

SUMMARY

MID-TERM REVIEW of the CSP 2007-2013

Honduras

Short Version for Translation

I. MID-TERM REVIEW

1. Analysis of main issues

Honduras has been going through **political crisis** which culminated in the removal of President Zelaya on 28 June 2009 and the installation of an unrecognised *de facto* government. The country has witnessed a significant slowdown in its progress towards democratisation, decentralisation, transparency in public affairs, fight against corruption and poverty, as well as paralysis of the required social and economic reforms and the necessary modernisation of the country's governance. It has also “contributed” to the worsening **economic situation**, already seriously affected by the food crisis and the global economic and financial crisis, especially SMMEs. The formerly prudent, market-oriented economic policy was no longer followed, exchange-rate policy remained inflexible and the country did not implement all the necessary fiscal reforms required by international financial institutions. Ill-conceived social measures resulted in shrinking state revenues and contributed to increased unemployment. Despite conceiving a **Poverty Reduction Strategy**, real progress in social development has been limited. **Social conditions** have actually worsened and poverty, malnutrition and income inequality has remained among the highest in Latin America. Access to health, education, energy, water and sanitation has remained problematic for a large section of the population. The crime rate and insecurity has increased. Degradation of the **environment and natural resources** continued. **Renewable energy** seems to have good prospects and a necessity.

2. Lessons Learnt

The analysis confirms the validity of current strategy with 3 main priorities: **Poverty Reduction, Forestry & Natural Resources** and **Justice & Public Security**. This is in line with the priorities of EU policy objectives.

Aid effectiveness has shown mixed success in Honduras. There has been excellent **donor coordination** and donors have aligned with the **Poverty Reduction Strategy** (PRS). The Delegation has cooperated closely with Member States and the main international donors. **Civil Society** has been a constant partner in formulating strategies, as have **Local Authorities**. However, the Government has not taken the lead in donor coordination and cooperation with the authorities has become more difficult. Macroeconomic, public finance management and development policy conditions for **Budget Support**, supposed to be the main modality of cooperation, conditions have not been met and most donors have suspended disbursements, including the Commission after 28 June 2009.

The **Poverty Reduction Strategy** aims to achieve most MDGs, however, the performance of Honduras has not been very positive, unlikely to meet most of them.

3. Evaluation of National Indicative Programme 2007-2010 (NIP1)

The **evaluation of the first NIP1** is rather difficult as projects and programmes started with delays and are now paralysed by the political situation.

Priority 1 - Support to the PRS: Direct support to **education** has given mixed results. Support secondary and technical education has been quite successful, but support to primary education has had limited. **Health** has shown deterioration in some indicators such as maternal mortality and prevalence of vector- and water-borne disease. **Decentralisation** has progressed slowly, which has made it difficult for local authorities to access PRS funds.

Priority Sector 2 - Natural Resources projects show that interventions are better integrated into the structure of ministries. A new legal framework for forest management is being supported by these and the new MOSEF project, which provides direct support to the Forestry Conservation Institute.

Priority Sector 3 - Justice and Security remains an essential focus as the crime rate discourages investment, destabilises the country. This project has provided lessons in collaboration between different state authorities as well as consultation of civil society and close donor coordination.

II. NIP2 2011-2013

NIP 2 will continue to focus on the three main priorities. As Honduras is still one of poorest countries in Central America, these areas will remain long-term priorities. The country is likely to continue being a net ODA beneficiary. Poverty reduction is proposed to include additional activities such as **employment generation, support to SMMEs and strengthening quality systems** as well as **water and sanitation**. For Natural Resources actions related to **renewable energy sources and energy efficiency to slow climate change** will be added.

The effective **donor coordination** by the G-16 will remain a key element for joint programming and harmonisation of donor actions, especially in case of monitoring the **viability of budget support**. **Civil society** will continue to play a significant role. **Cooperation with the government** needs improvement to increase aid effectiveness. The main **risks** that could destabilise the successful implementation of the projects are the global economic and financial crisis, political instability and the growing social crisis. Institutional weaknesses could also affect project implementation.

1. Poverty Reduction

The activities of APERP will continue during NIP2, but funds under NIP1 are sufficient for the time being and several other donors have strong health and education support programmes to cover the sector. Therefore the funds in this sector would contribute more to reducing poverty by supporting SMMEs and quality systems, which would enable more employment to be generated. **Support**, through improving the business climate and training and small grants to **SMMEs**, would benefit the 700,000 or more people employed in small business, with strong emphasis on quality systems, thus benefiting them from the opportunities offered by trade, including the EU-CA Association Agreement.

Actions in the field of **water and sanitation** would improve chiefly rural infrastructure is still limited for a large part of population. More specifically, the objective will be to increase access to potable water and sanitation to 50% of the population in accordance with MDG 7. The new General Law on Water will establish a new regulatory framework for our

intervention. The project would also consider the effects of the climate change. It is also expected that vector- and water-borne illnesses could be reduced as a result of better management of water in the context of climate change.

Table 1. Proposed changes to CSP 2007-2013 (million euros)

PRIORITY	TOTAL 2007-2013	NIP I		NIP II		
		PROGRAMME	AMOUNT	Original Amount 2011-2013	PROGRAMME	Proposed Amount
Priority 1. Support to the PRS	111	APERP	60.5		Strengthening of Quality Systems and Support to SMMEs (Employment /Social Cohesion)	20
		PAAPIR	5		Water and Sanitation	25.5
TOTAL PRIORITY 1			65.5	45.5		45.5
2. Natural Resources	68	MOSEF	21	42	Sustainable Management of Natural Resources including renewable energy and energy efficiency focused on Climate change	47
Priority 3. Security and Justice	44	PASS PHASES I & II	41	8	PASS PHASE III	3
TOTAL CSP	223		127.5	95.5		95.5

2. Sustainable Management of Natural Resources including renewable energy and energy efficiency focused on climate change

The objective will be to build upon the results of the MOSEF project and implement actions in order to foster reforestation, sustainable use of forest products, create employment, introduce best practices for managing forest fires. In addition, it would include actions related to **renewable energy sources** and **energy efficiency**. This reinforces the mitigation of climate change and of natural disasters. Supporting the promotion of clean energy is also an effective and comprehensive response to the country's high dependence on polluting fossil energy and would help rural development. The actions would also strengthen the agro-food sector, promote tourism and could contribute to the generation of opportunities for disadvantaged groups.

3. Security and Justice

The objective of the third phase of Programme PASS will be to complement the previous two phases, with a stronger emphasis on preventive actions in the country's penitentiary system.