energy; and (iv). combating pollution.

CCF1 confirmed a principle of the Administrator's business plan, i.e., the importance of building networks and partnerships to render UNDP-led intervention successful.

Based on the experience of and lessons learned from the previous period CCF2 proposed to concentrate on the following areas:

- In the area of good governance UNDP sought to concentrate on supporting the incoming government in its efforts to reinforce democratic processes, broader local participation, decentralization and structural political reforms evoking greater transparency. Within this overall concept UNDP pursued interventions leading to the promotion of gender equality, respond to the HIV/AIDS pandemic, and to establishing two important funds, one of which is the Democracy Trust and the other is the AIDS Global Fund.
- In the area of reduction of poverty UNDP planned to undertake three interventions. One was the consolidation of the local development capacity; the second was extension of coverage of rural credit to small farmers; and the third was the transfer of agricultural and commercial techniques and better resource management.
- In the area of natural resource management UNDP sought to provide assistance to the Government in sustainable management of forestry resources. To operationalize these interventions UNDP set itself to aggressively mobilizing resources. (See Table 1).

The information contained in the table may give the impression that there is a proliferation of projects, but it should be kept in mind that some of them were of short duration –one year or less– and the numbers are cumulative. However, as projects over the period total 200 it would be worth to analyze the strategic view undertaken vis a vis the number of the apparently standalone projects. Most projects are under the umbrella of the programme within the different thematic areas⁷

Another cautionary note is in order. The UNDP interventions are primarily financed by cost sharing. The preponderance of third party finance is extremely high (see Table 2). Although a relatively great quantity of projects are implemented with donor funds executed by UNDP, their objectives and approach were found to be in most cases relevant to the country needs (i.e.: governance), although as will be pointed out later in Chapter 3, UNDP could do more to contribute to pre-designed projects of large multi-lateral institutions by revisiting its intervention strategy and partnership approach, in particular in the areas of poverty reduction and rural development.

The variations in emphasis in the themes through time is a logical outcome of the country's suffering from hurricane Mitch in 1998, the trauma of which still lingers in Honduras. So the areas, although not different, became in a sense better focussed on those issues that the disaster made more evident, particularly those concerning poverty and the need to reform and strengthen the institutional setting for democratic governance. In relation to poverty, the core strategy of the second CCF was the alignment of the work of UNDP with the Poverty Reduction Strategy Paper (PRSP) that was approved by the Government in 2001 and was also considered to be the development plan of the country. In relation to democratic governance, the second CCF emphasized the political reforms that were seen as necessary for the reconstruction of the country.

Annexes II and III provide tables showing the strategic outcomes and corresponding outputs pursued in SRF, as well as the expected development results aligned across UNDAF and CCFs for the period 1998-2006. As mentioned in the methodology section, SRF was implemented in 2000, hence outcomes from the first CCF were 'retrofitted' to suit the corporate policy. It should be noted that this assessment could focus on outcomes, because most of the development results pursued were consistent throughout the period. However, the CO primarily orients its action around programmes and projects, and not around outcomes. Discussions between the mission and UNDP staff

⁷ For the typology of programmes and projects see UNDP/EO, *The Programme Approach*. New York, 1998.

TABLE 2. EXPENDITURE BY THEMATIC AREA, YEAR AND SOURCE OF FUNDING 1998-2003 (\$ MILLION)

AREAS	1998	1999	2000	2001	2002	2003	TOTAL
Governance	10.6	31.2	31.0	28.4	38.0	96.7	234.5
Core funds	0.9	1.3	2.7	-0.8	0.4	0.4	4.9
Non-core funds	9.6	29.8	28.2	29.2	37.6	96.2	230.7
Poverty	1.1	4.0	6.8	15.5	12.9	13.5	53.8
Core funds	0.7	1.5	-0.3	0.6	0.6	0.3	3.4
Non-core funds	0.4	2.6	7.1	14.9	12.3	13.2	50.4
Environment	0.8	1.1	4.6	1.9	1.8	1.6	11.8
Core funds	0.02	0.8	2.1	-	0.02	0.02	2.9
Non core funds	0.8	0.3	2.5	1.9	1.8	1.6	9.0
Gender	0.1	0.1	0.5	0.7	0.5	0.3	2.3
Core funds	0.1	0.2	-2.0	0.04	-	-	0.2
Non core funds	0.02	-0.1	0.7	0.7	0.5	0.3	2.1
Disaster relief	0.1	4.3	1.4	1.0	0.2	0.1	7.1
Core funds	0.2	1.5	0.5	0.3	-	-	2.4
Non core funds	-0.03	2.8	0.9	0.7	0.2	0.1	4.7
TOTAL	12.7	40.7	44.2	47.6	53.4	112.2	310.5
Core funds	2.0	5.3	4.8	0.4	1.0	0.8	13.8
Non core funds	10.8	35.55	39.4	47.4	52.4	111.4	296.7

Note: It should be noted that 95% of the amount delivered in the governance area was spent on providing procurement services to the Government and other regional banks, IFIs and international agencies.

Source: Country Office, UNDP, Tegucigalpa. July 2004

on results and future challenges were commonly structured around programmes or projects, and strategies and planning seemed to respond to UNDP's comparative advantage and positioning, but also largely to practical considerations and resource availability from donors more than to 'outcomes' from their stated SRF. SRF planning and reporting was done by the Country Office more to comply with headquarters' requests than for internal programme management purposes.

One key question is the way UNDP support responded to the multiplicity of the government's demand while closely following the overall UNDP mandate, remaining

consistent with its corporate strategy. The thematic areas are indeed expressed at a general level, but there is enough space to define several more specific service lines that may be oriented by the particular requirements of each country. This maintains an adequate balance between UNDP's corporate mandate and specific working areas and satisfies the development needs of countries.

The CCF outlays by thematic areas during the period under consideration are given in the following table.

The table shows that 75% of the expenditures have been allocated to governance interventions. The table also shows that in this area UNDP core funds have diminished

by almost 60% from 1998 to 2003 and non-core sources have increased substantially both in the areas of governance and poverty. In contrast funds dedicated to environment and gender programmes have decreased. This predominance of external sources is mainly due to the activities of the Business Centre that in the second CCF was indeed instrumental in the implementation of support services to national investment projects.

1.5 IMPLEMENTATION STRATEGIES AND PROGRAMME MANAGEMENT

UNDP's programme implementation strategy has been focused on four modalities of intervention:

- Knowledge generation and advocacy;
- Policy advice;
- Facilitation of consensus-building processes to support political agreements around good governance and poverty reduction;
- Provision of services to facilitate public investment projects.

UNDP's main counterparts have been government agencies at the central and local levels, since out of the total disbursed, 96% of CCF projects have been implemented through the national execution modality. The Technical Secretary of Cooperation (Secretariado Técnico de Cooperación, SETCO) has the responsibility to coordinate overall UNDP assistance and the Secretary of State for Presidency ensures that presidential orders are executed, although in practice, UNDP has a closer link to the Secretary of State with which it agrees on the overall support to be provided.⁸

As can be surmised from the table above, the overall strategy of UNDP has been to mobilize resources through partnerships with other multilateral and bilateral agencies and donors in carrying out its activities in the country.⁹ It has proved itself not only a trustworthy partner in the management of technical cooperation and development, but also in exercising its advocacy and policy advisory role. It has always been viewed as a neutral facilitator and promoter of ideas and activities perceived as important by national and international stakeholders working for Honduras' development. UNDP has also become a strong generator of knowledge, particularly with its National Human Development Reports (NHDR) that have become indispensable for those involved in development issues in the country.

Additionally, UNDP has created a strategy and policy analysis unit in its Unit of Strategy and Prospective (Unidad de Prospectiva y Estrategia) that has produced a number of important research publications. These also include more than forty special studies by Honduran academics on issues associated with human development. These activities reinforce the technical backing that UNDP needs in order to carry out its duties. These have enabled the CO to build consensus around some key issues, particularly those concerning the political and electoral reforms. The concrete result was the Democracy Trust (DT) created and funded by UNDP, a forum enabling multi-stakeholder dialogue on key policy issue and development problems facing the country, in order to build consensus around long-term public policies to address them.

⁸ Secretaría de Estado del Despacho Presidencial

⁹ The major partners of UNDP are the World Bank, IFAD, CABEL, IDB, Canada, GFTAM and Sweden.

2

Honduras

Development Context and Its Key Challenges

2.1 HISTORICAL BACKGROUND AND POLITICAL CONTEXT

Honduras gained its independence from Spain in 1821 and joined the Central American Federation that lasted until 1842, when the country became totally independent. During the early 1900s the country became deeply influenced by the United States through the establishment of large fruit production companies coupled with massive foreign capital investments that dominated the banana economy. Fruit companies had powerful stakes in domestic politics and the economy. These dominating US investments undermined the institutional development associated with the liberal reforms occurring in other countries of the region in the early nineteenth century.

Honduras lived under authoritarian and military regimes for fifty years, from 1932 to 1982, when a democratic election took place and the process of a representative and elected government was sworn into office thus inaugurating a democratic regime. Since the mid-nineties a civilian government has succeeded in subordinating the armed forces and confined them to its barracks. Thus, only in the past ten to twenty years has democracy began to enter into the political canvas of the country.

Honduras is greatly affected by geography for three main reasons. First, it is situated between Latin America and the United States; but the market for its products has been traditionally the USA. Therefore, it is highly dependent on fluctuations in US trade. Second, it experiences devastating climatic effects from time to time, hurricane Mitch being the recent and most devastating manifestation of this.¹⁰ Third, its industries are very limited which makes the country mainly a two- crop economy, exporting banana and coffee.

Both economically and socially Honduras shows the characteristics of a developing country with a low level of human development, high unemployment, a high degree of inequality of incomes, a low level of education and weak democratic institutions. Its human development index (HDI) stands at 0.672 (2004), which ranks it 115th in the world.¹¹

¹⁰ An important consequence of hurricane Mitch was that it generated an awareness of the social and environmental weaknesses of the country. At the same time it helped to generate a consensus among the different actors of society that there was an opportunity to rebuild the country on a new basis by transforming its political and institutional structures that would improve equity, transparency, citizens participation and environmental protection. See CEDOH, *Gobernabilidad, Democrática en Honduras*. Background paper prepared for UNDP, 2004.

¹¹ HDI remained basically unchanged between 1998 and 2004.

BOX 3: MAIN ECONOMIC INDICATORS 2003

Real GDP growth (%) (average 02/03)	2.9
Real GDP growth per capita	0.8
GDP per capita	US\$ 970
Consumer Price Inflation in 2002	7.7% p.a.
GDP current	US\$ 6.4 billion
Total Debt (% of GDP)	81.8

Source: Economist Intelligence Unit, *Country Profile*, 2002 and 2004; PNUD, *Informe sobre las Metas del Milenio 2003*; Consultative Group, *Attaining the Goals of PRS*, 2004.

BOX 4 1995-97% 1998% 1999% 2000% 2001% 2002 % 2003%

GDP growth	4.3	2.9	-1.9	4.8	2.5	2.6	3.2
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Source: Economist Intelligence Unit, *Country Profile*, 2002 and 2004.

2.2 ECONOMIC CONTEXT

Honduras, together with Haiti and Nicaragua, is one of the poorest countries in the Americas, with a total GDP of \$6.4 billion and a per capita income of \$970. It has a population of 6.9 million (2001) that grows at the annual rate of 2.6%. Two-thirds live in poverty. It is a young population: more than two-fifths (41.2%) were in the 0-14 age group 2004. This has serious implications for employment and job creation. The distribution of income is unequal and unemployment and underemployment are rampant (estimated at 28%). Life expectancy is 66.9 years (2004 estimate).

Agriculture has traditionally been the major component of the country's GDP; the sector's main products consisted of banana and coffee. However, of late, citrus, shrimps, beef and timber began to acquire some importance. In 2003 agriculture constituted 12.8% of GDP. Industrial production is essentially low-tech processing operations, but maquilas have begun to be an important activity within industrial production, pushing its share to 31.9%. It should be noted however that 34% of the labor force is still employed in the agricultural activities as opposed to 21% in industry.

The economy's dependence on agriculture tied its overall economic performance to fluctuations in the world prices of commodities. The steady decline in coffee prices since 1997 has seriously undermined its export earnings and caused erratic variations in the rate of growth of its GDP. The economy, in fact, has shown certain structural changes, thanks to non-traditional exports, and the growth of GDP accelerated in early 1990s. However, between 1995 and

2003 the average rate of growth was only about 3%, i.e., slightly above the rate of population growth (2.4%), which meant that per capita income during the same period increased only 0.6%.

Income inequality is also a major concern. The Gini index stands at the level of 0.563 indicating a great deal of discrepancy between the rich and the poor. Income share received by top ten percent of the families correspond 44.4% of the total income while the lowest ten percent of the families receive only 0.5% of the total income (1998). The diversification of exports reduced the relative importance of traditional commodities within total exports. While in 1990 traditional exports were 78% of total exports and non-traditional ones were 22%, in 2002 traditional exports fell to 22.7% and non-traditional ones rose to 42.2%. Non-traditional exports today include shrimps, melons, textiles and tourism. The trade is closely tied to the United States. Two-thirds of exports are destined to USA, and little over half of imports originate from USA.

Despite their development and growth, exports still represent only one half of imports. This creates a continuing balance of payments deficit that is largely financed by remittances from Hondurans living abroad and by foreign transfers. In 2003 the balance of payments deficit was 4% of GDP. Abundant foreign aid, particularly from the United States and multilateral lending agencies since mid-1980's has created a debt dependency so that when the changing political context caused the aid flow to wane external debt rose to \$5.5 billion in 2001, nearly 90% of GDP. Domestic financing deteriorated and with surging insecurity and violence in the late nineties foreign investments declined.

BOX 5: STRUCTURE OF EXPORTS, 1990-2002 (\$ MILLION AND PERCENT)

Products	1990	1995	2002
Traditional (\$)	670.9	636.7	523.6
Traditional (%)	78.0	43.3	27.7
Non-trad'l (\$)	183.10	591.3	807.3
Non-trad'l (%)	22.0	40.2	42.7
Maquila (\$)	0.0	241.8	559.7
Maquila (%)	0.0	16.5	29.6
Total	831.0	1,469.8	1,890.6

Note: The above figures do not include tourism.

Source: Banco Central de Honduras.

The weak economy was sorely damaged by the category-five hurricane Mitch in December 1998. Almost all productive sectors were seriously affected with agriculture suffering the most. The biggest export industries collapsed and a large part of the country's infrastructure was destroyed. The value of the assets lost was estimated to be \$5 billion, equivalent to 95% of the GDP of 1998.¹² Most of the banana plantations – about 70% – in the Sula Valley were destroyed. However, non-traditional export activities – *maquila operations*¹³ – were relatively unharmed.

Human factors undoubtedly compounded the devastation caused by the hurricane. In rural areas limited access to productive land¹⁴ led the poor to exploit the natural resources in an unsustainable way. Deforestation and soil erosion contributed to the rapid swelling of rivers. Precarious housing in urban areas caused many deaths. Additionally, weak early warning systems and underestimation of the hurricane's magnitude severely reduced the ability of the Government and of the citizens to react to the disaster. Mitch also laid bare the social, political and environmental vulnerabilities of the country, its institutional fragility and its inability to respond to emergency situations.

Large flows of international aid helped reconstruct bridges and roads, repair homes and local infrastructure, such as water and sanitation, school and health-care facilities. Partly due to mitigate the adverse effects of Mitch but also due to renewed interest in Central America, the World Bank, IMF as well as IDB have extended assistance and made overall macroeconomic adjustments in order to reduce poverty substantially not only by improving the infrastructure, but also the financial sector. For this pur-

pose the World Bank carried out a development policy review in 2004 and extended credit under the umbrella of reduction of poverty. IMF extended a financial sector adjustment credit and IDB also extended appreciable credit for the improvement of secondary education. As a result of all these efforts most infrastructures have been reconstructed and macroeconomic adjustments have been made, but the psychological trauma caused by Mitch still lingers among Hondurans.

Honduras is involved in important regional integration arrangements, such as the Central American Court of Human Rights, the Free Trade Area of the Americas, the Northern Triangle and the free trade agreement between Central America and the United States. Difficulties do arise, however, due to recurrent disputes between these countries over trade and borders, and the relative lack of competitiveness of the Honduran economy compared to larger ones, such as Mexico and the United States.

Honduras' main economic challenges are to increase the stability of the economy through reducing debt, to accelerate growth through increased competitiveness and by developing alternative sources of production that allow the country to earn foreign currency rather than borrow, and to productively absorb a growing low-skilled labor force. Honduras needs to grow in a sustained manner towards its goal of reducing rampant poverty through job creation and human capital development. It must make sure that debt relief is directed toward the creation of employment and the reduction of poverty, an incredibly difficult challenge if, at the same time, it must balance its internal fiscal budget and promote exports.

¹² The Economist Intelligence Unit, *Country Profile*, 2002.

¹³ A *maquiladora* is an assembly plant operating with imported material and equipment on a duty- and tariff-free basis.

¹⁴ Honduras has limited arable land, less than 10% of the country's total area.

2.3 INSTITUTIONAL AND POLITICAL CONTEXT: CONSOLIDATING DEMOCRACY

Honduras was governed by authoritarian and military regimes between 1932 and 1982. The military dominated the political and economic arena.¹⁵ The main consequence of this regime was political repression; however, its dimension was not at the same magnitude as that in other Latin American countries. In 1982 Honduras finally moved to a democratic regime and since then presidents have been elected by popular vote. Since the mid-nineties progress has been made in subordinating the armed forces to civilian authority and a political transition has started towards building a more democratic society. The military is now firmly confined to its barracks. Although it ceased to hold political power in 1982, it continued to exert some influence in the economic sphere by discretionary management of the military budget and pensions. Their influence has been significantly reduced throughout the past six years. In addition private sector organizations also exert some influence on policy making due to their affiliation with the two major parties. Since 1982 Honduras has made a great leap forward into democratic governance. The process, however, is by no means complete, since the transition takes much more than twenty years.

The nature of Honduran politics presents a major challenge to its future development. Politics are highly partisan with two traditional, dominant parties: the Liberals (PLH) and the Nationals (PNH). There are no substantial differences in their ideology. After two successive liberal governments the nationalist party came into power in 2002 and will remain in power until the elections in 2005. Three minor parties that have never participated in the government in the past have begun to play a larger role, since a new electoral law has started to encourage voting patterns based on affinity between candidates and voters and not traditional political power structures.

Labor and peasant organizations have been active in politics since the 1950s, when they became organized in unions and began negotiating for their rights. Honduras is, today, the most unionized country in Central America. Since the transition to democracy in the early 1980's, sever-

al civil society organizations, particularly religious grassroots organizations, active female groups, indigenous organizations, as well as environmental and human rights groups began to flourish in the country. The advent of democracy has enabled them to address key national issues, debate publicly necessary reforms and forge several national agreements among key stakeholders – government, political parties, civil society organizations, and donors.

Although Honduras has been governed by a formal democracy for the last 22 years, it has yet to address several obstacles to overcome the weakness of key state institutions.¹⁶ The last election in 2001 was the sixth democratic ballot held since 1982; and international observers from the Organization of American States (OAS) declared it free and transparent. It was an important indicator of the democratization process of the country, since it was the first time that voters could vote for the President and Congress representatives separately; which meant that party loyalty took a step back and expression of policy choices took a step forward.

With the 2001 elections policy oriented discussions began to surface and political parties, civil society and donors agreed on the basic tenets for reforming the political and electoral system and enhance good governance. One of the significant achievements was the creation of the Democracy Trust, (DT, or Foro de Fortalecimiento a la Democracia in Spanish) that facilitates dialogue on key national development issues and builds consensus towards long-term policy commitments. Under its umbrella all political parties, together with civil society representatives, committed themselves to pursue political and electoral reforms that seek to make the political process more transparent, democratic and representative.¹⁷ Although the committed constitutional reforms have yet to be fully internalized, they have nevertheless brought about substantial advances in governance.

Several new institutions were created to improve democratic governance and ensuring the rule of law: these are the National Human Rights Commission, the Public Prosecutor's Office, and the Anti-Corruption Council. In addition a legal framework was approved for the gradual decentralization of the state, a civilian police force was established, and the armed forces were made subordinate to

¹⁵ See Victor Mesa et al., *Democracia y Partidos Políticos en Honduras*. Centro de Documentación de Honduras. Tegucigalpa 2004.

¹⁶ UNDP, *Honduras Common Country Assessment*, 1999.

¹⁷ In 2001, candidates of the five political parties signed a Declaration of the Political Parties to the Honduran People, committing to support electoral and political reforms in Honduras. A Political and a Judicial Commission were created to draft the bills and laws following the commitments. Another agreement was signed in 2002 between 3 of the 5 political parties represented in Congress, which amplified the previous agreement to include other areas such as limiting the immunity for Congress members and other officials of the state. Of the proposed reforms, three were approved during 2002, one in 2003 and almost all of the remaining ones were included in the New Electoral Law and Political Organizations Law passed in May 2004 to replace the outdated 1981 law. The laws passed include: the creation of the Electoral Court, the replacement of the Presidential Designates by a Vice-President, the creation of an independent Population Register (2002), and the removal of the immunity of parliamentarians (2003); Modification of the system through which legislators are elected. Previously citizens voted a closed and blocked list of candidates decided by the president of the party, but could not choose the candidate of their preference. The new system allows citizens to choose the candidate/s of their choice, creating a clear accountability line between the legislator and the constituency that voted for him, not for the caudillo that previously decided his inclusion in the list; authorization to political parties to form alliances without losing their legal status; shortening of the duration of political campaigns; establishment of a more transparent system for financial accountability of parties (2004).

civilian authority. In 2002 Congress enacted the reform of the judiciary system. In 2003 the elimination of parliamentary immunity was in principle approved and, if ratified, will entail a major change towards curbing corruption through increasing transparency in public management. Despite these achievements, there is a long way to go before democratic governance institutions become sustainable and enforce policies and laws according to their mandate.

In 2002 the Government formulated a National Decentralization and Local Development Program (PRODEL) to strengthen local capacities, improve fiscal and administrative management, promote governance and transparency, and place decentralization high on the Government's agenda. Already in 1991 the Law of Municipalities had been enacted which scaled down the oversized and inefficient public sector by transferring a number of state functions to the municipalities; thereby the municipalities increased their participation in the financing and operation of local social projects. Also 299 municipalities were organized under AHMON (the Honduran Association of Municipalities - Asociación Hondureña de Municipalidades), which aims at strengthening the role of local governments supported by donor programmes. This process of decentralization can easily be observed in "Open Town" meetings that involve communities in the formulation of strategic local development plans.

However, the process has been slow, primarily because the central state has not been able to comply with its constitutional obligation of transferring 5% of the national budget to municipalities. Since around 80% of municipal revenues are allotted to current expenditures, this non-compliance leaves the municipalities short of necessary funds to finance local investment projects. Moreover, many local governments have not as yet developed the technical capacities to assume the responsibilities of the central government.¹⁸ The shortage of local funds combined with the central government's reluctance to let go of the control of certain funds, as well as low technical capacity in some municipalities have deterred deeper reforms in decentralization.

Another serious problem that afflicts Honduras is illegal drug trafficking and its social implications. The Government has made efforts to strengthen the institutions in charge of fighting illegal drug trafficking, but information systems, control and prevention mechanisms, as well as public service capacities to enforce existing regulations, are all very poor. Honduras is a transit country for drugs destined for the USA, particularly cocaine. Anecdotal reports suggest that crime, violence and insecurity are related to the rising drug trafficking. Also, the problem of violent crime and gangs called *maras* continue to be high on the political agenda.

2.4 POVERTY

Several factors contribute to the widespread poverty in Honduras. Economic growth is slow and volatile; per capita income is low; income is highly unequally distributed; productivity of factors of production is low; there is an imbalance between population growth and natural endowments; public management lacks transparency; and corruption is widespread. Thus poverty is a major concern for the Government of Honduras. ECLAC estimates that 71% of households were poor in 2002; in the rural areas the percentage is higher at 80%. The national agenda since 1999 has been explicitly guided by the overarching goal of reducing poverty as expressed in the two most important government plans: the Master Plan of National Reconstruction and Transformation (MPNRT) and the Poverty Reduction Strategy Paper (PRSP). While the MPNRT's main objectives were to help the country recover from the impact of hurricane Mitch and improve, in a medium-term frame (1999-2005), the social, economic and environmental conditions caused by this event, the PRSP is a complementary yet much more ambitious long-term programme (2000-2015). It outlines strategies to advance social, political, structural and infrastructure development and plans to reduce the incidence of poverty by focusing on 6 major objectives as shown in Box 6.

BOX 6: POVERTY REDUCTION STRATEGY OBJECTIVES

1. Accelerating sustainable and equitable economic growth
2. Reducing rural poverty
3. Reducing urban poverty
4. Strengthening social protection for specific vulnerable groups
5. Enhancing investment in human capital
6. Ensuring the sustainability of the strategy

¹⁸ Honduras Poverty Reduction Strategy Paper, 2001.

The Poverty Reduction Strategy in Honduras is supported by donors. The World Bank and IMF approved the PRSP in late 2000 as a condition for gaining debt relief through the Highly Indebted Poor Countries (HIPC) initiative. Other lending agencies that participated in the Stockholm Declaration¹⁹ in 1999 also supported the PRSP. The challenge for the country is how to implement the policies that are conducive to poverty reduction. The Government of President Flores had actively participated in the PRSP's elaboration; however, the present Government appears to lack ownership. This is partly due to the fact that PRSP was undertaken by the previous Government and partly to the fact that it was prepared in a relatively short period of time. Hence, civil society could only participate in a consultative mode and was unable to influence the decisions incorporated into the plan.

APRSP was required by funding agencies, and thus became, de facto, the National Development Plan of Honduras. For it includes such areas as strengthening civil society participation, decentralization, governance, participatory democracy among others, none of which are directly connected with the reduction of poverty in the strategic sense. These are necessary but insufficient conditions to reduce poverty. The concept of poverty was so widely defined that a higher estimate of the poor is given than is desirable for clear corrective action and for poverty focused programmes. In fact the majority of, if not all, governmental policies have been included under the umbrella of anti-poverty strategy. Accordingly, a significant proportion of people (66% according to the PRSP) were defined as poor in 1999 and Government actions were required to benefit all of them. But it must be stated that the PRSP in fact is not a strategy for the reduction of poverty, but became a programme of action to benefit proportions of the population who were in a disadvantaged position as defined by the per-capita incomes of the households. As a result, a very large majority of Hondurans were defined as poor. Hence, the concept does not appear to be fully conducive to design programmes and policies that were to focus on various segments of the poor.

There was a slight reduction in poverty that may well be due to the development in the country since 1999 and

not totally due to the impact of the PRSP. In fact, ECLAC's figures indicate that poverty in Honduras decreased by 1.4 percentage points from 1990 to 1997, by 0.5 percentage points in 1999, and by additional 3.4 percentage points in 2002, the year that the PRSP was initially implemented. This decrease may also be partly explained by increased remittances from abroad. The World Bank figures put poverty at 75% in 1991 and 63% in 2002, a decline of 12 percentage points. In other words, it appears that poverty had been decreasing in Honduras before the PRSP was implemented, and that nothing significant has occurred since then. It should also be noted that this decline in poverty in Honduras is the lowest observed in Central America. A decline is also observable in the percentage of people who live with \$1 or less a day. In 1997 these persons amounted to 22% of the population, whereas in 2003/2004 their proportion had declined to 20%. However, given the population increase between these two years, their absolute number had risen by about 11,500.

UNDP's Human Development Index (HDI) shows that HDI in Honduras in 1991 was 0.604 and that it rose to 0.650 in 1999 and to 0.657 in 2003. So, as in the case of poverty, recent improvements in this area too have been very slow. Using this approach to assess the gender dimensions of poverty, it is found that the Gender Development Index (GDI) that measures inequalities in human development of men and women, for the same years was 0.585, 0.640 and 0.652, which shows that GDI was lower than HDI. In other words, though inequalities still exist, there is a clear tendency towards a significant improvement in the degree of equality between women and men in terms of human development.

To succeed in reducing poverty Honduras should design, under the umbrella of the PRSP, a more specific strategy that identifies both the geographical areas and the sector of the population that its programmes and policies should reach over and above what the Government would do in any case. Moreover, Honduras should also strive to build institutional capacity so that strategies designed can be implemented effectively and efficiently. If not, the plan to reduce poverty would not go beyond what economic growth would achieve, provided that a strong relationship

¹⁹ The Stockholm Declaration was a response from the international community to the devastation of Hurricane Mitch. The Consultative Group for the Reconstruction and Transformation of Central America, composed of six countries - Canada, Germany, Japan, Spain, Sweden and the USA - met in Stockholm and outlined principles for the reconstruction and democratic transformation of the area. Its main principles related to social and environmental vulnerability, governance, democracy, human rights, external debt and donor coordination. The first meeting took place in December 1998, in Washington, DC. The Presidents of Central America made clear their view of the tragedy as a unique opportunity to rebuild a better Central America. The second meeting of the Consultative Group was held in Stockholm in 1999 when a declaration of principles was agreed. The Governments of Central America and the international community committed themselves to sharing the responsibility for achieving the reconstruction and the transformation of the countries concerned, thus establishing a long term partnership guided by the priorities defined by the Central American countries and based on principles of citizen participation, transparency, good governance, environmental sustainability, and sounder anti-poverty efforts.

²⁰ ECLAC, op.cit.

²¹ Chronic malnutrition affects 32% of children under 5 years of age and 22% of all the population. ECLAC, op.cit. Pgs. 86, 90.

can be established between growth and reduction of poverty. It would also be relevant for UNDP to undertake, jointly with other partners, research initiatives aimed at seeking for alternative ways (other or complementary to PRS) for reducing poverty that could enrich the policy dialogue by providing wider policy options.

2.5 HEALTH AND EDUCATION

Health coverage is erratic in Honduras and the quality is questionable. It is estimated that the Government provides coverage to 50% of the population and Social Security Institute and private sector 20-25%. The remaining 25-30% of the population has no access to public health care. The population that lives in rural and marginalized urban areas is the segment that is most adversely affected. The rate of undernourished children²¹ and child mortality in the age group of 0-5 is high.

Honduras is one of the countries most severely affected by the HIV/AIDS epidemic (1.8% of the population aged 15-49),²² tuberculosis and malaria²³ in Latin America. Although there is greater access to potable water, its coverage is inefficient and the quality is poor. Although with the increased public spending the health sector has made progress in preventive health programs, particularly in infant and maternal health, and increased coverage of basic sanitation services, many poor households, mostly in rural areas still lack access to potable water.²⁴

Advances have been steadily made over the last 25 years to expand educational facilities and this is reflected in increased primary level enrolment and adult illiteracy.²⁵ Nevertheless, certain deficiencies in quality and efficiency of education compounded by low public spending are still adversely affecting the educational system. The number of years of schooling (4.6 years) for the population ten and over has doubled in the past 25 years; the literacy rate (74.6%) has increased and enrolment in pre-school has doubled (44%).²⁶ Nevertheless, Honduras lags behind most countries in the region concerning enrolment in secondary education and there are pockets of low primary school enrolment in poor rural areas.

The main problems in education lie in primary school enrolment in poor and remote areas. In addition, transi-

tion from primary to secondary school is limited. Only 35% of those who complete primary school continue to the secondary level.²⁷ Although the share of educational expenditures in public spending has increased steadily in the past years,²⁸ the administration continues to be centralized and bureaucratic, with strong disincentives for teachers. Having achieved important gains in access to education, the challenge now is to improve quality and efficiency and improve school attendance. The main causes of low attendance in remote rural areas are the absence of nearby schools and the relatively high opportunity costs for poor parents of sending their children to school. The Honduran Community Education Project (PROHECO), which intends to take schools closer to rural areas, is a valuable initiative to address this problem. Improving the quality of services provided calls for raising teacher qualifications, improving management, curricular innovation and relevancy, and community participation.

2.6 GENDER

The prevailing social and economic conditions seem to affect women more negatively than men. This is true especially with women who are poor and heads of households with children. Poor women in Honduras are also affected by the high birth rate, a main cause for the generational transmission of poverty, and which has a direct effect in decreasing women's opportunities to obtain an education and to enter the labor market, thereby placing them in a position of greater vulnerability than men. Finally, the problem of violence, which is widespread in the country and affecting the entire population is affecting primarily poor women and is still underestimated, underreported and ignored, due to Honduran culture and a tradition of denial concerning gender inequality.²⁹ Although it appears that women fare better than men in life expectancy, combined school enrolment and literacy, they lag far behind men in earning income and in political representation, as revealed by the composition of the National Congress where men occupy approximately sixteen times more seats than women. This is expected to change, however, since the electoral law now stipulates that at least 30% of the candidates have to be women.

²² HDR 2004. Data are from 2001, Belize reported at 2.4%; Country Strategy, IDB, 2002 reports 1.9% of adult population lives with the disease; Geeta Rao Gupta, International Center for Research on Women, 2002.

²³ The Economist Intelligence, Unit Country Report, 2002.

²⁴ See Poverty Reduction Strategy Paper, 2000. Public expenditure in health as a proportion of total public expenditure has gone up from 9.7 in 1998 to 12.0 in 2001. ECLAC, Ibid.

²⁵ A. Bedi & J. Marshall. *Primary School attendance in Honduras*. Journal of Development Economics. 2001; Honduras Poverty Diagnostic, World Bank, 2001.

²⁶ Ibid. WB.

²⁷ Honduras Country Strategy Paper, EU. 2002-2006.

²⁸ Public expenditure in education as a proportion of total public expenditure has gone from 17.7 in 1998 to 22.6 in 2001. ECLAC, op.cit. Pg. 347

²⁹ Honduras PRSP, 2000.

It must be noted, however, that Honduras has started to take action towards redressing the gender imbalance. It has created the National Institute for Women in 2000 and the Public Prosecutor's Office for Women to promote gender equity. It has a national policy of promoting gender and has recently enacted laws to provide equal opportunities for women and reduce violence committed against women.

2.7 NATURAL RESOURCE MANAGEMENT AND ENVIRONMENT

Due to its geographical location, Honduras suffers from multiple natural phenomena that, given the country's vulnerability to such events, causes serious damage to its human, natural and physical base and forces deviations in long-term priorities. The high degree of the deterioration in natural resources and environment, misuse of land, misallocation of infrastructure investments, and chronic poverty compound the magnitude of such disasters.

As in any other country, in Honduras poverty and environmental degradation are closely linked. Great degree of environmental degradation is found in areas where the country's HDIs are the lowest. This close link between poverty and environmental degradation and the vulnerability to natural disasters needs to be remedied with measures that provide a better legal framework accompanied with an efficient institutional set-up for natural resource and disaster management, and with active participation of the citizens in the protection of the environment and in the mitigation of the results of natural disasters.

Land use planning is also poor in Honduras, which leads to insecurity of ownership and inability of proper care especially by the poor. The improvements of environmental management require a clear and secure definition of property rights to natural resources. About half of the country is covered with forests that are degrading. Their area was reduced from 53.4% in 1990 to 48.1% in 2001. The Government's forest policy has favored extraction rather than conservation, and economic and social policies have pushed growing numbers of Hondurans to live in forest areas under conditions of subsistence. Public administration is not as yet sufficiently effective to enforce environmental protection laws. Poor farmers and urban developers ignore protective legislation. Deforestation makes rural areas vulnerable to flooding, which occurred when Hurricane Mitch hit the region.

Conscious efforts to improve the sustainability of the environment and to protect it began some twenty years ago; in the last ten years or so they acquired even further importance, thanks to the PRSP and the decisions taken in the Stockholm meetings. Nevertheless, several environmental

problems still persist. There is a high rate of deforestation, soil erosion, and deterioration of biological resources, high level of contamination, as well as destruction and degradation of coastal marine resources. Hence, Honduras needs to reduce ecological vulnerability with well conceptualized and executed actions, high degree of citizen participation and close coordination between the public and private sector in order to achieve sustainable conditions for environmental protection and natural resource management.

2.8 CONCLUDING REMARKS AND KEY CHALLENGES FACING HONDURAS

As can be surmised from the above, Honduras has made serious attempts throughout the decade of the 1990s to improve its economic and social conditions. These attempts have taken even more organized, coherent and logically interrelated form as articulated in the Government's plans.³⁰

Honduras has experienced significant changes for the better. Some are related to the political structure, others are linked to the juridical framework and some are of a sociological nature and embedded in civil society, its organizations and social participation. Nevertheless, a vast majority of Hondurans continue to live in poverty, with meager health-care and low levels of education, with poor access to productive resources and employment as well as problems of rampant crime and insecurity. The heavy external debt burden of the country and a rate of economic growth that does not outpace appreciably the growth of population have diminished the capacity of governments to implement policies that could alleviate the precarious situation of the poor, protect the environment and make development sustainable.

Given the weakness of many state institutions, the question remains whether the new reforms will prove to be sustainable and whether the consensus that was achieved regarding the need to improve equity, transparency, reduce poverty and increase participation can be maintained for the years to come. Additionally the country needs to continue strengthening the rule of law, eliminate impunity and political privileges and promote the respect for human rights. Undoubtedly, in a number of areas Honduras will need support and assistance of the bilateral and multilateral agencies among which UNDP is one.

In order to put into perspective UNDP's efforts in assisting Honduras in its endeavours for development in the ample sense of the word, to assess its success in the past and its possible involvement in the future, a summary of the issues is in order. The key challenges within the overall tenets of the Government Plan can be summarized as follows:

³⁰ See Presidencia de la República, *Plan de Gobierno 2002-2006: Un Compromiso con Honduras*.

- Since a high rate of poverty still permeates Honduras, the PRSP programme will have to be reviewed according to results obtained to date and new alternatives for poverty reduction will have to be sought or analyzed.
- Economic growth will have to be accelerated to outpace the rate of population growth ensuring that this process is accompanied by employment opportunities for society and particularly the poorest can share in the benefits of growth: in this vein opportunities and challenges for subregional economic integration should have to be analyzed.
- Unemployment and underemployment that plague the economy require job creation that in turn requires investment, especially foreign investment to supplement and complement domestic investment. Policies regarding job creation would have to be developed under a more comprehensive strategy for poverty reduction.
- Honduras has been dependent on traditional agricultural exports, namely banana and coffee. The export structure will have to be diversified, in this context the role of micro enterprises should be analyzed, and the expansion of the industrial sector should also be sought.
- Strategies for effectively reducing or eliminating corruption need to be elaborated.
- The inequalities between men and women in their access to rights and opportunities of development will have to be redressed.
- Public spending will have to be redirected towards education, health and welfare in a more efficient way.
- Strategies and actions for reducing HIV/AIDS should be analyzed and developed.
- Environmental degradation, deforestation and soil erosion will have to be arrested and redressed.

The list above is a tall order that Honduras cannot succeed in undertaking with its own human and financial resources. For some time to come the country will have to supplement and complement its own resources with external assistance. The role of UNDP as a reliable partner of the Government is not likely to diminish; quite the contrary, it will remain as important as it was in the past.

The subsequent two chapters will review UNDP's support and the outcomes towards which it contributed to national development efforts in partnership with local partners, and the last chapter will look into the possible alternatives that are open to UNDP in assisting the Government in the realization of its objectives.

3

UNDP's Contribution to Development Outcomes

This chapter assesses the overall support provided by UNDP to key areas of national development efforts during the period 1998-2004 and seeks to analyze evidence from different sources to account for its contribution to the results achieved in partnership with other national and international actors. As the ADR methodology aims at establishing contribution rather than attribution to development outcomes the report seeks to establish a plausible link between UNDP support and development outcomes.

3.1 DEMOCRACY, GOVERNANCE AND HUMAN DEVELOPMENT

As noted previously, Honduras's under-performance in development has been closely related to poor governance. UNDP has, therefore, made this area a top priority and supported good governance since the Country Programme of 1992-1996. However, the devastation caused by hurricane Mitch in 1998 altered the priorities in the country's needs for emergency response and thereby the nature of UNDP's support and that of the international partners. CCF1 (1998-2001) was adjusted to support reconstruction efforts during 1999, but was later extended into 2001 to continue the work on strengthening democratic governance institutions. CCF2 (2002-2006) supported the government's efforts to reinforce democratic processes with broader citizen participation through advocacy and policy advice, alliance building among the major national stakeholders around key development issues, knowledge generation and provision of development services.

Evidence suggests that UNDP was recognized across all segments of the Honduran community as a facilitator of agreements that could lead to crucial political and institutional reforms. During the period under consideration, UNDP responded to many of the government's priorities as expressed in the 2002-2006 Government Plan based upon the PRSP. The Government's stand that equitable and sustainable socioeconomic growth largely depends on the strengthening of democratic governance in the country reflects its commitment to this endeavour and represents the entry point utilized by UNDP, since its profile as the only neutral international partner and its expertise in the area made it the best player to support the Government's efforts in this respect.

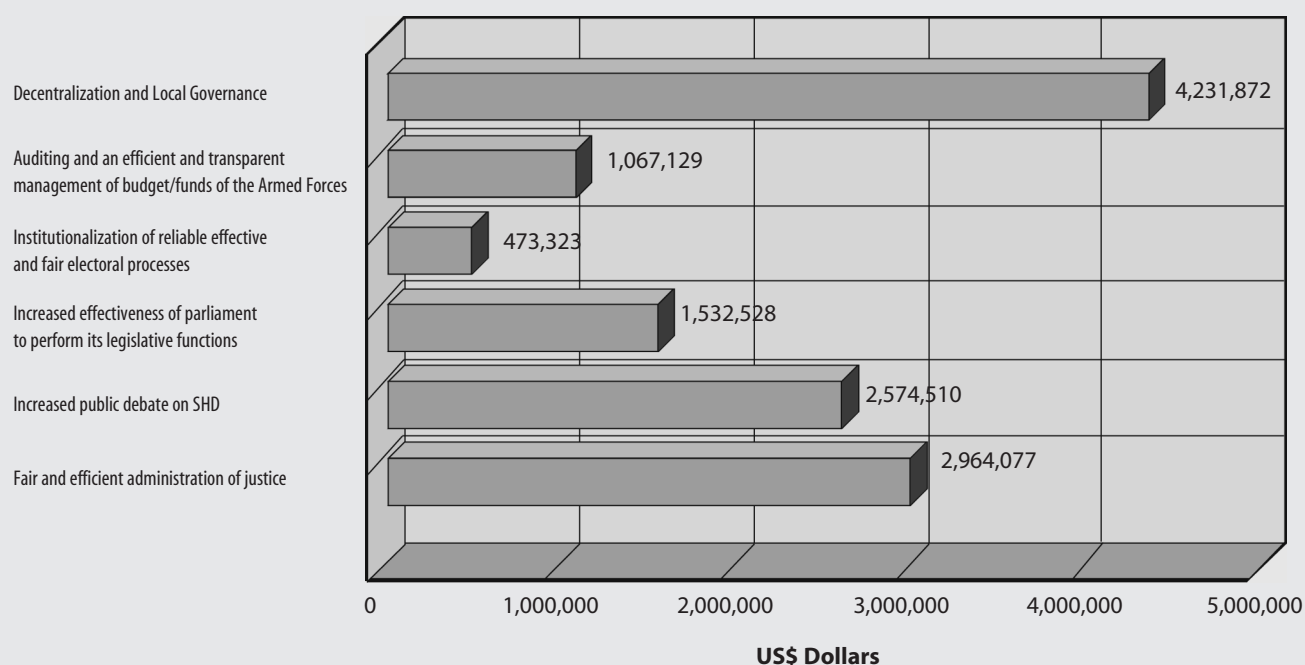
Consequently, the government plan includes four specific goals related to governance: 1) Strengthening democratic governance by fighting corruption which permeates central government institutions and process (i.e.: justice sector, electoral institutions, political parties and Congress, and the management of public resources), fostering a reliable and efficient justice system, modernization of the state, participatory and transparent electoral processes, human rights, development of ethnic groups and gender equity; 2) citizen security and defense; 3) decentralization; and efficient and transparent management of public resources to guarantee the sustainability of the strategy.³¹ The commitment of the Government to democratic governance was also found in the important milestone document 'National Agreement for Transformation and Sustainable Human Development in the 21st. Century'³², which included, among 16 other commitments, governance reforms related to the justice system, support to decentralization and

municipal development and an alliance for transparency and efficiency of public management. This platform was supported by UNDP's programme which tackled the issues of modernization of the armed forces, anti-corruption, justice, political reforms, gender equality, HIV/AIDS, citizen empowerment through influence in policy decision-making, and municipal development.

UNDP's support focuses on six areas of governance. The outcomes pursued and the outlays on the main intended governance outcomes are shown in Graph 1. Each is examined subsequently.³³

Decentralization and Municipal Development. The Government's 'Programme of State Modernization' approved in 1990 initiated the decentralization process with the Law of Municipalities (1991).³⁴ Although the post-Mitch consensus promoted by the Stockholm agreement of major donors had seen decentralization as an important mechanism to attain goals towards reducing

GRAPH 1: Governance Outcomes and UNDP delivery 1998-2003



³¹ The PRS that orients the overall government strategy includes the goal of strengthening transparency and participative democracy, as part of its goal of guaranteeing the sustainability of the strategy. PRSP 2001.

³² Acuerdo Nacional para la Transformación y el Desarrollo Humano Sostenible en el Siglo XXI, 2001.

³³ Although the CO includes within the governance area a specific SRF goal that represents the activities of the Business Centre - *Increased government capacity to administer multilateral resources for strategic development initiatives*- the resources mobilized during the period (US\$ 222,665,646 are not included in this graph because it is not strictly comparable either in programmatic terms or in the amount of resources disbursed, to the other SRF governance goals represented in the graph.

³⁴ Autonomy is based on the faculty of municipal governments to raise their own revenues and decide on investments, management of their own budget cycles, and the right to create their own administrative structure. The law also states that municipalities will elaborate and implement local development plans, foster and regulate commercial, industrial and service provision activities and will be in charge of procurement for public services and works. Law of Municipalities, Articles 12 and 13. 1990.

poverty in 1999, the process was not given a high priority in the Government's agenda until the Decentralization and Local Development Programme (PRODEL) was elaborated with UNDP technical assistance to the Ministry of Governance and Justice in 2002. The PRODEL aims at consolidating the decentralization process in order to accelerate local, economic and social development. It seeks to strengthen local capacities; attain fiscal and administrative decentralization; foster regional development and territorial regulation; and enhance good governance and transparency.³⁵

Decentralization and municipal development have been the areas in which UNDP has had the most comprehensive strategy of intervention, as well as provided the major value. At the **central level** UNDP technically assisted the Ministry of Governance and Justice (Interior) in the elaboration of the Programme for Decentralization and Local Development the outcome of which was the first clear national policy on decentralization the country has ever had. It also provided the ministry, which was weak and almost nonexistent before 2002, with substantive technical assistance in strategic planning. In addition UNDP extended similar assistance to the Honduran Association of Municipalities (AHMON)³⁶ providing them with technical assistance in elaborating their institutional development plan, thus building the association's capacities to address its priorities of municipal development through a strategic plan.

At the **municipal level** UNDP embarked upon four different projects that aimed at strengthening the technical capacity of municipal governments in urban and rural areas. The findings analyzed in this evaluation refer primarily to the most significant projects as recorded in previous evaluations and interviews carried out by the ADR mission.³⁷ From 1998 to 2003 UNDP worked with five municipalities³⁸ in partnership with SIDA that funded the project (\$3.4 million). The targeted municipalities had the following common problems: a marked deficit in the provision and quality of public services; lack of a clear strategy to enhance citizen participation in local affairs; and institu-

tional weakness that prevented efficient municipal management. UNDP's intervention focused on providing technical assistance to improve efficiency and transparency in municipal management, more specifically, to increase coverage of public services, to enhance citizen participation through joint definition of local development plans, to train civil servants in administration and financial management, and to design and implement development projects. UNDP facilitated local governments to set up Transparency Committees with elected members from civil society to act as a watchdog over municipal finances.

The ADR Team views UNDP's intervention as positive, since at the central level it appears to have significantly contributed to a healthy policy debate and influenced the approach to decentralization that later became national policy. The outcome at the municipal level was strengthening local governance by assisting municipalities to improve their financial and administrative management, providing them with basic equipment (computers, office infrastructure) and training staff in financial skills, cadastral techniques and tax collection. Although results varied considerably from one municipality to another, UNDP has opened avenues for citizen participation, joint development planning between civil society and Government, growing awareness of the right of citizens to demand accountability and of the government to respond to it.

However, a major weakness of the programme was that it did not design a strategy for the pilot projects supported by UNDP to influence the decentralization policy nor did it explain how they would be replicated. While the project document stated that it would implement successful pilot projects of local development that would be replicated, and also inform the decentralization policy, there was no clear strategy as to how this link would be accomplished, and in fact, the successful experiences stayed where they are. Thus, these experiences need to be replicated and their sustainability ensured by using these pilot projects to inform the implementation of the decentralization policy.

Further, the approach to local development should prioritize market-oriented initiatives. Fostering participation

³⁵ Programa de Descentralización y Desarrollo Local (PRODEL), Unidad Técnica de Descentralización, Honduras. 2002.

³⁶ AHMON is a civil association at the national level, formed by the 298 mayors of municipalities. AHMON was created after a government resolution in 1962 and its mission is to defend municipal autonomy and promote decentralization and national reconstruction efforts. Due to lack of government support, AHMON had little clout until 1992 when it gained strength and visibility.

³⁷ The second municipal development project implemented by UNDP and funded by the Government of Netherlands supported municipal strengthening of 48 rural municipalities and their capacity to identify investment priorities, improved their skills to manage efficiently local development processes and elaborate municipal strategic development plans (\$1.3 million). No evaluations are available of this project. Recently a third has been initiated: Self-managed local development for poverty reduction in three north of Copan financed by Finland (\$3.8 million). A fourth project, which the mission could not assess directly, is the Initiative for the Fight against Poverty (APPI) in the three poorest departments of Honduras.

³⁸ Tegucigalpa, Puerto Cortés, San Pedro Sula, Santa Rosa de Copán and La Paz.

³⁹ The creation of transparency committees is based on the constitutional law that allows citizen access to public information. Reform in 1990 created the figure of the Municipal Commissioner whose function is to mediate conflicts at the local level, denounce cases where the law has been abused, and implement preventive strategies to discourage corruption. It does not however have power to judge. The Commissioner is chosen by the local government out of six candidates proposed by civil society. He/She leads the transparency committee integrated by three other members proposed by civil society and chosen in the same way.

at the local level, albeit important cannot supersede the goal of facilitating opportunities for pro-poor economic growth. UNDP needs to strengthen the links between its efforts to support local governance and its rural development initiatives. If governments are unable to guide and support economic opportunities for its constituents, they will not be able to make use of their enhanced public management skills.

UNDP could also assist municipalities to align their strategic local development plans with the PRSP's priority actions focusing on enhancing market oriented initiatives. Deeper knowledge of how the national plan relates to the municipal one can ensure policy coherence between the central and local levels of government. This would help municipal governments streamline efforts, access available funds, and associate with other municipalities to benefit from economies of scale, etc.

Fair and efficient administration of justice. In terms of resources UNDP's second largest governance intervention was its support to the reform process of the judicial institutions that are considered as highly politicized and corrupt. The 2002-2006 government plan sought to strengthen and modernize the sector, increase its transparency, independence and effectiveness. It aimed to depoliticize the judicial powers, eliminate internal corruption, restrict them to judicial functions and remove the current administrative ones, and modernize the prison system. Social insecurity and drug trafficking are one manifestation of the incompetence of the Ministry of Security, the police, Office of the Prosecutor and the Ministry of Justice. Indeed, private firms, citizens and public officials have identified justice as the most corrupt institution in Honduras.⁴⁰ Another survey reflected that the majority of public opinion (72%) thought that poor people rarely succeeded at having their rights respected.⁴¹ Some improvements have occurred in the justice sector such as the reform of the process to elect Supreme Court Judges in 2001, a New Penal Procedural Code implemented in 2002 and measures to streamline the process of administering justice.

At the policy level UNDP advocated and facilitated policy dialogue, discussion and consensus that led to the National Agreement for Transformation and Sustainable Human Development in the 21st Century that has been committed to by all political parties and included, among others, support to the reform and modernization of the justice system. It also carried out standalone interventions to cooperate with different operators of justice, namely, the Office of the Prosecutor, Ministry of Security, Supreme Court of Justice, the police, and the National Human Rights Commissioner through the provision of technical

expertise in training personnel, efficient management processes and systems, and research and analysis to inform policy decisions.

UNDP's assistance seems to have contributed to the improvement of the prosecutors' capacity to handle cases more efficiently. Although no hard evidence was provided to the ADR Team, several key informants interviewed indicated that such was the case. The training interventions were concentrated at the capital and other big cities. It should be noted that there is a dearth of skilled prosecutors in the interior. In the already described frame, UNDP's support was certainly recognized as a positive contribution but the mission observed that it was not sufficiently widespread. No doubt, UNDP's standalone interventions in building capacity and providing input to the functions of the Supreme Court, the Human Rights Commission, Prosecutor's Office and Ministry of Security have been a constructive contribution towards improving, albeit modestly at this point in time, the administration of justice. However, no evaluations had been undertaken to assess the extent to which the assistance provided resulted in enhanced efficiency of the institutions' processes.

Additionally, UNDP has contributed to the passing of key laws occurred in the period assessed (i.e.: Organic law of the judicial branch, law for the creation of the Judicial career and Office of the judiciary) although establishing the link between UNDP's role in facilitating dialogue and the laws passed is not a feasible task. Moreover, the challenges in increasing efficiency, transparency and access to justice are too daunting for isolated and disperse interventions to have a significant effect.

Given that UNDP is not the largest player in this sector, instead of implementing isolated interventions, it could support other partner's integrated, targeted strategy of intervention to assist the government in the reform and depoliticization of the judicial system. Two key goals should be depoliticizing justice institutions and increasing access to justice for the vulnerable and marginal segments of the population.

Actions to increase access to vulnerable populations should address the different instances for people to be aware of their rights, mechanisms that enable them to claim their rights when violated (i.e.: extending coverage of prosecutor's offices, local ombudsman offices, special courts, community police and alternative conflict-resolution centers in marginal areas of Tegucigalpa and the rest of the country,) and redress and/or protection through justice proceedings.

⁴⁰ World Bank. *Gobernabilidad y Anticorrupción en Honduras: Un Aporte para la Planificación de Acciones*. 2002.

⁴¹ Ibid. *Latinobarometro*, 2002. p.253.

BOX 7: OBJECTIVES OF THE DEMOCRACY TRUST

- To facilitate dialogue on the development of democracy in the country with the participation of all Honduran society.
- To contribute to the strengthening of democracy within political parties and civil society by promoting participation.
- To support the democratic process in the country through strengthening the capacity of civil society and local governments.
- To set up a 'Council of Women' in order to enhance the participation of women into the reconstruction of the country.
- To contribute to the strengthening of the media.
- To enhance international cooperation on the key issues of the country.

Public debate on Sustainable Human Development

was stimulated through two major UNDP initiatives. One was the Democracy Trust (DT) established in October 2000 under the auspices of the President of the Republic and the Archbishop of Tegucigalpa, with the participation of foreign representation and international organizations. Civil society and political parties participated subsequently. The DT operated as a mechanism enabling multi-stakeholder dialogue on key policy issues in the areas of democracy, good governance and poverty reduction. It responded to the need for social and political consensus towards implementing long-term public policies. The institution has been a highly respected set up in Honduras, and it would not have been realized had there not been strong UNDP support. In fact, the close relationship of trust between UNDP and civil society leaders, members of the international community pursuing the Stockholm goals and political parties, enabled the DT to act as a convener and neutral interlocutor of at least two key national issues:

- To build a high degree of confidence and communication with civil society actors participating in PRSP consultations.
- To lay the ground for the signing of the declaration of the political parties to implement key political and electoral reforms.

These were two clear UNDP accomplishments between 1998 and 2003. However, despite its unquestionable success in its first years of existence, UNDP has in recent times disengaged from the DT as the main driver of its initiatives.⁴³ At present, the DT needs to develop an endogenous strategy, led by national champions that can

convene representatives from every sector of society that reflect the growing complexity of Honduran society. The DT should continue facilitating dialogue on key national issues to enable long-term policy implementation, ensuring that topics addressed are relevant to civil society and different sectors' urgent concerns. UNDP needs to continue to support the DT in the transition to its gradual autonomy and may have withdrawn its support too hastily.

The periodic **National Human Development Reports** (NHDR) produced by UNDP are widely referred to and foster a culture of open dialogue about the multidimensional nature of poverty and its effect on different groups in the country. It has been a particularly important tool for the Country Office's advocacy efforts, policy advice and dialogue at the national level. Several government agencies, academic circles and NGOs, use the report to inform their respective actions, policy planning and research. One of the main advantages of NHDRs is the richness of their statistical appendix, which has become a standard reference source for national and international actors involved in the development of the country.

Effectiveness of parliament to perform its legislative functions

Parliament continues to be a fragile institution in Honduras and legislators lack, in general, the capacity and resources to elaborate and analyze draft laws, resulting in new legislation inconsistent with existing laws and the Constitution. This adds to the already patchy legal system in Honduras, abundant in lacunae, legal vacuums and contradictory regulations.⁴⁴ UNDP provided very specific technical assistance to Congress in order to establish a database of legislative

⁴² See, J. Avina; S. Membreno Cedillo. *Foro para el Fortalecimiento de la Democracia (FFD): Aprendizaje para la gobernabilidad democrática en Honduras*. 2004.

⁴³ UNDP has been the central source of technical and financial support to the DT since its creation. This enabled mobilizing resources from other donors (i.e: Switzerland, Netherlands, Denmark, Japan, Finland, Canada, UK). US, Chile and Spain provided cooperation through experts. From 2000 to 2003 the total resources received by the DT including UNDPs were 0,8 million dollars.

⁴⁴ National Human Development Report 2002. p. 80.

information that would allow parliamentarians to perform more efficiently their legislative functions. The project installed a computer network, including the provision of technical equipment and computers; and built a database containing all national laws and relevant information. It also assisted different bodies in Congress, providing advice and analysis on legislative issues, trained legislators to assess and analyze bills. Clearly UNDP's assistance to Congress did not achieve much in enhancing the effectiveness of Parliament to perform its legislative functions. Nonetheless, the ADR Team considers that UNDP has taken note of these limitations and has adjusted the nature of its support to Congress. The current strategy is aimed at strengthening the democratization of the political parties and their representation of Hondurans.

Modernization of Armed Forces. Although democracy was established in 1982, in 1998 the armed forces still had influence in the economy if no longer on politics. The challenge for the current government is to strengthen the civilian Secretary of Defense and clearly demarcate civilian and military functions. At the request of the Ministry of Defense, UNDP initiated a project aimed at supporting the reform and modernization of the Honduran Armed Forces. The first initiative consisted in an international audit of the Military Pension Fund Institute and its group of companies (Instituto de Previsión Militar). This initiative was unprecedented not only in the country but in the region as it opened up to scrutiny an area over which the military had a monopoly for the last 50 years. UNDP's support certainly contributed to enhancing the transparency and accountability in the management of the defense budget. Also at the Government's request UNDP initiated another project, which elaborated the "White Book", a document containing the long-term defense policy for the country from a democratic and civilian stance. UNDP also promoted a human rights component as part of the Armed Forces academic and professional studies and training. Admittedly, these projects could not fully overhaul the military culture in Honduras. However, they had the impact of driving home the idea that civilian authority is over and above the military one. The audit also enabled UNDP to build a partnership with the Ministry of Defense that resulted in a series of joint efforts and ongoing initiatives to enhance the democratization of the armed forces.

Institutionalization of reliable, effective and fair electoral processes. A modest financial investment by UNDP in the area of governance has proved to be signifi-

cant in promoting a democratic and fair electoral process. In 1998, electoral institutions, political parties, Congress, and the justice sector were permeated by partisan politics and lack of impartiality. Politics were strongly influenced by a deeply entrenched patronage system through which 'caudillos' (political chiefs) dominated political clientele. The government plan 2002-2006 included the goal of consolidating participative democracy through the introduction of reforms in the political-electoral system to ensure its objectivity, impartiality and transparency.

In this context, the entry point of UNDP's main intervention was the Democracy Trust, as noted above, to stimulate discussions on the need to reform the political and electoral system. The DT brought together politicians around a negotiating table that later led to the signing of an important political agreement known as the Declaration of the Political Parties to the Honduran People. UNDP provided substantive policy advice, facilitated the discussion among political parties on necessary reforms, and was the only international agency that became involved in such sensitive issue. UNDP also helped to set a commission of jurists with legal experts accredited by the political parties, who assisted in drafting the specific reforms committed to in the Declaration. The drafts were later submitted to Congress for approval. To date all reforms proposed have been passed into laws and there is a real opportunity to make the electoral process more transparent, reliable, and its outcome more representative of the Honduran population. In 2004 a new Electoral Law and the Political Organizations Law was adopted to replace the outdated 1981 law.

The role of UNDP in contributing to a culture of negotiation, dialogue and consensus-building in the country is widely recognized by actors in government, academics, civil society, the international community, and the political parties themselves. UNDP is recognized as having managed the process that led to political agreements with genuine commitment to national needs, neutrality, expertise and respect for plurality and openness. This ability explains why it succeeded in brokering such sensitive arrangements among actors who had traditionally evaded open dialogue towards national priorities. The Declaration was clearly successful in achieving the aims of creating the enabling environment to reform the political and electoral system.

Anti-corruption and transparency. Honduras features very poorly on Transparency International's Corruption

Index.⁴⁶ Corruption pervades all levels of government and the provision of public services. In recent years it has grown to the level that weakens greatly the efforts of good governance and seriously affects human development. To combat it the Government created in 2001 with strong support from UNDP and the international community the Honduran National Anti-Corruption Council (NAC) that is composed of civil society and government representatives, as well as the highest authority of the Catholic Church. NAC's main mandate was to design a transparency and anticorruption strategy. This has proved to be a significant contribution towards efforts for endowing the country with a long-term policy in anti-corruption matters. However, the implementation of the policy suffers from the lack of political will.

The support to anti-corruption initiatives and transparency of public administration has been present in UNDP's Country Programme since 1998. The undertakings during CCF1 assisted the Government to improve transparency in public administration through promoting accountability of public servants; strengthening of treasury inspector's office; and improving the oversight systems. CCF2 echoed the national concern about corruption being a major impediment to progress toward development and stated that among its goals was to promote a political climate based on the basic principles of democracy, including transparency, separation of powers, non-corrupt systems of governance and administration.

At the local level, within the framework of the decentralization and local development programme, UNDP has assisted social auditing activities that stemmed from increased demands for transparency. UNDP's contribution was to provide technical advice and capacity building; it was instrumental in creating the first municipal Transparency Committee as a pilot project in one municipality, Santa Rosa de Copan, an example that was replicated further by the initiative of local governments in 30 different municipalities. The municipal processes of social auditing have acquired a life of their own in many municipalities and have become a moral pressure on public servants who feel watched in an unprecedented way. UNDP contributed to the debate among civil society, the Government and political parties on the gravity of corruption and to the institutionalization of the mechanisms such as NAC and the Transparency Committees to demand accountability and transparency. The fact that UNDP was asked by the armed forces to audit their pension fund, a closed stronghold, reflects the trust in UNDP to address sensitive corruption

issues with impartiality. It stands to reason that UNDP efforts alone cannot stamp out corruption in one blow. However, its contribution in raising consciousness for the elimination of corruption is considered in Honduras no small achievement.

Has UNDP sufficiently addressed the key development challenge of poor governance in Honduras? The ADR Team found sufficient evidence that UNDP contributed to building the capacity of public servants, to strengthening public institutions, promoted broad-based policy dialogue, and advocated transparency, democratic decision-making in the public and private spheres, and human development, all of which are essential elements to deepen democratic governance in Honduras. The Government's efforts at good governance would have progressed much more slowly and been much less effective without UNDP's assistance. One cannot pretend, given the particularities of Honduras, that all the intended results regarding its institutions and organizations, not to mention the mindset, have been achieved. The outcomes described above to which UNDP had clearly contributed, however, cannot be underestimated: the consolidation of democratic governance, and ultimately of human development.

3.2 POVERTY REDUCTION AND SUSTAINABLE HUMAN DEVELOPMENT

Honduras is a low per capita income country with high preponderance of poverty in rural and urban areas. Poverty reduction became a more pressing issue after the devastating effects of hurricane Mitch. The World Bank and IDB insisted on the need to develop a poverty reduction strategy connected to the initiative of debt relief for highly indebted poor countries (HIPC). During the period under consideration UNDP implemented different types of interventions representing 14% of the office's total outlays. CCF2 aimed to concentrate UNDP's efforts of poverty reduction in rural areas by focusing on policy reforms in the agricultural sector; providing assistance for alternative income-generating options for communities; strengthening the linkages between agro-industry and small farmers; and extending rural credit to small farmers. In practice, this last aspect represented most of UNDP's efforts in the area of poverty reduction. In addition, consolidation of local development management capacity of the municipalities and communities was of vital importance. UNDP defined two outcomes towards which it would orient its activities in the

⁴⁶ The country ranks 106 out of 133 countries in 2003, and scored 2.3 out of 10, although this represents a slight improvement since 1998, when it scored 1.7 in the Corruption Perception Index (CPI) of Transparency International. The CPI is based on a survey to entrepreneurs, academics and risk analysts in a particular country; it reflects the surveyed population's perception regarding the level of corruption; the index ranges from 10 (highly transparent) and 0 (highly corrupt).

area of poverty reduction: one is the development and implementation of an anti-poverty strategy through a participatory process involving the poor themselves; the other is monitoring poverty, by mechanisms to provide statistics and data on poverty-related issues.

This second outcome was pursued by UNDP by providing assistance in setting up the Institute of National Statistics (INE) in 2001, an initiative which was co-financed by SIDA and where UNDP provided the technical expertise. INE overviews the collection of appropriate data and publishes statistics related to various issues, including poverty. This discreet intervention proved a very positive and lasting contribution. The INE is currently functioning, although with limited human and financial resources, and carries out annual household surveys and compiles statistics to inform public policy.

In line with the two above mentioned outcomes, UNDP's strategy to address poverty reduction in the country concentrated on two main areas. First, it supported rural development at the policy level, by providing technical assistance to the Ministry of Agriculture in the formulation of the National Programme for Sustainable Rural Development (PRONADERS) which is the policy framework for all national initiatives related to rural poverty reduction. The bulk of its support to rural development was provided through the execution of projects aimed at strengthening rural communities' capacities to implement local development and in some cases investment projects (funded by IFAD and the Central American Bank for Economic Integration, CABEL).

Second, it provided policy-oriented research and information to facilitate informed policy dialogue during the elaboration of the PRSP and ensured the participation of diverse sectors of society and politics in the country. The preparation of PRSP was a window of opportunity for UNDP to enhance its cooperation with the multilateral cooperation institutions as well as and its advocacy role within the Honduran setting. UNDP provided technical input to the preparation of the document, but more importantly it established policy dialogue mechanisms that ensured the participation of the different strata of the Honduran society, promoting throughout the process a discussion that not only focused on the economic and fiscal aspects conducive to poverty reduction but on the human development dimensions that a poverty reduction strategy should address. Using the vehicle of the Democracy Trust, UNDP organized meetings to obtain technical and long-term political backing of the strategy.

In the rural areas of Honduras where half of the population of the country lives and 72% are considered to be

poor, UNDP contributed to development initiatives in two directions. One was the design and implementation of rural development projects together with IFAD and CABEL, and the other was of decentralization projects with various bilateral donors. UNDP has not been very active in the area of policy dialogue for the reduction of poverty in rural areas, nor did it use its full potential. In terms of institution building UNDP has played an advisory role during the setting up of PRONADERS, National Direction for Sustainable Rural Development (DINADERS) and FONADERS. Although these initiatives have been noteworthy, the ADR Team cannot ascertain whether they in fact yielded the expected outcomes due to the absence of results-oriented evaluations or monitoring reports of these undertakings.

Poverty reduction through rural development: As mentioned above rural development represented the bulk of UNDP's activities to support poverty reduction. These projects were directed to strengthening the management capacity of rural communities to design and implement projects developed by them to reduce poverty. Additionally, UNDP executed different local governance projects funded by external sources, indirectly linked to the rural development initiatives. In short, UNDP's poverty strategy in the rural area was relevant in terms of coverage and in terms of working in joint ventures with key players in rural development (IFAD and CABEL) as mentioned above. The contribution of UNDP to rural development has been undoubtedly important going by the results of some of the projects i.e. job generation through micro rural enterprises, access to credit, citizen participation in strategic planning at the local level (open town hall meeting), etc. However, to objectively assess how effective UNDP's contribution to rural development has been, codified information would be necessary. Assessments were conducted only in a few isolated cases and mostly with a focus on processes rather than on results. The links between decentralization and local governance with the rural development projects would need to be made more explicit and for that both governance and rural development projects should be implemented under a common strategy conducive to explicit results at the outcome level.

Assessment of UNDP's role in poverty reduction strategy. It is rather difficult to isolate and assess UNDP's contribution to the Government's anti-poverty efforts, since many other international agencies and donors work in the same sphere and the outputs of UNDP's projects cannot be separated from theirs. However, two UNDP contributions stand out. One is policy advice, well received both by the central and local governments. The other was its involvement in capacity building and improving the management capacity of the local governments. UNDP did not design specific capacity building programmes or projects;

but the projects implemented have had a capacity-building content. The ADR Team notes that because of the absence of evaluations assessing of capacity building it is unable to assert that capacity building in fact took place.

In a certain sense the activities of UNDP cannot be divorced from its interventions leading to good governance, for good governance and poverty are inextricably connected. Although the intended results at the municipal level can easily be observed, whether or not there has been an appreciable contribution to the reduction of poverty can only be assessed by studies or evaluations that must be undertaken in the near future.

3.3 ENVIRONMENT AND NATURAL RESOURCE MANAGEMENT:

The degradation of the environment is a key development challenge for Honduras greatly brought into perspective by the hurricane Mitch. Nonetheless, environmental issues do not seem to be a high priority for the government. However, UNDP identified quite correctly an overall SRF outcome that aimed at integrating global environment concerns and commitments into national development planning and policy.

CCF1 had as objectives to support policy formulation and the legal and institutional framework to ensure sustainable environmental management; protect productive options in protected areas and consolidate land ownership rights; promote alternative sources of energy; combat pollution and strengthen risk management and preparedness capacities. CCF2 moved into sustainable income generation alternatives; forestry; energy efficiency; water management; and private sector participation. This latter move illustrated how closely environmental concerns are linked with human development concerns of raising incomes and incorporating the private sector into development. The UNDAF focus area reflected earlier environmental concerns and also added access to telecommunications and information technology. UNDP, being an executing body for GEF funds partnered with this organization through the management of the Small Grants Programme (SGP),

which is aimed at promoting income-generating activities at local level. A financial mechanism for the promotion of sustainable development initiatives implemented by civil society organizations has been instituted in partnership with an NGO, Vida. The use of small grants distributed at decentralized levels is an example of some of the synergies that the environment programme has established with other thematic areas, especially with poverty reduction. Funds destined to environmental programmes were rather limited (3% of total outlays) during the period under consideration. About half was destined to bio-diversity projects in priority areas. It is too early to assess the tangible outcomes of all the projects undertaken, since a number of them are still ongoing. However, one outcome stands out as UNDP's major contribution, and that is its contribution to bring global environmental concerns into the national development planning policy through its advocacy and policy dialogue role.

Although recent, another accomplishment related to policy dialogue is the creation of the water platform. An association facilitated by UNDP where a series of stakeholders from civil society, agriculture and environment related associations and universities involved in water management meet to discuss and work towards an integrated response to the problems of water management in the country. In addition, UNDP's provision of technical and legal support to the Law for National Risk Management System and the Certification Process of the New Construction Code promoted by National Emergency Operations Center (COPECO) is another valuable contribution of its support to policy advice. UNDP's stand on environmental issues is fully consistent with its mandate, namely, to promote sustainable human development.

3.4 HIV/AIDS

HIV/AIDS has the potential to be epidemic in Honduras. In fact, the country is considered the third most affected country in the Latin American region with an HIV/AIDS prevalence of 1-2% of its population. HIV/AIDS is more than just an epidemic; it is a social problem that affects

BOX 8: NATURAL DISASTERS

Because of its geographical location Honduras has high risk of natural disasters, such as the dramatic event of hurricane Mitch. The occurrence of natural disasters cannot be controlled. However, the country regards one of the main elements of MPNRT to be the reconstruction of ecological vulnerability and the establishment of an effective programme of disaster prevention and mitigation, as well as risk management. These elements constitute one of the overall targets of PRS.

human development. AIDS is the second leading cause of hospitalization and death in Honduras⁴⁷ and has been the leading cause of death in women on childbearing age since 1997. More than 600,000 were infected: it is also estimated that as of year 2002, 4,200 persons had died from the disease and approximately 14,000 children under the age of 15 have become orphans as a result of this epidemic. The Honduran Government began working towards decreasing the number of HIV/AIDS infections in the late 1980s, when it created the HIV/AIDS department within the Ministry of Health that formulated the first national strategic plan on HIV/AIDS (PENSIDA I). The PENSIDA I had a strong focus on health issues and failed to visualize HIV/AIDS as a development problem.

UNDP has played a key role in positioning HIV/AIDS in the national agenda. As part of its strategy of intervention it has promoted a policy dialogue in order to approach HIV/AIDS as a development issue within the context of poverty reduction and within the perspective of human rights. UNDP has been instrumental in the creation, in 1999, of the National Commission against HIV/AIDS (Comisión Nacional contra el SIDA, CONASIDA) a mechanism responsible for the formulation of national policies related to HIV/AIDS; and in the formulation of PENSIDA II. The human development approach was reflected in the conception of CONASIDA (1999) and in the formulation of PENSIDA II (2002). In the frame of PENSIDA II, the need of civil society's participation in the formulation and implementation of strategies to combat HIV/AIDS was strongly highlighted

UNDP, in addition to succeeding in bringing the problems connected with HIV/AIDS more forcefully into the national agenda, has also been effective in chairing UNAIDS and in managing the global fund for HIV/AIDS. As a coordinator of UNAIDS it has also demonstrated capacity for fostering policy dialogue among the UN agencies and with a remarkable contribution in the preparation of UNDAF, a work that is recognized by the agencies involved in dealing with the epidemic. UNDP has also been effective as the secretariat of the National Forum for HIV/AIDS whose main achievement was to create an enabling environment to allow representation of social sectors that were not included in discussions up until its creation, especially people living with AIDS as well as of different organizations of civil society with an actual or potential role in informing and formulating policies regarding HIV/AIDS. UNDP has also been instrumental in helping the National Forum to facilitate debate and the initiation of a process of awareness on the need to work in a coordinat-

ed manner through a unified response to the disease.

Notwithstanding these results, it is important to point out that HIV/AIDS still needs to be advocated and positioned in the government's agenda. Strategies should be revised in order to ensure that they will be conducive to a decrease in prevalence and incidence rates. The implications of HIV, not only for social but for economic development, need also to be included more explicitly in policy dialogues.

3.5 GENDER EQUALITY

Gender equality is a long-term goal in Honduras. Gender inequality is deeply embedded in the culture of Honduras. One needs to consider not only the inequality in opportunities, resources and rights in the economic and social arenas, for men and women, but also women's poor representation in the political sphere and their scanty participation in the management of the public sector. Both CCFs mention gender equality as a crosscutting thematic area. SRF specifically defines one outcome concerning gender, seeking as a national plan for the advancement of women, jointly adopted, implemented and monitored by the government, legislature and civil society, with time-bound goals.

UNDP's contribution gained momentum after the Beijing conference on women in 1995. The initial impulse to further gender equality came from UNDP when it supported the creation of the National Machinery for Women (INAM). Subsequently the Government enacted the Law of Equality of Opportunities, the Law on Gender Equality in the Rural Areas, and the Law Against Domestic Violence. A national policy on women was defined that included the First National Plan for Equal Opportunities. Hence, from the institutional and legal point of view UNDP's contribution to the outcome has been very significant.

It must be emphasized that UNDP started a project which no other donor agency was willing to undertake, taking the calculated risk of putting forward the issue of gender equality in the public agenda, and facilitating the necessary conceptual, institutional and legal framework to implement this goal, all in an atmosphere that was not accustomed to it. Second, once the UNDP project was completed, INAM succeeded in mobilizing resources on its own. In other words, UNDP's assistance can be considered successful with a fine exit strategy. Despite this valuable contribution, the mission found that UNDP has not mainstreamed gender considerations into most of its programmes in the areas of governance, poverty reduction and environment, except for stand alone interventions as the one analyzed above and some components of the rural development projects targeted to women.

BOX 9: INSUFFICIENT IMPLEMENTATION CAPACITY

There is a pervasive concern within the international community regarding the Honduras' capacity to efficiently and fully implement the entire scope of comprehensive programmes, such as PRSP. This concern is based on the country's historically limited capacity which is due to inherently inadequate human resources in the technical, managerial, and administrative fields.

Source: PRSP 2001.

3.6 CAPACITY DEVELOPMENT

Capacity and reduction of poverty leading to sustainable human development are in fact two sides of the same coin. Enhancement of capacity is a key aspect of UNDP interventions to achieve sustainable development. Neither CCF1 nor CCF2 incorporated any specific projects or programmes directed to capacity development in a defined sector. However, as can be surmised from the totality of the programmes related to good governance at the central as well as at the local level, poverty reduction, management of natural resources, and environment, all UNDP's interventions had a hefty component of building the capacity and enhancing capacity and skills of the respective human resources.

This took several forms; some took the form of on-the-job training, others were in the form of workshops, seminars or intensive training courses. Capacity building efforts however did not immediately yield the expected outcomes. In a country like Honduras, where the base line for capacity is rather low and remuneration of public employees is far from satisfactory, capacity built as a strategy addressing is an inducement for those who seek better remuneration outside the government mechanism. Although the ADR Team had the impression that UNDP projects and programmes contributed to capacity building whenever it was incorporated into them, there is no hard evidence available to ascertain it.

In conclusion, the challenge of tackling the issues of HIV/AIDS, gender equality, environmental management, will continue to be long-term concerns, where the active involvement of UNDP and its current resident representative's foresightedness will be indispensable, as was that of the previous one, and will yield results only in the long term, so long as capacity building remains a crosscutting concern in the programmes, with systematic measurable indicators to gauge capacity built as well as its effects on the performance of the institutions or process to which it is expected to contribute.

3.7 RESPONSE TO NATURAL DISASTERS

This programme was designed in response to devastation

caused by hurricane Mitch. UNDP was not equipped at the time to deal with such an emergency. However, though not being an emergency agency, UNDP revised the CCFs by incorporating in them objectives to strengthen the national disaster management system.

The Government's main agency for disaster preparedness and relief is the National Emergency Operations Center (COPECO) that was created in 1990 to deal with national contingencies. It did not respond well to Mitch. By 2000, UNDP assisted 11 municipalities to enable them to coordinate and decentralize the activities of the Emergency Response Committees, thus facilitating local participation in risk management. By 2002 local capacities for risk management were strengthened in at least 4 municipalities in vulnerable watershed areas. UNDP also worked closely with COPECO in the implementation of mechanisms and methodologies for strengthening local capacities in risk management, such as community organization, early warning, contingency plans, drills, and hydrological scenarios.

Moreover, UNDP extended assistance to COPECO in 2002 in the implementation of a System of Certification of Risk Management Initiatives, as part of COPECO's Strategic Five-Year Action Plan in Risk Management Issues. This certification implied the establishment of a series of thematic, geographical and methodological requirements. This certification system is the culmination of a series of actions undertaken by UNDP through its Environmental Unit to make the certifications an essential tool for the coordination of risk management.

UNDP's work on the identification of high-risk areas and the certification of bodies for risk management is a step in the right direction. Moreover, it is very difficult (and expensive) to prepare for all likely catastrophic events. UNDP acted correctly in response to the plight of the Honduran Government in the case of such a colossal disaster. However, it must be kept in mind that UNDP is not equipped to cope with such emergency situations. The impact of UNDP's intervention was limited only to the preparation of a national institution to face future disasters.

The extent to which the national institution is prepared to tackle them can only be seen in the future, should a disaster occur again.

3.8 RESOURCE MOBILIZATION AND STRATEGIC PARTNERSHIP: THE BUSINESS CENTRE MODEL

Following the UNDP Administrator's Business Plan, defined in 2000 under the leadership of the Bureau's Strategic Management Team, UNDP initiated a process to professionalize its service products.⁴⁸ One of these products was the establishment of the Business Centre (BC). The general mandate of a Business Centre is to provide support services for the UNDP programme, national and international partners and for agencies of the UN system in a timely and accountable manner in the areas of recruitment, procurement, contracting, finance and other related matters. Its rationale is based on the need to improve service delivery and not necessarily develop new sources of income for a country office. It aims to align country office operations with the Administrator's Business Plan and to increase country office efficiency. The impetus for such a centre may come from the need to support national execution, cost shared activities and the administration of UN agencies.

Business centres are not new in Latin America, as well as in Net Contributing Countries (NCC). They have been in operation in several countries of the region in order to facilitate and speed up a variety of management services, especially related to procurement. The Latin American governments are faced with a rigid legal framework that impedes programme delivery and inflexible recruitment policies and procedures which prevent the governments from recruiting the most qualified personnel.⁴⁹ In this context, BCs have been used by UNDP across the region to enhance the efficiency in the management of large multilateral loans to governments as well as public investments.

The ADR mission aimed to assess the implications of the BC model for UNDP's support to the development of the country. The evaluation sought to answer the following key questions: 1) As a resource mobilization strategy, is the BC allowing UNDP to strengthen its support to the country's human development challenges? 2) Is the BC building national capacities in the long-term, is it helping the government and private sector set policies and structures in place to enhance transparency? Is there an exit strategy; and finally, 3) Is the model sustainable?

In Honduras, the Business Centre was launched as a

new product line in 2001. It substantially differs from the modality of national execution (NEX). Whereas NEX was reactive to Government's request to provide operational support, the BC provides pro-active management support to the Government's public investment projects. By conducting procurement and recruitment processes in a transparent and efficient manner the BC produces timely implementation of projects.

In line with this initiative, in formulating CCF1 the Country Office in Honduras included as one of its objectives the assistance to the enhancement of transparency and public administration. CCF2 refined this objective by moving into the efficient and transparent management of public investment projects, which included capacity building through provisional financial management and procurement services to government institutions. UNDP entered into a strategic alliance with the Government's Presidential Office for Project Follow-up (OPSP- Oficina Presidencial de Seguimiento a Proyectos) and the Government, with the desire to weed out corruption in the procurement process, instructed all ministries to make all the major procurements through UNDP. The intention was to make thereby the process more transparent and to increase efficiency, for the bidding rules are much clearer and transparent if procurements are made through UNDP and the process is more efficient, since it is freed from the red tape of the Government. Such procurement services also have the demonstrative effect of building the capacity of the staff of OPSP. Total execution by OPSP in 2002 was \$53.4 million, out of which almost \$40 million was disbursed through the Centre.

The Business Centre in Honduras allows UNDP to act as an intermediary between Government and recipients in a transparent and non-corrupt manner by handling around 7-8% of public funds. In doing so it charges a fee, which varies between 3.5 to 11% of the cost of procurement, depending upon the complexity of the transaction. This fee is ploughed back to the budget of UNDP in order to finance other projects, after netting out the expenditures incurred by the Centre, as well as for office support.

The BC should not be a permanent fixture of the Country Office, nor can it be. Its very *raison d'être* is to assist the government in putting in place a procurement system that is capable, transparent and efficient. To the extent that this objective is attained and confidence returns to the Government's bidding processes, the centre's function should fade out. In theory, since the great majority of the projects are nationally executed, as capacity is transferred by working side by side with government units, the

⁴⁸ UNDP, Honduras, 'Business Plan: Staying ahead of the Curve', Tegucigalpa, February, 2002.

⁴⁹ UNDP/RBLAC/BRSP, *On Track and on Time*, Partner Series, No.1, 2001.

government entities in charge of implementing them should gradually be able to carry out directly the procurements required.

However, the ADR team did not find a clear strategy on capacity building, nor an exit plan and timeframe. That said, it should be noted that what will also fade out is the revenue supplement the Country Office receives through the fees it collects via the procurement process. This implies only one thing: either the core funds will have to be increased in proportion to UNDP's mandate in carrying out its functions, or UNDP will have to search even more aggressively for non-core funds. The worst scenario would be to have BC perpetuate its activities, which would defeat its very purpose of creating capacity and making the Government establish the necessary mechanisms and have the trained manpower for carrying out its own procurement. But in the interim the activities of the Business Centre, as explained above, are indispensable not only for Honduras, but also in countries where public administration displays characteristics similar to those of Honduras. In that sense, the BC in Honduras may very well be a model to follow in other countries where the core funds of UNDP are extremely limited provided there is a clear need and a clear exit strategy.

It must be mentioned that a BC, while it is functioning, may have an important spillover effect, namely, to con-

tribute to the culture of corporate social responsibility (CSR). In recent history, CSR has acquired a great deal of importance in the developed countries, where the businesses developed a corporate culture to eliminate discrimination by sex, religion and ethnicity and undertook expenses to provide social amenities for the public good. In many developing countries this type of corporate culture is as yet at a germinal stage. Honduras is no exception. Since UNDP stands for non-discrimination, honesty, and good governance, in its dealings with businesses in Honduras via the Business Centre it can contribute in the long run to the understanding, absorption, and eventually practice of a corporate culture that would have social dimensions. Admittedly, this is a slow process. Nonetheless, UNDP perhaps may be considered the only organization in Honduras that may be able to project corporate social responsibility to private sector entities that deal with the Business Centre.

Evidence from this ADR however suggests that in some quarters, such as the World Bank, IDB, the Tegucigalpa Chamber of Commerce and some bilateral donors, reservations are being raised as to the BC's role. The World Bank and IDB feel that competitive bidding should eventually replace BC, while the Chamber of Commerce is of the opinion that BC is draining business from the private sector, and some bilaterals as well as independent sources believe that UNDP is venturing into areas

TABLE 3.A: UNDP HONDURAS CO EXTRA-BUDGETARY FINANCIAL STATEMENT 1998 - 2004 (IN USD)

	1998	1999	2000	2001	2002	2003	2004*
Reserve Opening	658,700	676,400	876,900	1,548,900	2,720,000	3,209,100	4,438,700
Income Received	300,900	832,500	1,504,100	2,084,000	—	—	—
Programme	—	—	—	—	578,148	696,766	579,351
Service Center	—	—	—	—	1,220,952	3,062,734	2,968,514
DPXB Expenditure	-283,200	-632,000	-832,100	-912,900	-1,310,000	-2,529,900	-3,200,000
Net Reserve	676,400	876,900	1,548,900	2,720,000	3,209,100	4,438,700	4,786,565
	1998	1999	2000	2001	2002	2003	2004*
Delivery (in millions USD)	12.1	41.1	44.1	50.5	—	—	—
Programme	—	—	—	—	12.6	16.2	18.5
Service Center	—	—	—	—	41.0	96.3	101.8
Total	12.1	41.1	44.1	50.5	53.6	112.5	120.4

TABLE 3.B: UNDP HONDURAS CO EXTRA-BUDGETARY FINANCIAL STATEMENT 1998 – 2004 (IN USD)

	1998	1999	2000	2001	2002	2003	2004*
Reserve Opening	658,700	676,400	876,900	1,548,900	2,720,000	3,209,100	4,438,700
Income Received	300,900	832,500	1,504,100	2,084,000	1,799,100	3,759,500	3,547,905
DPXB Expenditure	-283,200	-632,000	-832,100	-912,900	-1,310,000	-2,529,900	-3,200,000
Net Reserve	676,400	876,900	1,548,900	2,720,000	3,209,100	4,438,700	4,786,565
Delivery (\$ million)	12.1	41.1	44.1	50.5	53.6	112.5	120.4

Estimated figures for 2004

that are outside its mandate of promoting human development and thus diverting the organization from its priorities and risking its unique neutral stance. The finding of the ADR mission is that such criticisms are unwarranted, and that given the high level of corruption and inefficiency in the Government's handling of the bidding process, attested by the fact that IDB has started its own project to support the government to improve transparency in its tendering processes, procurement processes handled by UNDP are clearly contributing to more transparent and efficient bidding processes, as well as opening up the competition in sectors where previously only a select number of well-connected firms would participate. Nevertheless, the ADR team noted the absence of a progressive and explicit exit strategy in the medium to the long term.

Some interlocutors in Honduras thought that BC not only diverted attention away from UNDP priorities, but was also a drain on UNDP financial resources. In order to evaluate whether the BC enables the CO to fund development activities, it is important to first establish whether the BC actually yielded revenues beyond its costs, to later assess, assuming there were revenues, whether these are used to strengthen UNDP's development programme in any way. Therefore, the ADR Team paid special attention to this issue. UNDP raises funds in five main ways: 1) core funds (TRAC); 2) special funds from headquarters; 3) cost-sharing with the government on projects and programmes (in-kind); 4) executing donor projects; and 5) direct execution of government projects through the national execution process. In Honduras this latter is by far the largest and has been growing rapidly over the past five years.

Figures of revenues generated by BC were not available before 2002, since the CO did not disaggregate revenues derived from the provision of services. As Table 4.1 shows, on a total of \$137.3 million, BC delivery over 2002 and 2003 (and an estimated \$101.8 million for 2004) that the government placed in UNDP hands to organize and carry

out bids for products and services, earnings from the Business Centre to date total \$4.3 million (\$7.3 million including the 2004 estimate of \$2.968 million).

Now UNDP expenditures from extra-budgetary sources increased from \$912,000 in 2001 to an estimated \$3.2 million by 2004. At the same time, UNDP reserves increased from \$2.7 million in 2001 to an estimated \$4.8 million by 2004. Since programme income is falling away, as seen in Table 3a, from \$696,766 in 2003 to an estimated \$579,351 by 2004, it is clear that the increase in reserves of \$2.1 million over 2001 to 2004 can be entirely attributed to revenue raising actions (less costs) of the Business Centre. The Business Centre has generated revenue on its operations over 2001 to 2004. Before 2001, it appeared that the BC charges were less than today; hence, BC was not generating revenue before 2001. The BC is gradually increasing its fees in line with market rates. Further, as reserves have increased over the period, and this is a matter of some pride in the office in Honduras, BC has contributed to the financial sustainability of the office.

A slightly worrying feature is that income from BC was scheduled to fall in 2004, as were non-core programme funds, when costs are expected to increase sharply by \$0.7 million. The ADR team was not able to find out the reason for this, although, as can be seen from the Table 3a, BC's delivery is estimated to increase from \$96.3 million in 2003 to \$101.8 million by 2004.

It should be noted that once the ADR team had established that the BC generates revenue, it could not obtain figures to confirm how much funds from the BC revenues flowed to what number and type of development projects. Records of this are not available in the CO. However, the figures analyzed above provided by the CO reflect that the BC revenues are enabling the CO to be sustainable and thus, are covering much of programme costs.

In balance, BC has several advantages in its functions

in Honduras. It provides a service that the Government definitely needs at this point of time. It enhances the transparency and efficiency of public bidding processes; it helps spread CSR among businesses; it increases UNDP's revenues to be ploughed back into other projects; and in the final analysis makes UNDP an important player in Honduras, which, in turn, gives greater strength and leverage to carry out its mandate. It should be noted that in the ADR team's view, UNDP can contribute in this way so long as it supports projects that are linked to the development agenda of the country; that it does not remain too close to businesses, private or public, in order to ward off any criticism that it is influenced by their interests; and takes all the precautions that in fact it transfers its knowledge eventually to appropriate government agencies that will be endowed with well-trained and able staff.

On balance, the ADR mission felt that with its current constitution BC has made definite contributions to the development process, keeping the caveats mentioned above. Nevertheless, as core funds for middle-income countries such as Honduras run out, a UNDP presence can only be established through innovative approaches. Consequently, the 'entrepreneurial' approach of UNDP is welcome.

The BC model of Honduras as currently constituted is probably not transferable indiscriminately to every country where UNDP operates. However, it stands to reason that in those countries that have similar developmental characteristics to Honduras, where UNDP has a very high reputation, and where corruption historically has permeated the government and business culture, the BC model could certainly be applicable.

4

UNDP's Strategic Position and Relevance of its Programmes

Honduras is among the main recipients of official development assistance in the Latin American and Caribbean region. Fifteen bilaterals, two regional banks, the World Bank, IMF, EU and several UN agencies work in the country to address Honduras' key development challenges and to enhance human development, stimulate the economy, improve democratic governance and promote environmental sustainability. UNDP, despite its limited financial resources, has been a key player and a government partner in its quest for overall development. This chapter analyzes how UNDP strategically positioned itself to contribute to Honduras's development efforts.

The ADR mission assessed three key factors to determine the organization's strategic positioning in the country: 1) responsiveness of UNDP's programmes and support to national actors to the development needs of the country; 2) relevance of UNDP's support and interventions in relation to the country's development priorities and needs; and 3) partnership strategies forged to address the development priorities facing the country.

4.1 UNDP PROGRAMMES AND NATIONAL PRIORITIES.

UNDP's support has been governed by two CCFs. The first covers the period 1998-2000, and the second the period 2002-2006. The first was extended in 2001 so that the second would coincide with the period of the new government. Both CCFs focus on three thematic areas: 1) poverty reduction, 2) democratic governance, and 3) environment and sustainable development.

Fostering democratic governance has been the priority for the government and has been the mandate of UNDP, an organization that is recognized for its strategic role in three key aspects: as a facilitator of policy dialogue and agreements leading to important political and institutional reforms; for encouraging and supporting the national post-Mitch agenda from one focused solely on reconstruction to one addressing transformation for sustainable development; and for providing substantial policy advice that resulted in institutional strengthening. UNDP in Honduras is perceived as an actor in the national arena, ready to engage in sensitive issues and to open up traditional bastions of power. UNDP's tenet that good governance will ultimately enhance human development is widely shared by Hondurans in the public, private and civil society sectors. From all quarters the ADR mission confirmed that UNDP's stance, namely, that institutional, political and legal reform will eventually have a positive influence on governance, which in turn will lead to improved human development, is relevant and responsive to development priorities as defined by Hondurans.

Poverty is widespread in Honduras and its reduction has been in the government's programmes since the nineties. UNDP's global mandate is to promote human development. In Honduras through its role as advocate and policy advisor, it has succeeded in enhancing the government's awareness on the multifaceted nature of poverty. UNDP's human development reports and publications have contributed to and fostered open dialogues on the multidimensional nature of poverty and have identified how poverty affects different groups in the country. The analysis of the causes of poverty, specifically in Honduras, and alternative ways to reduce poverty at the national level are topics that the HDR should deal with in the future.

Based on the trust it succeeded in earning from all sectors of society in Honduras, UNDP has been able to tackle some key issues that bilateral donors would support but would hesitate to address directly, in particular, the modernization of the armed forces, anti-corruption, justice, electoral and political reforms, gender equality, HIV/AIDS, and citizen empowerment through influence in policy decision-making and decentralization.

4.2 RESPONSIVENESS OF UNDP AND RELEVANCE OF ITS PROGRAMMES

Hurricane Mitch had profound effects on the Honduran society and affected the views held by various social sectors and the relationships among them. After the hurricane, UNDP had a key role in galvanizing consensus among different institutions and social actors in the government, the political parties and religious and civil society, and the international community regarding the unique opportunity that the emergency opened to re-build the country upon a different basis and to improve transparency in the government, the judiciary and the political system, enhancing equity, citizens' participation and environmental protection.⁵⁰

UNDP built upon the agreements forged through the Stockholm declaration that echoed national priorities regarding a new agenda for transformation, and used its leverage through advocacy and policy advice to help define new and profound reforms in the area of governance. It was instrumental in creating the Democracy Trust, a key entry point for UNDP to promote dialogue, ensure the participation of different sectors of society, and build consensus on key reforms. This public discussion forum led to the negotiation among presidential candidates from the five political parties and signature, in 2001, of the "Declaration of the political parties to the Honduran peo-

ple". This document is a compendium of the principal political, electoral and institutional reforms the country needed, the main ones of which have been approved, or under process of being approved. UNDP also facilitated the discussion that led the political parties to sign a "National Transformation Agreement for Human Development in the 21st Century" that set out the main paths the country should follow. These agreements constituted important pressure tools that civil society has used to put pressure on political parties to comply with the commitments to reforms they publicly signed.

UNDP's role and its responsiveness in this process cannot be overstated. Given its neutral stance, UNDP was in a unique position as a facilitator as well as a leader, and had the moral strength to call upon the parties to fulfill their roles and reach an agreement that would benefit the development of the country. All the stakeholders, as well as the donor community have recognized UNDP's crucial importance in view of the emerging realities facing Honduras. One particular aspect reflecting the relevance of the UNDP programme was its contribution to the reform of the electoral system, a reform that may eventually make the Parliament a body that will represent more efficiently and effectively the plurality of the views that prevail in society. It is generally agreed that these reforms are crucial for the future and that they could not have been achieved as effectively without UNDP programmes.

Another relevant area in which UNDP made an important contribution and that constituted core activities in the realm of governance was its support to newly created governance institutions, such as the Public Prosecutor's Office and the National Human Rights Commissioner's Office, and directing significant resources to the decentralization process that began with the past governments. UNDP also played an essential role in the creation of the National Institute for Women (INAM) and the National Statistics Institute (INE).

One issue that has been particularly important and politically sensitive in the area of governance has been the question of transparency in the administration of public procurements. Indeed, providing services to the Government in the handling of public tenders and procurement processes for state programmes, particularly in the areas of health and telecommunications have been noteworthy. No doubt, UNDP's relevance and responsiveness in this particular area has been a double-edged sword. While assisting the Government in the handling of procurements through the Business Centre its efficiency and transparency have been occasionally questioned. Although UNDP has

⁵⁰ CEDOH, 2004: *Gobernabilidad en Honduras*. Background paper presented to UNDP.

a system of checks and balances to ensure its integrity and the mission could not find evidence to back the critics' claims, it did ascertain that UNDP's involvement with procurement processes of such large dimensions does present a risk for UNDP's reputation of neutrality and that this has to be carefully handled.

Clearly, governance gives UNDP a highly relevant and visible position in the country, both vis-à-vis the Government as well as other international and donor agencies and civil society. The preponderance of the outlays dedicated to good governance may have pushed the poverty reduction, environment and natural resource management to a second place. These are certainly two areas in which Honduras should concentrate further; they also correspond to the core mandate of UNDP. However, good governance is a sine qua non for all other areas to be operative, and the Country Office's insistence on concentrating a major part of its resources on activities leading to good governance is sound and in the long-term conducive to sustainable poverty reduction. However, UNDP should dedicate more efforts to making explicit the links between the governance effects and poverty, in the design, implementation and evaluation of results of its programmes and projects.

4.3 STRATEGIC PARTNERSHIPS FOR DEVELOPMENT OUTCOMES

UNDP has succeeded in developing a series of activities with the purpose of mobilizing an important group of actors to accelerate the actions taken for the development of the country. For this purpose it has created multifaceted linkages and synergies with international donor agencies, decision makers in the public and private sector and civil society organizations.

First, UNDP has interacted actively and has excellent relationships with other donor agencies in coordination instances, the most important being the G17 (Consultative Group for the Reconstruction and Transformation of Central America), originally formed by five countries in 1998 immediately after hurricane Mitch. It has also joined thematic roundtables formed around the PRSP. Representatives of donor agencies who have worked in Honduras as well as in other countries have pointed out that the general level of coordination among agencies in Honduras is very high, and different international stakeholders see the role of UNDP as very positive and as *primus inter pares*.

Second, the linkages and synergies between UNDP

and the different government agencies have also been very strong. UNDP has supported many diverse activities undertaken by different ministries and, as stated above, has been instrumental in the creation of institutions such as the National Institute for Women (INAM) and the National Statistics Institute (INE). In general UNDP has a significant presence in the public sector of the country. Moreover, by participating in decentralization policies and projects it has developed strong links with many different municipalities that are controlled by different political parties, and strengthened its position as a neutral actor.

Third, UNDP has also established partnerships with NGOs in the process of national transformation.⁵¹ The most important work with NGOs has been the creation and further development of the Democracy Trust Fund that has strived to promote very significant political changes in the country. UNDP has also worked with the National Convergence Forum (FONAC)⁵² and, to a lesser extent, with the labor unions. With political parties UNDP's role was crucial in facilitating the process of dialogue and consensus building that led to the signature of key political agreements based on a common framework in different areas for the development of the country.

With respect to partnerships within the UN system, UNDP is one of the players in the process of preparing UNDAF documents. The first document was elaborated in 2001 with the active participation of FAO, IOM, WHO, WFP, ITU, UNFPA and UNICEF under the coordination of the Resident Coordinator. The framework covers a wider number of issues than the CCFs due to the participation of the specialized agencies, each with a specific area to cover. The document specifies the priority themes that will be covered by the UN system, particularly in relation to PRSP. UNDAF proposes to carry out three important missions. One is to facilitate the coordination among participating UN agencies, the second is to plan the actions to be taken by the respective agencies, and the third is to generate, with the consensus of the agencies, a joint work programme. The first UNDAF document, as well as the successive ones, shows a great deal of parallelism between the strategic areas of PRSP and UNDAF's priority themes. However, the degree of cooperation within the framework of UNDAF cannot be treated any more than a document of joint intentions which holds true in Honduras as well as in many other countries.

One important area where UNDP has established linkages and developed synergies with third parties is in mobilizing resources; this process has taken different forms. As stated earlier, between 1998 and 2003 UNDP's expendi-

⁵¹ Avina, J. and S. Membreño, S., *Aprendizaje para la Gobernabilidad Democrática en Honduras. Foro para el Fortalecimiento de la Democracia*. Tegucigalpa, 2004.

⁵² UNDP/RBLAC/BRSP, *On Track and on Time*, Partner Series, No.1, 2001.

tures totaled US \$310.4 million, of which only US \$13.7 million (less than 5%) were core funds; the rest was mobilized from external resources. Clearly, UNDP has been extremely successful in mobilizing funds. The modality of expenditure varies. One of these modalities refer to the agreements UNDP established with CABEI and IFAD, the main players in rural development in Honduras, for the implementation of rural development projects funded by the already mentioned organizations. The role of UNDP in designing, implementing and evaluating these projects is seen to be still marginal (participation in some technical issues at the appraisal level, managing contracts of personnel and providing technical assistance in the field from time to time). The main value of the partnership established with CABEI and IFAD is the revenue UNDP obtains for managing part of the funds invested in the projects. Although this is undeniably important and should continue, the question whether UNDP is playing a relevant role and bringing value to its partners and to actual projects remains valid. UNDP should participate in dialogues to decide in which areas of rural development it is worth intervening and under which approaches; as well as promote and participate in sound evaluations that would allow the use of evaluative evidence for policy dialogue as well as for improving actual interventions.

Another modality is executing public tenders and procurements on behalf of other bilateral donors or aid agencies that do not have the infrastructure in the country so as to carry out these activities by themselves. In both modalities UNDP has been working closely with the development agencies of several developed countries, such as Canada, Finland, Italy, Japan, Spain, Sweden among others, USAID, IFI's (World Bank, IDB, CABEI) and other UN agencies.⁵³

The importance of UNDP's presence in the country would have been enormously decreased would it not have had access to these additional funds that, by and large, cover most of its programme management activities. UNDP's significant presence in the country allows it to exercise the role of broker, facilitator and generator of ideas, a role that it has exercised successfully in the past. However, the future may be uncertain regarding the aid environment and the possibilities for mobilizing resources from partners. Some donors are beginning to deliver funds as direct budget support, for they believe that particular national institutions are

now in a position to execute the projects themselves directly. For example, the Honduran Social Fund (FHIS) has traditionally utilized directly the funds it receives from the World Bank and lately INAM has been doing the same thing with funds it receives from the Swedish Cooperation Agency (SIDA). As Honduras effectively develops higher capacities to identify development problems, articulate and implement timely and effective solutions, UNDP's external sources may decrease. While this in a way is an indicator of its own success, it signals the need for UNDP to develop clear exit strategies and to constantly reassess its role.

4.4 COMPARATIVE ADVANTAGE

As indicated previously, despite the limited amount of its core funds, UNDP is a key player in Honduras. This stems from its comparative advantage with respect to some other international development partners in the country. This advantage is at least threefold. First, UNDP is perceived as a neutral development partner that can provide independent technical advice to the Government and civil society as a whole. This is due not only to the successive high quality national human development reports it has prepared. UNDP also has the ability to draw upon a large pool of top-level international experts. Its independent advice is also appreciated since it is not political which seems to be the case with the IFIs and most bilaterals who need to support their government's agendas. The authority it provides to its Resident Representatives allows them to be flexible enough to respond promptly to new developments in the country. Although UNDP was criticized for not responding quickly enough to hurricane Mitch, this criticism was greatly muted when its support to improved governance in the country became highly visible.

Second, UNDP's international reputation as an institution committed to transparency, better governance and against corruption has allowed it to emerge as a trusted partner in combating one of the country's most pressing issues, that of corruption. This has allowed UNDP to become highly visible and successful in conducting around 7% of government purchasing activities, as reflected in Chapter 3 where the Business Centre is assessed.

Third, given that Honduras is a medium level developed country, one could expect that it could draw upon sufficient development expertise from its own population;

⁵³ The question whether non-core resources in fact determine the nature and the number of UNDP projects was posed in the past. An earlier study (UNDP/OE, *Evaluation of UNDP Non-Core Resources*. New York, 2001) has dispelled the misgiving that UNDP, despite the preponderance of non-core funds, did not digress from its mandate. The Honduran case is another example of non-digression where linkages with other donors can be classified into three groups. First are donors who request administrative and managerial services from UNDP in order to carry out their programme, since they do not have capacity in situ. Second are donors who have specific themes that coincide with the priorities of UNDP. The third group consists of funds that UNDP specifically seeks from other donors in order to enhance its own resources for the execution of its programmes. A review of the first CCF found no digression of UNDP from its mandate and the mix very satisfactory. See, *Misión de Revisión de Marco de Cooperación*, 1998-2001. Tegucigalpa, agosto 2001.

hence, a local development institute at a lower cost might replace some functions of UNDP. Yet, the critical mass of personnel that UNDP provides, coupled with its consistent message that it is an organization that will support countries in their quest to reduce poverty, makes it possible for the organization to be in constant dialogue with the government and advocate human development, so that it can carry out its mandate of reducing human poverty.

5

Lessons Learned and Recommendations

The previous chapters have assessed UNDP's overall performance and its contributions to development results in Honduras. They also assessed UNDP's strategic positioning and the extent to which it has used its comparative advantage to effectively address the challenges and contributed to the country's development effectiveness.

During the period 1998-2004, UNDP programmes covered the areas of democratic governance, poverty reduction, natural resource and environmental management, and issues that ensued after hurricane Mitch. UNDP also distinguished itself in mobilizing resources considerably over and above its core resources to finance its programmes in the priority areas. It has also focused on long-term development goals by assisting institutions and organizations with particular emphasis on good governance. It has earned the respect and the trust not only of the government, but also of many diverse sectors of civil society and the private sector. The bilateral and multilateral agencies perceived it as a neutral and trustworthy partner, a perception also shared by the government. On balance, UNDP's performance, as well as its overall strategic positioning and contribution to development results in Honduras, is significant and positive.

This chapter first pays attention to the lessons learned from UNDP's experience during the period under consideration. It is hoped that they will be of use to UNDP in programming its future activities and be conducive to strengthening its performance, results and effectiveness. By the same token they may be of use for other country offices in countries where the socio-economic conditions are similar to those of Honduras.

5.1 CONCLUSIONS AND EMERGING ISSUES

This section outlines some of the lessons learned in Honduras from UNDP's support to development results and some good practices identified by the development partners. The brief inventory of lessons it contains may not do justice to the richness of UNDP development experiences in Honduras; nevertheless, it attempts to focus on those aspects that could be useful for the future progress of the country, as well as replicable in other countries.

- **As a neutral development partner UNDP established high visibility.** UNDP's influence in Honduras far exceeds what its financial resources would have permitted; moreover, it has been very effective in promoting ideas, especially with respect to democratic governance with some tangible results. Its efforts in the area of poverty reduction do not appear to be as successful as in the governance area. This may very well be due to poor linkages between poverty reduction projects and governance and human

development projects, and because UNDP did not fully exploit its capacity and positioning to facilitate policy dialogue on poverty reduction at the national level. Poverty reduction is a long-term process and the assistance provided by any organization, including UNDP, can only be marginal unless it is combined not only with the assistance from all quarters, but with the government's strong commitment. UNDP cannot tackle alone this complex issue. Another lesson that can be drawn from UNDP's experience in Honduras is that for this organization to be influential in such a sensitive area as governance, it must earn the trust and respect of the decision-makers, as well as that of the civil society in any country where it operates.

- **UNDP successfully mobilized funds for development.** UNDP's success in mobilizing funds is twofold: joint efforts for programme finance with bilaterals and multilaterals; and functioning of the Business Centre whose revenues supplement its total funds. UNDP has been able to attract funds from other development agencies to execute projects. As core funds shrink there is indeed pressure on Country Offices to supplement their own funds; and that is fraught with the danger that UNDP may deviate from its mandate. There are also the potential risks not only to its reputation but also in terms of the opportunity costs to its development programme that might be relegated to a second place. However, UNDP programming during the years under consideration shows that the programmatic focus has been fairly consistent and there are no areas of activity that appear to be clearly outside of UNDP's competence and concern. Some areas into which the BC went into (e.g.: procurement of x-ray equipment for customs in the maritime ports) could be seen as far from the development agenda which UNDP should be prioritizing and supporting; but the development programme and its component projects are for the most part, as mentioned before, relevant and consistent with the country's development priorities and UNDP's mandate. In other words, the Country Office experience shows that it is possible to mobilize funds from other development agencies without largely deviating from corporate mandates, although close attention needs to be paid for BC operations not to overshadow the efforts in the development programme.

Given the success of the Business Centre in Honduras, the model is worth considering for other countries to implement as well where socio-economic conditions are similar to those of Honduras. But the Honduras experience shows that Business Centres cannot be a permanent

fixture of the UNDP offices. They are bound to wane as governments increase their capacity to perform the operations currently undertaken by the Business Centres. While in operation BC should expand and deepen relationships with the private sector, especially for the purpose of financing projects directed to poverty reduction while advancing corporate responsibility practices that can help make operations in the private sector more transparent and a significant contribution to further human development in the country.

Capacity development is a long-term and systematic process.

Capacity development is a key aspect of UNDP interventions. However, in a country like Honduras, where there is dearth of capacity and a large staff turnover within the government bureaucracy after each election capacity development is bound to be an activity that will have to be systematically and strategically conducted and that should not be confined solely to training. UNDP programmes in Honduras did contain capacity building provisions, but the absence of evaluations, baseline data and benchmarks to gauge progress make it difficult to assess the effectiveness of the projects and the sustainability of their outcomes. The lesson one can draw is that capacity building will be a slow process and success can only be measured if quantitative and qualitative measurements of capacity building are explicitly incorporated into the projects and programmes.

- **Human Development Reports are extremely valuable tools for contributing to meaningful dialogues in the country.** The preparation of the National Human Development Reports with their diagnoses of development issues and their quantitative contents have become an important tool and venue for policy dialogues with the Government as well as the civil society. With the statistics contained therein they became a standard reference for practically all the donor community. National Development Reports of good quality are very valuable tools that put the country offices on the map.
- **The main drivers of poverty reduction programmes in Honduras have been the IFIs.** UNDP contributed to these programmes as a facilitator of policy dialogue, a role that has been remarkable in the PRSP process. But its role in developing alternative poverty reduction proposals was rather weak. These measures can be more effective if the role of UNDP combines and links its advocacy and policy dialogue role with projects specifically aimed at poverty reduction, incorporating in them gender equality and HIV/AIDS concerns.

5.2 RECOMMENDATIONS

The findings and the conclusions of the ADR Team lead to a number of recommendations that are given below. These recommendations must not be viewed as exhaustive. They are rather directed to enhance the strategic positioning of UNDP in Honduras in order to meet the future development challenges in the years to come.

Strengthening programme effectiveness

UNDP's programme focus should be sharpened. The UNDP programme cannot support every issue in all areas. It has a recognized expertise in governance, while other agencies have expertise in environmental issues. The ADR mission recommends that UNDP should start new areas to complement and fortify its existing programmes in its major areas, governance and poverty reduction. These would be:

- *Enhance skill formation and capacity.* Project document design should incorporate qualitative and quantitative indicators that can be monitored and evaluated. In particular, the expected results and the strategies of capacity building need to be made explicit in UNDP projects. Institutional needs must be assessed. Training courses must be clearly identified, as must the individuals who attend them. The courses must also be monitored and their outcomes measured through tracer studies. Ad-hoc advisory activities and knowledge codification and dissemination together with training should be the main components of a capacity building strategy. Partners for capacity building should also be sought.
- *Continue the interventions in governance.* UNDP should continue supporting the process of strengthening democratic governance towards promoting human development in the three areas it has been working in: rendering the political system more transparent and representative, enhancing efficiency in public management of state institutions; improving citizen security and increasing access to justice. In the area of decentralization, the approach to local development should foster the strengthening of local governance by giving priority to the attainment of productive and economic development outcomes. Fostering participation at the local level, and providing municipal training in public management, albeit important, cannot supersede the goal of facilitating opportunities for pro-poor economic growth. Linking local governance initiatives to rural development efforts could lead to positive results in this direction.
- *Improve technical expertise in the area of poverty reduction and rural development.* The ADR mission noted that UNDP's technical input into the PRSP discussions as

well as into its own programmes did not have a completely consistent approach in better targeting the poor. In order to enhance its intervention in this area it recommends that a strategic approach to poverty reduction should be devised that can draw on PRSP and that UNDP should suggest positive actions for the Government to act upon. The approach should identify differential strategies for the various strata composing the population living in poverty, rural as well as urban, and define the institutional setting under which it will operate. UNDP should link poverty reduction appropriately with the human development approach. An appropriate employment generation strategy needs to be developed. UNDP should use its policy advice role in the design of this strategy, which should integrate rural development together with that of poverty reduction, and link it logically to governance projects, so that they should be implemented under a common strategy. UNDP should exploit its synergies with those organizations that are active in executing specific projects that are well monitored and sustainable.

- *Enhance the linkage between governance and poverty.* The link between governance and poverty was not explicit in the UNDP programme and should not be ignored if improved governance is to be linked to the reduction of poverty. The ADR mission recommends that UNDP should support governance that emphasizes poverty reduction and local governance capacity development. This may be done at three levels: (i) At the design level governance interventions should be substantively rooted in poverty concepts and goals; (ii) At the functional level necessary linkages should be made and synergies ensured between the implementation of governance and poverty projects, programmes and outcomes; (iii) At the results level, UNDP's interventions in governance should be monitored and assessed to ensure that they actually have a positive effect on poverty.
- *Prioritize market oriented development alternatives.* One way to facilitate opportunities for pro-poor economic growth at the local level is by supporting municipalities to align local development with the PRSP's priority actions focusing on enhancing productivity and access to markets.
- *Reduce standalone projects to the minimum and enhance systematic monitoring and evaluation.* The ADR Team noticed that UNDP's overall work was organized more around the projects rather than development outcomes. It is important that the next CCF should strive to organize the work within the concept of development outcomes. Also, the weak culture of systemic assessment of monitoring and evaluation be adhered to and carried out for all important programmes.

- **UNDP should mainstream a gender perspective.** The mission noted that despite some standalone intervention such as the institutional support for the creation of the national women's machinery a gender perspective had not been systematically built into projects and programmes. In the future a gender perspective should be incorporated into all programmes and projects. This implies that UNDP's projects and activities in all programmatic areas should assess the implications of any planned action for women and men, integrating their concerns in the design, implementation, monitoring and evaluation of UNDP's programmes, and in its efforts for advocacy, knowledge management, and policy dialogue with its partners. Incorporating a gender perspective in key issues such as HIV/AIDS becomes paramount.

Strategic Partnerships and Resource Mobilization

The role of the Business Centre should be reviewed. The Business Centre has been a success and could become a potential 'model' that could be replicated in other Latin American countries and, possibly, worldwide. The ADR mission strongly supports the gradual transformation of the Business Centre from one that only deals with procurement to a greater engagement with the private sector through implementing business partnerships, especially for executing the projects directed to poverty reduction, within the overall framework of Corporate Social Responsibility. Re-focusing of the Business Center should not endanger resource mobilization. However, it is important that UNDP makes explicit the links between the BC's activities and the benefits it brings to the country in development terms. This will also allow for better targeting the scope of projects undertaken and focusing on taking on those that support areas of the national development agenda. The BC strategy should also make explicit the timeframe and its exit strategy. This would quell criticisms and risks of tainting UNDP's reputation of neutrality.

UNDP should integrate a broader spectrum of civil society groups and NGOs. This should be carried out in order to have them share in the participatory mechanisms UNDP helped to put in place through the different governance interventions at the national and local levels. This implies increasing citizens' ability to organize themselves collectively towards transforming the present structural relations of power and acquiring sustainable institutional capacity to identify, articulate and act on their own concerns and aspirations. In the same vein UNDP would do well by continuing to support the Democracy Trust in the process of developing national ownership of the initiative

as well as local leadership that can spearhead this valuable dialogue platform.

Partnership with other development agencies should be enhanced and should not lose momentum. UNDP has been successful in establishing partnerships with various donor agencies. However, the degree and relevance of its contribution to different partners is uneven. Since core funds and funds from partners are likely to decline in the future, UNDP should continue to foster its relationships with other development agencies without violating its mandate and tarnishing its neutrality and by seeking to a more substantive and relevant contribution.

5.3 CONCLUDING REMARKS AND FUTURE DIRECTIONS

During the period under review, UNDP has risen from a marginal to a key player in Honduras and has often punched above its weight. It has not aligned itself with any particular political party and remained engaged but impartial in the political arena of the country. In Honduras, every change in administration brings new faces to the senior positions of the civil service. This generates new governance challenges, for past achievements in capacity development may be lost and UNDP may have to start again to train the new civil service cadre. These challenges are not UNDP's problem alone but suggest that capacity building in Honduras for now has to be a continuous process and UNDP will need to work closely with government and other key partners on this front.

Operationally, UNDP faces its own budget challenge, which is to continue to leverage its meager resource base with extra-budgetary funds without compromising its integrity and reputation as a development agency. This careful path between taking risks without alienating the wider public is a difficult one to tread. Nevertheless, the general high quality of leadership of UNDP together with systemwide checks and balances means that it is well placed to continue to take measured risks and should be encouraged to do so.

UNDP's comparative advantage lies in being a spokesperson for human rights: political, economic and social. In an environment of distrust, corruption and crime, because of its mandate and impartiality, UNDP is well placed to support openness and transparency. Through careful advocacy and keeping an eye on the human development ball, UNDP will, and should, continue to be an essential player in the future.

ANNEX I: SUMMARISED TERMS OF REFERENCE FOR ADR HONDURAS

The overall objectives of the Assessments of Development Results are to:

1. Support the Administrator's substantive accountability function to the Executive Board and serve as a vehicle for quality assurance of UNDP interventions at the country level.
2. Generate lessons from experience to inform current and future programming at the country and corporate levels.
3. Provide to the stakeholders in the programme country an objective assessment of results (specifically outcomes) that have been achieved, or are likely to be achieved, through UNDP support and partnerships with other key actors for a given multi-year period.

The purpose of the evaluation is to review the experience of UNDP in Honduras; draw lessons learned and recommend improvements. The Assessment of Development Results in Honduras will:

- Provide an overall assessment of the results achieved through UNDP support and in partnership with other key development actors during 1998-2003 with a view to results that are on track to be achieved during the current country programme period (through 2006). The evaluation should also draw links from current achievements to early UNDP interventions before 1998, as appropriate. The analysis should focus on how and why the results were achieved to draw lessons, with particular attention to:
 - Show how UNDP support was used to support Honduran governance reforms and processes, including political and electoral reforms, judicial and legislative reforms, security, modernization of armed forces, decentralization and local development
 - Examine how effective UNDP support was in contributing to poverty reduction (including building capacities in participatory planning by communities, support to policy dialogue mechanisms to include civil society and political parties in the PRSP formulation, as well as the incorporation of the HIV/AIDS strategy into the PRSP), rural development and environmental protection (including the implementation of programs in the field of clean technologies, sustainable alternatives for the generation of income through sustainable use of natural resources)
 - Look at the contribution of UNDP support to donor coordination and brokerage in advancing development results and how UNDP's assistance is contributing to build government capacity to administer multilateral resources for strategic development initiatives and better

manage public investment projects with IFIs.

- Provide an analysis of how UNDP has positioned itself strategically to add value in response to national needs and changes in the national development context, with particular attention to:
 - The entry points and strategy selected by UNDP in support to the critical issues in Honduras, namely democratic governance, poverty, environment and disaster management, gender and UN System coordination, focusing on UNDP's role as neutral broker and facilitator of dialogue around critical governance issues and broker of agreements among key stakeholders to advance necessary reforms.
 - The key strategies of the current country programme;
 - The cooperation with different groups of development partners.
 - Based on the analysis of achievements and positioning above, present key findings; draw key lessons and provide clear and forward-looking recommendations in order to suggest effective and realistic strategies by UNDP and partners towards intended results.

The evaluation will undertake a comprehensive review of the UNDP programme portfolio and activities during the period of review. Specifically, the ADR will cover the following:

- Ascertain the relevance of UNDP support on national needs, development goals and priorities, including linkages with the goal of reducing poverty and other Millennium Development Goals (MDGs). This may include an analysis of the perceived comparative strengths of the programme, a review of the major national challenges to development. This aims to ascertain the added value of UNDP support in effectively influencing national development results, through, for example, prioritization; selection of strategies and entry points.
- Assess how UNDP has anticipated and responded to significant changes in the national development context, affecting governance and reform; poverty and social development; as well as sustainable development. The Evaluation may, for example, consider key events at national and political level that influence the development environment; the risk management of UNDP; any missed opportunities for UNDP involvement and contribution; efforts of advocacy and policy advice; UNDP's responsiveness vs. concentration of efforts etc.
- Review the synergies and alignment of UNDP support with other initiatives and partners, including that of the

United Nations Development Assistance Framework (UNDAF); the Global Cooperation Framework (GCF) and the Regional Cooperation Framework (RCF). This may include looking at how UNDP has leveraged its resources and that of others towards results, the balance between upstream and downstream initiatives and the work on MDGs.

- The Evaluation should consider the influence of systemic issues, i.e. policy and administrative constraints affecting the programme, on both the donor and country programme sides, as well as how the development results achieved and the partnerships established have contributed to ensure a relevant and strategic position of UNDP.

Development Results

- Provide an examination of the effectiveness and sustainability of the UNDP programme, by: (a) highlighting main achievements (outcomes) at national level in the last five years or so (some results have their origin in efforts prior to 1998) and UNDP's contribution to these in terms of key outputs; (b) ascertaining current progress made in achieving outcomes in the given thematic areas of UNDP and UNDP's support to these. The evaluation should qualify the UNDP contribution to the outcomes with a fair degree of plausibility, and consider anticipated and unanticipated, positive and negative outcomes. It should also gauge the contribution to capacity development at the national level to the extent that it is implicit in the intended results, as well as national ownership as success factor. The assessment will cover the key results and support in all thematic areas (governance, poverty, environment, gender, HIV/AIDS, special development situations, UN system and any other areas as appropriate (See strategic areas of support on Annex II).
- Identify and analyze the main factors influencing results, including the range and quality of development partnerships forged and their contribution to outcomes, the provision of upstream assistance and how the positioning of UNDP influences its results and partnership strategy.
- Assess the anticipated progress in achieving intended outcomes, with regard to the SRF Outcomes (see Annex II); the 2002-2006 Country Programme objectives and proposed future programmes and objectives and the MDGs.

- Based on the in-depth study accomplished by the local research institution on democratic governance,⁵⁴ provide analysis and identify the key challenges and strategies for future interventions in this area. This choice was based on several factors: 1) the relevance of the process of strengthening democratic governance in the Honduran context; 2) the comparative advantage of UNDP and its consistent and significant involvement in this area; 3) the complexity of the governance elements to be analyzed –i.e.: political and electoral reforms, judicial and legislative reforms, security, decentralization and local development and their interconnections and synergies with other areas; 4) the limited availability of comprehensive evaluative, in-depth studies –based on outcome assessment framework– that analyze how the elements of governance relate to each other, and thus, how they should be approached by interventions that intend to influence outcomes, and implications for UNDP's future strategies.

Lessons Learned and Good Practices

- Identify key lessons in the thematic areas of focus and on positioning that can provide a useful basis for strengthening UNDP support to the country and for improving programme performance, results and effectiveness in the future. Through in-depth thematic assessment, present good practices at country level for learning and replication. Draw lessons from unintended results where possible.

Methodology

The assessment will employ a variety of methodologies including desk reviews, stakeholder meetings, client surveys, and focus group interviews and select site visits. The Evaluation Team will review national policy documents and overall programming frameworks (including the UNDAF, CCF I, current Country Programme, SRF/ROARs, PRS, etc.), which give an overall picture of the country context. The Team will also consider any thematic studies/papers, select project documents and Programme Support Documents as well as any reports from monitoring and evaluation at country level, as well as available documentation and studies from other development partners. Statistical data will be assessed where useful. The empirical evidence will be gathered through three major sources of information: perception, validation and documentation according to the concept of 'triangulation'.

⁵⁴The area proposed for in-depth focus in Honduras is democratic governance. The study will have two main components: the first will analyze the key national development results during the past five years, while the second will focus on achievements accomplished and comparative advantages of UNDP in order to propose strategic recommendations of areas and interventions UNDP could pursue in the future, towards the goals of deepening democratic governance. The analysis will focus on key elements within governance, namely: Political and electoral reforms; Decentralization and local development within the framework of the Poverty Reduction Strategy; Security, Justice and Modernization of the armed forces; and Transparency and Anti-corruption.

A wide stakeholder consultation and involvement is envisaged. The Evaluation Team will meet with Government Ministries/institutions at central and regional level, research institutions, civil society organizations, NGOs and private sector representatives, UN Agencies, Bretton Woods institutions, bilateral donors, and beneficiaries.

The Team will visit field/project sites in a representative sample of states and communities. Possibilities, in addition to Tegucigalpa, include the least developed regions particularly for their importance to many of UNDP's initiatives, including support to the decentralization process and the implementation of poverty reduction strategies and rural development initiatives. These and other field visits will be selected based on, inter alia: (a) strategic importance; (b) the possibility to observe a number of UNDP support in the region; (c) the importance for poverty reduction, and (d) the selected scope areas.

In terms of methodology, the ADR will follow the guidance issued by the Evaluation Office, and consist of preparation (with preliminary desk review, programme mapping, TOR proposal, exploratory mission to the Country Office, theme-specific desk research and local studies and research); conducting the ADR by the country evaluation mission; and use of the ADR and follow-up (dissemination, corporate discussions, country office management response, stakeholder consultations, learning events).

Preparatory work at the local level will be carried out in advance to provide a substantive background for the Evaluation Team. This will include an analysis of achievements and challenges in democratic governance. This study will be conducted by a local research institution, which will include the conduct of select surveys of key partners through questionnaires. This work may entail the review of available reports, collecting additional documentation, conducting select interviews, field visits and analysis and brainstorming. This work will be based on specific TOR in addendum to these generic terms of reference.

Expected Outputs

The main expected output is the comprehensive final report on "Honduras Country Evaluation: Assessment of Development Results", including relevant annexes with detailed data.

Towards the end of their Mission, and prior to leaving the country, the Evaluation Team will discuss its preliminary findings and recommendations with the Resident Representative and the CO staff and present these to the Government and partners at a meeting of key stakeholders. The Team will use this feedback to finalize the report.

ANNEX II: HONDURAS STRATEGIC RESULTS FRAMEWORK – OUTCOMES AND OUTPUTS

OUTCOMES	OUTPUTS
<p>G1-GOVERNANCE</p> <p>SGN1 Dialogue that widens development choices SASN2- Increased public debate on sustainable human development</p> <p>SGN2 Key Governance Institutions SASN1- Parliament: Increased effectiveness of parliament to perform its legislative functions</p> <p>SASN2- Electoral systems: Institutionalization of reliable, effective and fair electoral processes</p> <p>SASN3- Justice: Fair and efficient administration of justice</p> <p>SGN3 Local governance SASN1– Municipal Development: Planning and budgeting processes at sub-national levels reformed to more effectively incorporate community level perspectives, participation and needs</p> <p>SGN4 Public sector</p> <p>SASN2 - Financial management: Auditing and an efficient and transparent management of the budget and funds of the Armed Forces</p> <p>SASN3 - Aid coordination: Increased government capacity to administer multilateral resources for strategic development initiatives</p>	<ul style="list-style-type: none"> ■ National Human Development Report disseminated ■ Global Human Development Report disseminated ■ Establishment of CIEL (Center for Study of Legislative and Investigative studies) to provide timely information for legislators to make informed decisions and be able to draft/discuss/pass sound laws.⁵⁵ ■ Creation of an enabling environment for discussion, negotiation and consensus-building between representatives of political parties and civil society on specific electoral reforms; ■ Draft bill on electoral reforms submitted to Congress ■ Need to identify weaknesses of judicial system ■ Personnel of the Human Rights Commission and the Special Prosecutor's Office trained to investigate and resolve complaints from the general public ■ 5 urban municipalities and 27 rural municipalities equipped with the necessary tools and mechanisms to achieve efficiency in the management of their own resources, both human and financial, through participatory planning process and enhanced resource base ■ Feasible municipal decentralization scheme systematized, published and discussed at national level ■ Definition and implementation of proposals to improve the administrative management, efficiency and transparency of the Armed Forces ■ Role of the Military Pension Fund redefined to guarantee efficiency and transparency in the management of the pensions of the military ■ Expanded support services to the government to enhance their capacity to manage public investment projects with IFIs, particularly during the electoral period (2001-2002)

⁵⁵ Although this outcome and corresponding outputs are not stated in the SRF, the outcome is included in the Partnership Strategy Framework and progress towards it is reported as "changes in outcome indicator," though not classified as outputs.

OUTCOMES

G2- POVERTY REDUCTION

SGN1 National Poverty frameworks

SASN1-Poverty Reduction Strategies: National anti-poverty strategy developed and implemented through a participatory process involving, in particular, the poor themselves

SASN3 - HIV/AIDS: National poverty reduction strategies address the impact of HIV/AIDS on development and poverty eradication

- National Programme to reduce rural poverty through participatory planning of communities developed and resources mobilized
- Policy dialogue mechanism implemented to ensure direct participation of major political parties in PRSP formulation
- Policy dialogue mechanism implemented to promote discussion and incorporation of HIV/AIDS strategy in PRSP implemented

G3- ENVIRONMENT

SGN2 Instruments for Environmentally Sustainable Management

SASN2 - Global conventions and funding mechanisms: Global environment concerns and commitments integrated in national development planning and policy

- National and regional programmes in the field of clean technologies formulated and in operation
- Sustainable alternatives for the generation of income through the appropriate use of natural resources designed

Source: Honduras SRF/ROAR Outcomes and Outputs, 2000

ANNEX III: INTENDED DEVELOPMENT RESULTS 1998 – 2006

UNDP THEMES	CCF '98-'00 + CCF EXT. '01 OBJECTIVES	CCF '02-'06 OBJECTIVES	UNDAF '02-'06 FOCUS AREAS	SRF OUTCOMES
GOVERNANCE	<p>Reform and modernization of the state</p> <ul style="list-style-type: none"> Promote rational use of natural resources Create National Statistical system Strengthen and reform judiciary Establish civil police Support government decentralization and promote citizen participation <p>Transparency of public administration</p> <ul style="list-style-type: none"> Accountability of public servants Strengthen institutions Combat tax evasion Improve customs collection and oversight systems <p>Promotion of democratic ideas</p> <ul style="list-style-type: none"> Strengthen capacity of media and CSOs 	<p>Structural political and institutional reforms</p> <p>Judicial, Electoral, Congressional and Military reform.</p> <p>Decentralization</p> <p>Strengthen local government management capacity and increase local participation</p> <p>Promote transparency by supporting National Anti-corruption Committee</p> <p>Efficient and transparent financial management of public investment projects</p> <p>Capacity building through provision of financial management and procurement services to government institutions</p>	<p>Democratic Governance</p> <p>Modernization and decentralization of the state</p>	<p>Policy dialogue</p> <p>Increased public debate on sustainable human development</p> <p>Electoral systems</p> <p>Institutionalization of reliable, effective and fair electoral processes</p> <p>Parliament</p> <p>Increased effectiveness of parliament to perform its legislative functions</p> <p>Justice</p> <p>Fair and efficient administration of justice</p> <p>Participation at sub-national level</p> <p>Planning and budgeting processes at sub-national levels reformed to more effectively incorporate community level participation and needs</p> <p>Financial management</p> <p>Auditing and efficient and transparent management of the budget and funds of the Armed Forces</p> <p>Aid coordination</p> <p>Increased government capacity to administer multilateral resources for strategic development initiatives</p>

UNDP THEMES	CCF '98-'00 + CCF EXT. '01 OBJECTIVES	CCF '02-'06 OBJECTIVES	UNDAF '02-'06 FOCUS AREAS	SRF OUTCOMES
<p>POVERTY REDUCTION</p>	<ul style="list-style-type: none"> • Increase coverage and quality of educational and health services • Foster production and job generation in rural and urban small firms • Policy support of HIV/AIDS • Provision of info and services for human development to CSOs 	<p>Policy reform in the agricultural sector</p> <p>Provide alternative income-generating options</p> <p>Strengthen linkage between agro-industry and small farmers</p> <p>Consolidate local development management capacity</p> <p>Extend coverage of credit to small farmers</p> <p>Reduce physical vulnerability and promote equity of rural poor</p> <p>HIV/AIDS* Ensure broad-based, multisectoral response to epidemic nationwide through HIV/AIDS Forum</p>	<p>Economic growth Research macro-economic impacts on poverty reduction</p> <p>Education/ HIV/AIDS Increase coverage, equity and quality of services</p> <p>Infant and Maternal Mortality</p> <p>Population, migration and human settlements Strengthen national statistical system on demographic data Support migrant and displaced populations</p> <p>Food and nutritional security</p>	<p>Poverty reduction strategies National anti-poverty strategy developed and implemented through a participatory process involving the poor themselves</p> <p>HIV/AIDS National poverty reduction strategies address the impact of HIV/AIDS on development and poverty eradication</p>
<p>ENVIRONMENT</p>	<ul style="list-style-type: none"> • Support policy formulation and legal and institutional framework • Promote productive options in protected areas and consolidate land-ownership rights; • Promote alternative sources of energy; • Combat pollution • Strengthen risk management and preparedness capacities 	<ul style="list-style-type: none"> • Promote sustainable, income-generation alternatives • Assist government in sustainable management of forestry resources • Promote energy efficiency • Introduce adequate watershed management system • Promote private sector participation 	<p>Environment and sustainable rural development</p>	<p>Global conventions and funding mechanisms Global Environment concerns and commitments integrated in national development planning and policy</p>

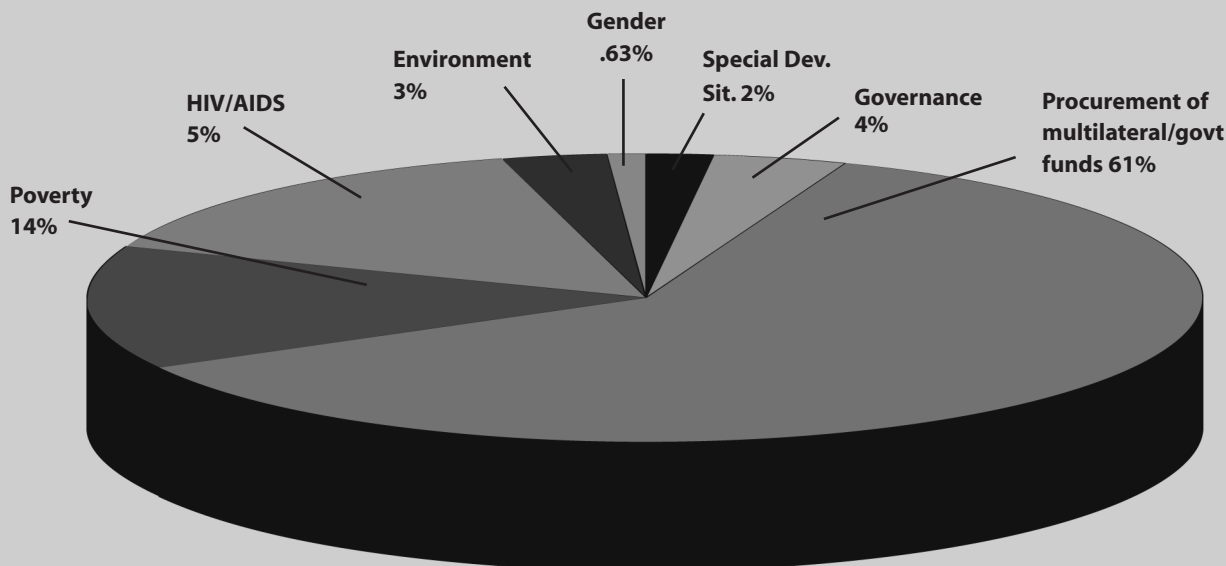
UNDP THEMES	CCF '98-'00 + CCF EXT. '01 OBJECTIVES	CCF '02-'06 OBJECTIVES	UNDAF '02-'06 FOCUS AREAS	SRF OUTCOMES
GENDER	<p>Strengthening civil rights to promote participation of women. Promote gender mainstreaming in public policy.</p> <p>Target job generating interventions to benefit women</p> <p>Reduce women's workload and improve their living conditions</p>	Strengthen National Institute of Women and UNDP-HIV/AIDS forum	<p>Reproductive Health</p> <p>Improve access to quality and equal education programs and health services</p> <p>Gender equity in the economic, political and social realm.</p>	<p>National action plans</p> <p>National action plan for the advancement of women, jointly adopted, implemented and monitored by government, legislature and civil society, according to time-bound goals</p> <p>Capacity development</p> <p>National disaster reduction and response system operational</p>
SPECIAL DEVELOPMENT SITUATIONS	Strengthen capacities on risk management and preparedness	Strengthen national disaster management system	<p>Disaster prevention, risk reduction and management</p> <p>Strengthen local and national preparedness</p>	
UNDP SUPPORT TO THE UN				<p>Rc system</p> <p>Mobilization of UN partners to adopt common positions on development issues and achieve concrete development outcomes through the UNDAF</p>

Sources: Country Cooperation Frameworks for Honduras (CCF'98-'00, CCF Extension for '01 and CCF '02-'06); United Nations Assistance Framework (UNDAF) '02-'06; Honduras SRF List of Outcomes.

*Note: There is not a specific UNDP theme for HIV/AIDS. In following the ROAR schema of SRF goals, HIV/AIDS was placed under 'Poverty Reduction'.

ANNEX IV: HONDURAS AID RECEIPTS AND UNDP COUNTRY PROGRAMME DELIVERY

FIGURE 1: SUMMARY OF DELIVERY FOR HONDURAS BY SRF GOAL 1998-2003*



* Note: The distribution of UNDP financial allocation by goals is based on delivery.

Source: UNDP Honduras CO.

FIGURE 2: TOP TEN DONORS OF GROSS ODA FOR HONDURAS (2001-2002 AVERAGE)

	US\$ millions
1. United States	1 f
2. IDA	90
3. Japan	86
4. IDB	79
5. Spain	35
6. Sweden	21
7. EC	19
8. Germany	16
9. Netherlands	13
10. Norway	11

FIGURE 3: NET OFFICIAL DEVELOPMENT ASSISTANCE RECEIPTS

Receipts	1999	2000	2001	2002
Net ODA (US\$ million)	818	450	679	435
Bilateral share (gross ODA)	43%	66%	61%	65%
Net ODA/GNI	15.6%	7.8%	10.9%	6.8%

Source: OECD, World Bank

ANNEX VI

TABLE 5.1 SWOT ANALYSIS OF UNDP, HONDURAS

Strengths	Weaknesses
<ul style="list-style-type: none"> ■ High visibility and positioning as neutral broker of political agreements ensuring inclusiveness. ■ Credibility and trust across the board. ■ Innovativeness and risk-taking. ■ Excellent and influential relationship with the Government. ■ Leadership in Human Development concept, a reference to the development community. ■ Not just a project executor, but involvement as an actor in key national issues and politics. ■ Participation in donor coordination and harmonization of cooperation efforts. 	<ul style="list-style-type: none"> ■ Does not follow Macro/Meso/Micro approach in projects ■ Competing for resources and “business center” activities seen as creating a parallel structure to public administration ■ Weak efforts in developing local capacities. ■ Poverty definition leads to poor targeting. ■ No monitoring of capacity development.
Opportunities	Threats
<ul style="list-style-type: none"> ■ Support the implementation of political and electoral reforms passed. ■ Diversification of strategic partnerships by identifying committed stakeholders in Government and civil society. ■ Introduction of employment strategy and linking it to poverty reduction. ■ Better linkage of governance programme to poverty reduction. ■ Redefine role but ensuring sustainability of Democracy Trust. ■ Deepening of justice sector reforms and coordination with other Security/ Prosecution organizations ■ Building trust between civil society/armed forces & police. ■ Transforming BC into a genuine instrument of development. ■ BC continues to generate programme funds through innovative methods such as applying a CSR model. 	<ul style="list-style-type: none"> ■ Possible compromise of its neutrality to advance its interests (BC). ■ Undermining of relationships (social capital) with donors and other actors due to lack of clarity/ information regarding procurement activities. ■ Risk of tilting balance between development programmes and resource mobilization and consequent loss of image as development agency. ■ Hostility of sectors affected by UNDP's anti-corruption and procurement activities. ■ Becoming less of a key player as programme funds diminish.

ANNEX VI: EVOLUTION OF UNDP PLANNING FRAMEWORKS 1998-2007

Introduction

This note briefly lays out the different corporate planning instruments developed at different times and applicable during the timeframe covered by this evaluation. Different systems mandated the planning of UNDP's interventions at the country level from 1998 to present. These changes are rooted in UNDP's shift towards results based management (RBM), which has been gaining momentum and evolving since 1999.

The ADR process aims to validate UNDP's contribution to results in Honduras and its strategic positioning over a period of six years (1998-2003). It assesses how well UNDP has done in the past, and to what extent there has been progress towards the expected outcomes pursued. The ADR intends to provide clear strategic directions for future UNDP interventions, and anticipate whether the country programme is on track to achieving expected development outcomes. The time frame covered here, both retrospectively (1998 to 2003, CCFI and part of CCFII) and prospectively (2003 to 2006, remaining timeframe of CCFII), straddles different corporate planning systems.

In 1999 UNDP began the effort of mainstreaming RBM as a management strategy or approach through which the organization meant to ensure that its processes, products and services contributed to the achievement of clearly stated results.⁵⁶ This was pursued through a major initiative of reform with the goal of demonstrating how and in which areas the organization was making a measurable contribution to poverty reduction. RBM is intended to provide a coherent framework for strategic planning and management by improving learning and accountability.

Programme Planning and Evaluation instruments

Multi-Year Funding framework (MYFF): An overarching corporate framework that sets the strategic programme focus –strategic goals and service lines- to be pursued by the organization, and the corresponding budget allocated for the period it encompasses. MYFF responds to the organization's effort to sharpen the programmatic focus of UNDP and operationalizes it into a framework integrating programme objectives, resources and outcomes within the corporate priorities and focus. The MYFF provides the context for UNDP Country office operations, as the outcomes they set should be aligned with both the MYFF strategic goals

and service lines, and those set in the Regional Cooperation framework (which sets goals and strategic areas of support particular to a region and the countries it includes). The strategic goals and service lines embodied in the current MYFF have been influenced by the MDGs, which represent the overarching basis for all of UNDP activities during this period, country level demand for UNDP support as reflected in the UNDAFs, the SG's efforts towards UN reform –simplification, harmonization and coordination of all UN activities at the country-level, and the move towards operational effectiveness initiated with the first MYFF in 2000. The first MYFF covered 2000-2003, and the present one is 2004-2007.

UN Development Assistance Framework (UNDAF):

This lays the foundation for cooperation among the UN system, government and other development partners in a planning and resources framework defines common objectives, indicators and activities for the country programmes and projects of UN agencies. The first UNDAF for Honduras covers 2002-2006.

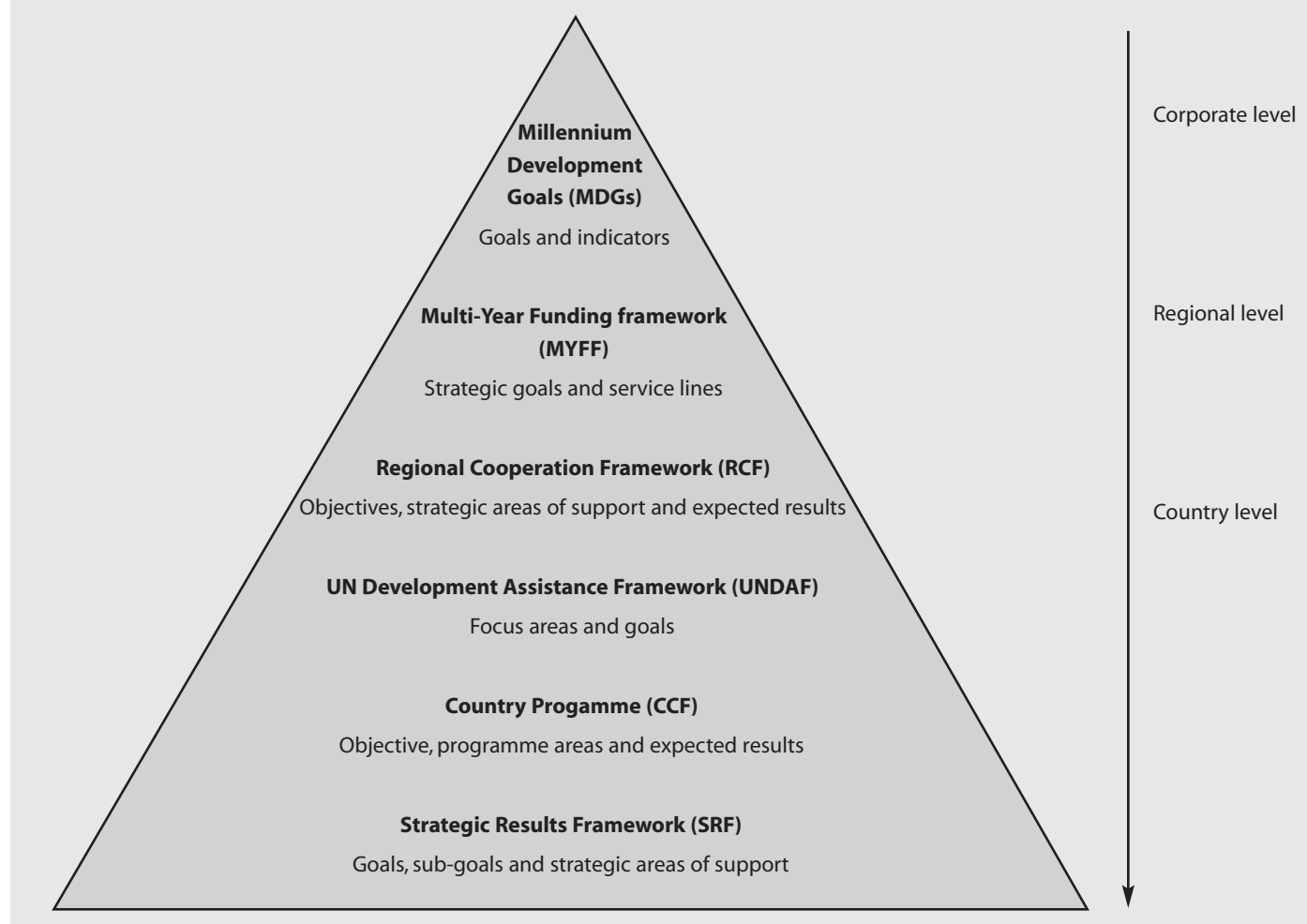
Country Cooperation Framework (Country Programme or CCF): Based on the results and lessons of past cooperation in the country, it sets the objectives, programme areas and expected results that UNDP plans to achieve over a period of three to five years. Before 1999, CCFs focused less on expected results and stayed at the level of thematic areas of support and proposed strategy. CCFI for Honduras covers 1998 to 2001 and CCFII covers 2002-2006.

Country Office Strategic Results Framework (SRF) and Result Oriented Annual Report (ROAR):

Each country selects a series of strategic outcomes⁵⁷ towards which its interventions (i.e.: programme, projects, activities, soft-assistance) will be geared during a country programme period. It identifies corresponding outputs and indicators to measure progress towards the outcomes. It also includes information on strategic partners and baseline information for the indicators selected. This system was implemented in 2000, and the ROAR (self assessment of progress towards outcomes pursued) was elaborated by COs from 2000 to 2003. In 2004 there will be no ROAR in Honduras, the attempt to narrow the focus of what proved to be too loose definitions of outcomes by COs and an impossible aggregation of results at the corporate level, resulted in a new MYFF and different reporting requirements.

⁵⁶ Handbook on Monitoring and Evaluation for results, UNDP Evaluation Office, 2002.

⁵⁷ See definitions below on different levels of outcomes.

PLANNING ARCHITECTURE FRAMING UNDP PROGRAMMES ⁵⁸

Definitions

National development outcomes ⁵⁹

These are development changes that a programme country has sought to pursue. They are based on the MDGs and other international development targets, and are usually found within national planning frameworks or strategies. National development outcomes can have different target dates for achievement, depending on the baseline situation, level of ambition and operating context.

UNDAF outcomes

These are development changes that the UN country team collectively seeks to achieve as their combined contribution to selected national development outcomes. While national development outcomes may have a seven or 10 or 15-year

time horizon, UNDAF outcomes speak of results to be achieved within the five-year programming cycle. The United Nations system is collectively accountable for these outcomes, working in collaboration with the Government and other development partners, and must be able to demonstrate progress toward their achievement.

Country programme outcomes

These are the core results that UNDP seeks to achieve over a five-year period through its interventions in development conditions that occur between the completion of outputs and the achievement of impact.⁶⁰

Outputs

Outputs are the products and services that result from the completion of activities within a development intervention.

⁵⁸ It should be noted that the pyramid intends to reflect the different levels (i.e. corporate, regional, country) at which the different planning frameworks are generated. It does not imply that one level is operationally contained by the next one.

⁵⁹ National development outcomes are variously referred to as national MDGs, MDG targets, 'MDG+' targets, impacts, national outcomes, &c.

⁶⁰ Both terms are harmonized with the Executive Committee members of UNDG and consistent with the OECD/DAC 'Glossary of Key Terms in Evaluation and Results-based Management, 2002.

ANNEX VII: LIST OF PEOPLE MET

UNDP Country Office

Kim Bolduc, Resident Representative

Lorenzo Jiménez de Luis, Deputy Resident Representative

Glenda Gallardo, Principal Economist, Unit of Strategy and Prospective

Luis Gradiz, Assistant Resident Representative, Rural Development Unit

Carlos Fernandez, Programme Officer, Governance Unit

Juan Carlos Benitez, Programme Officer, Governance Unit

Julio Carcamo, Assistant Resident, Representative Environment

Richard Barathe, Director of Corporative Strategy/ Business Center

Carlos Pineda Fasquelle, Co-Director of Local Governance, Copan Project

Margarita García, Coordinator of Production Component, Copan Project

Josué León, Coordinator of Environment Component, Copan Project

Lavinia Dubón, Coordinator of Local Management, Copan Project

Ana Maria Meza, Coordinator of Local Development

Ramón Salgado, Coordinator of Cadastral System, Copan Project

Armando Bojorquez, Administrator Copan Project

Misael Carcamo, Coordinator of Transparency, Copan Project

Lisandro Mejía, Rural Tourism Project Coordinator

UNDP Headquarters

Jeffrey Avina, Former Resident Representative, Honduras 2000-2004

Harold Robinson, Former Deputy Resident, Representative 1998-2000

Jonas Rabinovich, Technical Advisor, Democratic Governance Group, BDP.

Ligia Elizondo, Position, BRSP

Saraswathi Menon, Director, Evaluation Office

Nurul Alam, Deputy Director, Evaluation Office

Fadzai Gwaradzimba, Evaluation Adviser/ADR Theme Leader, Evaluation Office

Maria Lucia Lloreda, Programme Adviser, RBLAC

Jose Eguren, Chief Oversight and Support, RBLAC

Government of Honduras

Ministry of International Cooperation (SETCO)
Guadalupe Hung Pacheco, Deputy

Supreme Court of Justice
Wilma Cecilia Morales Montalván, President

National Human Rights Commissioner
Ramon Custodio Lopez, Ombudsman
Marco Tulio Flores Pineda, Officer of Planning and Projects

Ministry of Internal Affairs, Governance and Justice
Cesar Gonzales, Vice-Minister

Ministry of Agriculture
Mariano Jimenez Talavera, Minister

Hector Ortega, Director of Rural Development
Programme/PROSOC

Ministry of Security
Oscar Alvarez, Minister
Gustavo Castro-Wú Wan, Adviser

Ministry of Natural Resources and Environment
Patricia Panting Galo, Minister

National Institute for Women
Marcela del Mar Suazo

National Institute of Statistics (INE)
Magdalena García Ugarte, Director
Antonio Rene Soler Orellana, Deputy Director

Honduran Social Investment Fund (FHIS)
Leony Yu way M., Minister
Yamilet Mejía
Hugo Cobo

Ministry of State Planning
(Secretaria de Estado del Despacho Presidencial)
Rocio Tabora, Deputy Minister
Efrain Corea Yanez, Director Technical Support Unit

National Congress
Ramón Velásquez Nazar, Vice-President

Supreme Electoral Court
Aristides Mejía Carranza, Magistrate
Jacobo Hernández Cruz, Magistrate

Supreme Comptroller Court
Ricardo Antonio Galo Marengo, President
Fernando Montes, Magistrate
Renán Sagastume Fernandez, Magistrate

Finance Minister
Ralph Oberholzer, Deputy of Credit and Public Investment

Ministry of Prosecutin

Ramón Ovidio Navarro Duarte, Chief Prosecutor
Rosa Emilia de Carias, External Cooperation Assistant

Department of Copan

Jose Ramon Avila, Technical Coordinator Departmental

Development Commission

Gustavo Emilio Villena, Mayor of Municipality of Santa Rita
Nery Castillo, Mayor of Municipality of San Antonio
Marcio Vega Pinto, Mayor of Municipality of Nueva Arcadia
Julián Enríquez, Technical Municipal Unit of
Municipality of Nueva Arcadia

Municipality of Copan Ruinas, Copan

Danilo Cruz, Deputy Mayor
Selvin Alvarado, Technician AHPROCAFE
(Coffee Cooperative) Copán
José Antonio Hernández, Director COAPROCL
(Coffee Cooperative)
Candelario Hernández, Director COAPROCL
Manuel Mánchame, President Rural Committee AHPROCAFE
Ramiro Aldan, President Rural Committee AHPROCAFE
Mauricio Alvarado, Municipal Environment Unit
Alfredo Morales, Director COAPROCL
Manuel A. Mánchame, Rural Committee ,
Member AHPROCAFE
Julio Cesar Aranda, Rural Committee Member AHPROCAFE
Boris Loyo, Rural Committee Member AHPROCAFE
Boanerges López, President Local Committee AHPROCAFE
Jehu López , member COAPROCL
Maria López member COAPROCL
Transito Morales member COAPROCL

Municipality of Cabanas, Copan

Juan Manuel Barillas, Mayor
Napoleón Mata, Municipal representative
Catalina Vida, Municipal representative
Carla Torres, Municipal representative
Ángel Ramos, Municipal representative
Tobías Sosa, Municipal representative
Maura Isabel Espinoza, Commissioner of
Transparency Committee
Juan José Lemus, Technical Municipal Unit
Brenda Menjivar, Municipal Tax Control Unit
Adelmo García, Municipal Environment Unit
Edwin Madrid, Municipal Environment Unit

Municipality of Florida, Copan

Aníbal García, Mayor
Wendy Dubón, Technical Assistant Transparency Project
Alfonso Arita, Civil Society
Francisco Orellana, Civil Society
Orlando Santos, Municipal representative
José Barahona, Technical Assistant, Transparency Project
José Eduardo García, Municipal representative
Macario Rodríguez, Judge Genoveva Díaz, Civil Society
Patricia Mejía, Civil Society
Karla Leticia Santos, Municipal Catastral System

Claudia Mejía, Civil Society
Doris Henríquez, Municipal Secretary
Luis Alonso Miranda, Civil Society
Israel Peña Leveron, Civil Society
Carlos Manuel Soriano, Civil Society
Zoila Priscila Chacon, Civil Society
Oscar Arsenio Mejía, Civil Society
Pedro Murcia, Municipal Environment Unit
Floralalma Enamorado, Municipal Environment Unit

Municipality of La Esperanza, Intibuca

Jose Santos Aguilar, Mayor

UN Agencies

Maritza Elvir, Assistant Representative, UNFPA
Fernando Lazcano, Resident Representative, UNICEF
Jose Francisco Salinas, Programme Officer, Unit Head, WFP
Ivan Estribí Fonseca, Health and Environment Coordinator,
Panamerican Health Organization / WHO

Donors, Regional banks**Inter-American Development Bank (IDB)**

Cristóbal Silva, Deputy Representative

Centro American Bank for Economic Integration (CABEI)

Celia Maria Arguello, Economist
Randall Chang Benambur, Business Executive
Marvin Taylor-Dormond, Chief Economist

Swedish Cooperation (SIDA)

Ina Eriksson, Adviser

Canadian International Development Agency

Camille Pomerleau , Programme Officer

United States (USAID)

Duty Greene Senior Economist, Office of Strategy and Support to
Programmes

Civil Society**Documentation Center of Honduras (CEDOH)**

Victor Mesa, Director

Honduran Association of Municipalities (AHMON)

Orfilia Perez, Legal Adviser
Fernando García, Institutional Management Officer
Elio Rivera, Coordinator Local Governance Project

Democracy Trust (Foro para el Fortalecimiento de la Democracia)

Manlio Martinez, Technical Secretary

Honduran National Convergence Forum (FONAC)

Juan Ferrera, Executive Secretary

INTERFOROS

Francisco Quintanilla, Technical Unit

Nacional HIV/AIDS Forum

Xiomara BuTegucigalpa Chamber of Commerce and Industry (CCIT)

Amilcar Bulnes, President

Francisco Salas, Vice-President

Maria Quiñonez Umaña, Executive Director

National Party of Honduras

David Matamoros Batson, Executive Secretary

Liberal Party of Honduras

Jorge Arturo Reina, Presidential Candidate

Christian Democratic Party of Honduras

Lucas Aguilera (creo que es Jorge), Vice-President

Association of Tourism Service Providers in Intibuca

Juan Angel Meza

Municipal Tourism Commission, La Esperanza, Intibuca

Arely Margot Lopez

ANNEX VIII: MDGS AND HONDURAS PROGRESS

HONDURAS COUNTRY PROFILE

	1990	1995	2001	2002
1. Eradicate extreme poverty and hunger	<i>2015 target = halve 1990 \$1 a day poverty and malnutrition rates</i>			
Population below \$1 a day (%)	—	—	—	—
Poverty gap at \$1 a day (%)	—	—	—	—
Percentage share of income or consumption held by poorest 20%	—	—	—	—
Population below minimum level of dietary energy consumption (%)	18.0	18.3	17.0	—
Population below minimum level of dietary energy consumption (%)	23.0	—	21.0	—
2. Achieve universal primary education	<i>2015 target = net enrollment to 100</i>			
Net primary enrollment ratio (% of relevant age group)	89.1	90.2	87.6	—
Percentage of cohort reaching grade 5 (%)	—	59.8	—	—
Youth literacy rate (% ages 15-24)	79.7	82.5	85.5	85.9
3. Promote gender equality	<i>2005 target = education ratio to 100</i>			
Ratio of girls to boys in primary and secondary education (%)	102.5	—	—	—
Ratio of young literate females to males (% ages 15-24)	103.0	103.4	103.8	103.8
Share of women employed in the nonagricultural sector (%)	—	—	—	—
Proportion of seats held by women in national parliament (%)	10.0	8.0	9.0	9.0
4. Reduce child mortality	<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>			
Under 5 mortality rate (per 1,000)	61.0	49.0	38.0	—
Infant mortality rate (per 1,000 live births)	47.0	39.0	31.0	30.9
Immunization, measles (% of children under 12 months)	90.0	89.0	95.0	—
5. Improve maternal health	<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	—	220.0	—	—
Births attended by skilled health staff (% of total)	45.4	54.9	—	—
6. Combat HIV/AIDS, malaria and other diseases	<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>			
Prevalence of HIV, female (% ages 15-24)	—	—	1.5	—
Contraceptive prevalence rate (% of women ages 15-49)	46.7	50.0	61.8	—
Number of children orphaned by HIV/AIDS	—	—	14,000.0	—
Incidence of tuberculosis (per 100,000 people)	—	—	90.6	—
Tuberculosis cases detected under DOTS (%)	—	—	61.0	—

7. Ensure environmental sustainability
2015 target = various (see notes)

Forest area (% of total land area)	53.4	—	48.1	—
Nationally protected areas (% of total land area)	—	9.9	6.0	6.4
GDP per unit of energy use (PPP \$ per kg oil equivalent)	4.2	4.6	5.3	—
CO2 emissions (metric tons per capita)	0.5	0.7	0.8	—
Access to an improved water source (% of population)	83.0	—	88.0	—
Access to improved sanitation (% of population)	61.0	—	75.0	—
Access to secure tenure (% of population)	—	—	—	—

8. Develop a Global Partnership for Development
2015 target = various (see notes)

Youth unemployment rate (% of total labor force ages 15-24)	7.4	5.2	—	—
Fixed line and mobile telephones (per 1,000 people)	—	31.3	83.3	—
Personal computers (per 1,000 people)	—	3.2	12.2	—
General indicators				
Population	4.9 million	5.6 million	6.6 million	6.8 million
Gross national income (\$)	3.5 billion	3.6 billion	6.0 billion	6.2 billion
GNI per capita (\$)	710.0	640.0	910.0	920.0
Adult literacy rate (% of people ages 15 and over)	68.1	71.7	75.6	76.2
Total fertility rate (births per woman)	5.2	4.8	4.1	4.0
Life expectancy at birth (years)	64.9	65.6	66.0	66.1
Aid (% of GNI)	15.8	11.0	10.8	—
External debt (% of GNI)	130.5	129.6	80.8	—
Investment (% of GDP)	22.9	31.6	30.5	—
Trade (% of GDP)	76.1	92.1	93.1	—

Source: World Development Indicators database, April 2002

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Source: World Bank

ANNEX IX: ABBREVIATIONS

ADR	Assessment of Development Results
BC	Business Center
CCA	Common Country Assessment
CCFI	First Country Cooperation Framework (1998-2000)
CCFII	Second Country Cooperation Framework (2002-2006)
CO	Country Office
COPECO	National Emergency Operations Center
CSR	Corporate Social Responsibility
DT	Democracy Trust
GEF	Global Environmental Facility
G17	Consultative Group Consultative Group for the Reconstruction and Transformation of Central America
IDB	Inter American Development Bank
IFI	International Financial Institution
IMF	International Monetary Fund
INAM	National Institute for Women (Instituto Nacional de la Mujer)
INE	Nacional Statistics Institute
NAC	National Anti-corruption Commission
NHDR	National Human Development Report
PRSP	Poverty Reduction Strategy Paper
ROAR	Results-Oriented Annual Reports
SIDA	Swedish International Development Agency
SRF	Strategic Results Framework
MYFF	Multi-Year Funding Framework
UNDAF	United Nations Development Assistance Framework
UPE	Unidad de Prospectiva y Estrategia

