

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.