

*Evaluation of the European Commission's
Cooperation with Honduras –
Country level Evaluation*

Final Report
Volume I: Main Report

April 2012

Evaluation for the European Commission





Aide à la Décision
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Framework contract for
**Multi-country thematic and regional/country-level
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(the area of the New Neighbourhood Policy)**

**Ref.: EuropeAid/122888/C/SER/Multi
Request for Service: 2008/166326**

**Evaluation of the European Commission's
Co-operation with Honduras**

Country level Evaluation

**FINAL REPORT
VOLUME I: MAIN REPORT**

April 2012

This evaluation was carried out by



The evaluation was managed by the Joint Evaluation Unit for External Relations.

The author accepts sole responsibility for this report, drawn up on behalf of the European Commission. The report does not necessarily reflect the views of the European Commission.

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Acronyms

| | |
|------------------|--|
| € bn | Billion Euros |
| € m | Million Euros |
| \$ | US Dollars |
| AECID | Agencia Española de Cooperación Internacional para el Desarrollo |
| AFD | Agence française de développement |
| AFE- COHDEFOR | Administración Forestal del Estado – Corporación Hondureña de Desarrollo Forestal |
| AIDCO | EuropeAid Co-operation Office |
| ALA | Asia and Latin America (1992 Regulation) |
| AMHON | Asociación de Municipios de Honduras |
| APERP | Apoyo Presupuestario a la Estrategia de Reducción de Pobreza en los campos de la educación y de la salud |
| APN | Apoyo al Plan de Nación |
| Apoyo EFA | Apoyo a la Educación Primaria en Honduras |
| Budget | Budget of the European Commission |
| BS | Budget support |
| CA | Central America |
| CACM | Central American Common Market |
| CDM | Clean Development Mechanism |
| CEP | Country Environmental Profile |
| COM | Communication of the European Commission |
| CRIS | Common RELEX Information System |
| CSP | Country Strategy Paper |
| DAC | Development Assistance Committee of the OECD |
| DCI | Development Cooperation Instrument |
| DEV | Directorate-General Development |
| DEVCO | Directorate-General EuropeAid Development and Cooperation |
| DG | Directorate-General of the European Commission |
| DIPECHO | Disaster Preparedness (implemented by) ECHO |
| DP | Devis-Programme |
| DTA | Disposiciones Técnicas y Administrativas (Technical and Administrative Provisions) |
| EAMR | External Assistance Management Report |
| EC | European Commission |

| | |
|-------------|---|
| ECHO | European Commission's Humanitarian Aid Office |
| EFA | Education For All |
| EQ | Evaluation Question |
| EU | European Union |
| FAO Semilla | Producción y comercialización de semilla artesanal mejorada y diversificada |
| FLEGT | Forest Law Enforcement, Governance and Trade |
| FT | Fixed Tranche |
| FOPRIDH | Foro de Organizaciones Privadas de Desarrollo de Honduras |
| FORCUENCAS | Fortalecimiento de la Gestión Local de los Recursos Naturales en las Cuencas de los Ríos Patuca y Choluteca |
| GoH | Government of Honduras |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit |
| HDI | Human Development Index |
| HIPC | Highly Indebted Poor Countries |
| I | Indicator |
| ICF | Instituto Nacional de Conservación y Desarrollo Forestal, Áreas Protegidas y Vida Silvestre |
| IDB | Inter-American Development Bank |
| IMF | International Monetary Fund |
| ITA | International Technical Assistance |
| JC | Judgement Criterion |
| LRRD | Linking Relief, Rehabilitation and Development |
| MDGs | Millennium Development Goals |
| MN | Meeting Notes |
| MoU | Memorandum of Understanding |
| MS | Member State (of the European Union) |
| MTR | Mid Term Review |
| NGO | Non-Governmental Organisation |
| NRM | Natural Resource Management |
| ODA | Official Development Aid |
| PA | Protected Areas |
| PASAH | Programa de Apoyo a la Seguridad Alimentaria |
| PASS | Programa de Apoyo al Sector Seguridad en Honduras |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PMRTN | Plan Maestro de la Reconstrucción y Transformación Nacional |
| PRAEMHO | Programa de Apoyo a la Educación Media en Honduras |

| | |
|-------------|--|
| PREVDA | Programa Regional de Reducción de la Vulnerabilidad y Degradación Ambiental |
| PROADES | Programa de Apoyo a la Descentralización en Honduras |
| PROCORREDOR | Gestión Sostenible de Recursos Naturales y Cuencas del Corredor Biológico Mesoamericano en el Atlántico Hondureño |
| PRODDEL | Programa Nacional de Descentralización y Desarrollo |
| PRRAC | Programa de Reconstrucción Regional para América Central |
| PRS | Poverty Reduction Strategy |
| PRSP | Poverty Reduction Strategy Paper |
| REDD | United Nations collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries |
| RELEX | Directorate-General for External Relations |
| REP | Regional Environmental Profile |
| ROM | Results-Oriented Monitoring |
| RSP | Regional Strategy Paper |
| SAG | Secretaría de Agricultura y Ganadería |
| SEFIN | Secretaría de finanzas |
| SEPLAN | Secretaría de Planificación y Cooperación externa |
| SERNA | Secretaría de Recursos Naturales y Ambiente |
| SFM | Sustainable Forest Management |
| SGB | Secretaría de Gobernación y Justicia |
| SSR | Security Sector Reform |
| TA | Technical Assistance |
| TBD | To be determined |
| ToR | Terms of Reference |
| UK | United Kingdom |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| US | United States |
| USD | US Dollar |
| VT | Variable Tranche |
| WB | World Bank |
| ZONAF | Programa de Desarrollo de Zonas Fronterizas en América Central |

Executive Summary

Subject

This evaluation assesses the **European Commission's (EC) cooperation with Honduras over the period 2002-2009**. It aims at providing an **overall independent assessment** of the entire EC cooperation strategy and support in the country and to draw out **key lessons** to help improve current and future EC strategies and programmes.

Methodology

The evaluation applied a three-phase gradual approach consisting of desk, field and synthesis work. It first elaborated an inventory of EC aid to Honduras in order to have a comprehensive view on the cooperation for identifying key areas of investigation. The cooperation objectives were reconstructed in the form of an Intervention Logic based mainly on the analysis of the EC's country strategy papers. This laid the ground for developing the set of Evaluation Questions and their corresponding Judgement Criteria and Indicators. The sample of interventions for detailed study was further selected on those bases; it represented 88% of the funds committed. Preliminary findings, hypotheses to test and gaps to fill were formulated based on desk study before undertaking the field phase. The evaluation used overall a combination of different information sources and tools, including 195 documents and interviews with 97 interviewees in EC Headquarters and Delegations and among the national authorities, implementing partners, final beneficiaries, civil society, and other donors. Finally, it applied recent methodological developments in terms of evaluation of Budget Support operations ("step one"). This implies three levels of analysis: (i) the relevance of the inputs

provided, (ii) the direct outputs of these inputs, and (iii) the quality and adequacy of the changes supported in the government systems (induced outputs). Step One does not include the appreciation of outcomes and impacts.

Context

National context:

The main characteristics of the national context are the following:

- a country of 7.8 million inhabitants (in 2008), with an additional 1-2 million living abroad;
- a low middle-income country (Gross national income: \$ 1,740 per capita), with a reasonable gross domestic product (GDP) growth rate over most of the period: on average 2.9% in constant terms;
- a country much exposed and vulnerable to hurricanes (Mitch in 1998);
- High dependency on remittances (*remesas*) and offshore factories (*maquilas*);
- a very open economy with great dependency on the USA, affected by the 2008 worldwide economic crisis;
- change in almost entire administrative staff after each election;
- acute political and institutional crisis in June 2009 with most international cooperation (including EC's) being suspended for eight months, elections in November 2009, new government since January 2010;
- new International Monetary Fund (IMF) stand-by agreement in October 2010 after two-year interruption;
- two-thirds of the population under the poverty line; highest inequality in the region (Gini index 55.3); and

- one of the highest levels of crime and violence in the world (72 murders per 100,000 inhabitants in 2010), relating to drug trafficking and youth gangs (*maras*).

International cooperation:

Total international cooperation (official development aid - ODA) has represented a small but significant part of the resources of this low-to-middle-income country in recent years, accounting for 4% of its GDP in 2008. The main contributors were the international banks, USA, Spain, Japan and the EC. The EC and the European Union (EU) Member States accounted together for 33% of the \$4.5bn ODA net disbursements over the period 2002-2008.

EC cooperation with Honduras:

The EC committed a total of €371m over the period 2002-2009 for country-specific interventions in Honduras. 92% of this support was concentrated in six major sectors, each of which benefitted from one or two large programmes. These sectors are rehabilitation 33% (the reconstruction programmes following the 1998 hurricane Mitch); environment 17%; poverty reduction 17% (through General Budget Support); decentralisation 9% (through Sector Budget Support); education 8%; and food security 8% (partially through Sector Budget Support). The EC is moving into the justice and security sector, a development which, although too recent to show impacts, is included in this evaluation in terms of relevance of the approach. Further, there were a number of smaller projects funded mainly from EC thematic budget lines such as in the field of human rights.

Conclusions and Lessons Learnt

Most of the sectors in which the EC concentrated its cooperation were

aligned with government priorities and addressed the needs of the population well. This was especially the case with food security, natural resource management and vocational training. (C1)

The choice of sectors also proved flexible in adapting to urgent needs relating to natural disasters (Mitch hurricane), and to emerging challenges such as the newly-supported justice and security sector. Furthermore, by choosing three interlinked sectors (environment, decentralisation and food security), the EC created a strong potential for synergies at local level which remains to be fully realised. (C1)

Overall, in food security and in education, satisfactory results were achieved. In the field of food security the budget support and the technical assistance helped improve the policy design, policy instruments, legal framework, budget allocation, and coordination within the government and with Non-State Actors. In the field of education, efforts concentrated on vocational training: new curricula were developed and adopted, a significant number of teachers and staff were trained, and students from the most vulnerable groups benefited from professional insertion programmes and scholarships (although these two last modalities proved unsustainable). **With respect to the management of natural resources, some observations on promising results** can already be made, notably on local actors' capacities for managing natural resources, but there was no strong policy dialogue on environmental issues. No clear results could actually be reported so far since the main programmes are still ongoing. **In decentralisation** local organisations were strengthened through support in the sectors of food security and natural resource management, but no results have been obtained so far through the dedicated budget support, because of the

discontinuation of the decentralisation policy and the difficult macro-economic context. (C6)

The EC offered comparative advantage over EU Member States or other donors in the post-Mitch reconstruction, food security and vocational training. Nevertheless, the EC is withdrawing from support to food security in Honduras, and with regard to education, the EC is now providing a global budget support covering this sector but without specific indicators encouraging consolidation of achievements in vocational training. (C2)

In public security, the EC approach was based on an overall well-designed programme promoting institutional reform, except that civil society was not involved from the start as an actor to promote reform and to monitor implementation, as recommended by OECD-DAC guidelines. (C7)

With regard to the interventions' aid modalities, these have globally proven so far to be appropriate in the context of the country for all project approaches. This was also the case for one sector budget support, in food security (PASAH), as its benefits were closely related to those of this modality, notably in terms of strong policy dialogue and collaboration with the Government on design and implementation of a State policy in this sector. But the adequacy of budget support remains debatable in one other case (PROADES) as this programme produced few results so far in decentralisation, owing mainly to a shift in political commitment to the decentralisation policy. Besides, for the recently launched global budget support (APERP/APN) it is too early to have a clear view on the adequacy of this aid modality. (C4)

In the context of replacement of the administrative staff after each election, the **EC satisfactorily tried to mitigate**

difficulties of administrative weaknesses by involving the civil society in the programmes, by providing strong international technical assistance in budget support programmes and by addressing directly the issue of improving the State's administrative capacity through technical assistance coordinated with other donors. (C5)

Additionally, the following lessons can be learned from the EC cooperation in Honduras: serious sector analysis is key to success; an incomplete phasing out strategy and lack of true policy dialogue may hamper results and sustainability; and significant results can be obtained with limited means (cf. the Budget Support in food security).

Recommendations

All the following recommendations are addressed to the EC, but differ in importance and urgency. In chapter 6 they are qualified according to these criteria.

An in-depth analysis should be conducted for every focal sector to determine the best aid modality for delivery of EC aid. This is especially important for the public security sector which is highly sensitive owing to its link with respect for basic human rights. (R1 and R3).

Civil society should be involved even more, while respecting the leadership of the government. (R2)

It could be valuable to encourage continuity over time and consolidation of achievements in cooperation fields with EC added-value, notably by considering carefully the possibility of further support in food security and by having indicators in the general budget support programme relating to consolidation of key achievements in vocational training. (R4)

An agenda for a policy dialogue on environmental issues must be established. (R5)

An appraisal (or capitalisation of experiences) should be conducted on municipal management, thus establishing a link between its interventions in decentralisation, food security and natural resource management. This would be useful for the new programmes being implemented in decentralisation and environment. (R6)

In order to address administrative weaknesses, the direct strengthening of public financial management and of the administration of some key sectors such as education and health should be pursued actively as it was during the period of analysis, in coordination with other donors active in this field. (R8)

The incentives built into the BS conditionality system should be maintained, by delivering consistent messages to the Government on the importance of reaching agreed targets. (R9)

The Delegation must also have access to strong public financial management expertise for ensuring the success of its Budget Support programme. (R10)

Maps

The maps below show the position and relative size of Honduras in the world and in the region. A map of the country is provided on the next page.





1. Introduction

The *Evaluation of the European Commission's co-operation with Honduras* has been commissioned by the Joint Evaluation Unit for European Union (EU) External Relations¹, hereafter referred to as the Joint Evaluation Unit or JEU. The evaluation has been closely followed and its different deliverables validated by a Reference Group (RG) consisting of members of the Commission's Directorate-General (DG) EuropeAid Development and Cooperation (DEVCO), of the European External Action Service (EEAS), and of the permanent mission of Honduras to the European Union (as observer), and chaired by the Joint Evaluation Unit.

This document is the Final Report for this evaluation. It takes account of comments received from European Commission (EC) Reference Group members and from a wide range of participants to the Seminar held in Honduras on 28 June 2011.

1.1 Mandate and scope of the evaluation

The Terms of Reference (ToRs) for this evaluation specify two main objectives:

- to provide the relevant external Co-operation Services of the EC and the wider public with an overall independent assessment of the EC's past and current cooperation relations with Honduras; *and*
- to identify key lessons in order to improve the current and future strategies and programmes of the EC.

The evaluation covers the **EC's co-operation strategies with Honduras and their implementation** during the **period 2002-2009**, hence covering eight years of cooperation². The evaluation assesses the implementation of the EC's cooperation, focusing on effectiveness, impact, sustainability, and efficiency. Furthermore, the evaluation also assesses the EC value added and issues of coherence, coordination, and complementarities.

¹ Until December 2010 it was known as the Joint Evaluation Unit of the Directorates-General (DGs) for External Relations (RELEX) and Development (DEV) and the EuropeAid Cooperation Office (AIDCO).

² It was decided with the Reference Group at the beginning of this study to extend the 2004-2009 evaluation period envisaged in the ToR to 2002-2009, given that the period covered by the previous country-level evaluation for Honduras ended in 2002 and for better correspondence with the period of the 2002-2006 CSP. It was also agreed to take into consideration events having occurred in 2010 if they were indispensable for the understanding of the EC cooperation.

2. Context

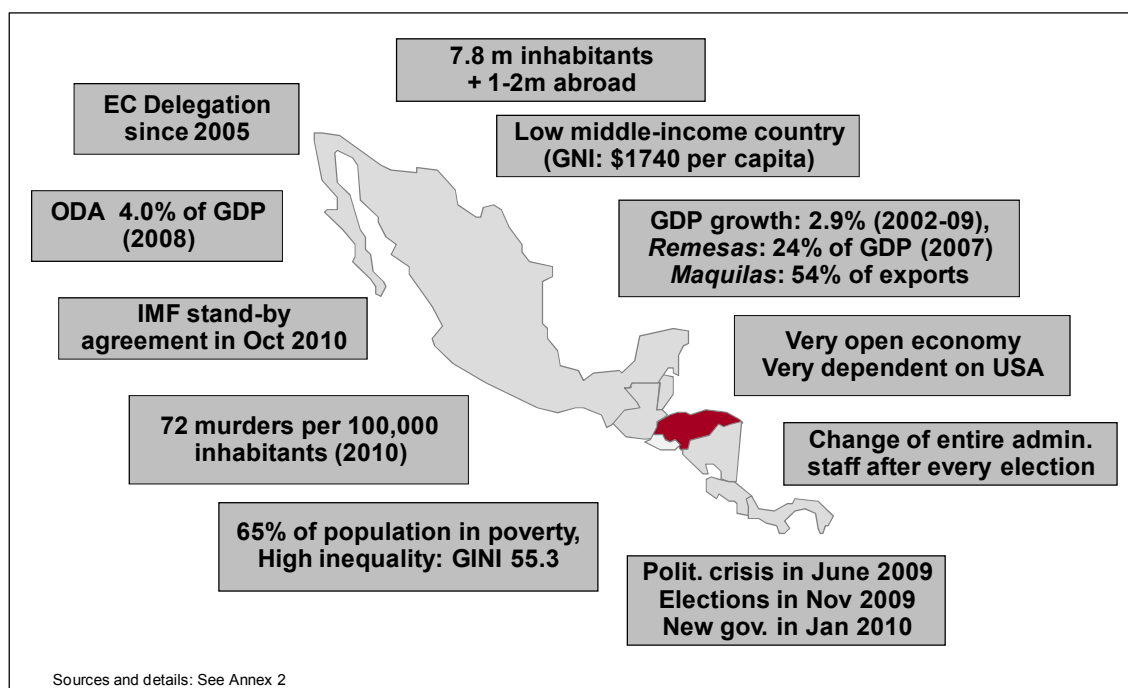
This chapter presents a brief overview of (i) the national political, economic and social background; (ii) the EC cooperation framework with Honduras; (iii) the EC's intervention logic; and (iv) the inventory of EC funding in the country over the period 2002-2009. Details on all these elements are provided in Annexes 2 to 6.

2.1 National background

As shown by the maps presented at the beginning of this report, Honduras is located in Central America and is bordered by Guatemala, El Salvador, Nicaragua, the Pacific Ocean with the Gulf of Fonseca to the south, and the Caribbean Sea to the north, by a large inlet, the Gulf of Honduras. It is just over 112,000 km² in size with an estimated population of around eight million, which gives a density of only 70 inhabitants/km². Its capital is Tegucigalpa.

Key elements of the national background are summarised in the figure below, and described thereafter.

Figure 1: Country context



2.1.1 Political background

Seven free elections have taken place in Honduras between 1981 and 2005. Two parties, the National Party (*Partido Nacional de Honduras*: PNH) and the Liberal Party (*Partido Liberal de Honduras*: PLH) have dominated the political scene with five Liberal presidents and two Nationalist presidents. Technical and administrative staff were usually replaced after each election by staff loyal to the newly elected political leader. This typically results in a lack of continuity in public policies and short-term decision-making for a country, undermining national development in the longer run. The high staff turnover at all levels also compromises positive and lasting effects of staff training and reduces institutional memory; both of which severely constrain public sector capacity development.

Over the period under review, Ricardo Maduro (PNH) was President from 2002 to 2005 and Manuel Zelaya (PLH) won the next election and was installed president in January 2006 until his arrest by the army on 28 June 2009 and his forced expatriation to Costa Rica. This “coup d’Etat”³ stemmed from a constitutional crisis whereby the President wanted to organise a referendum on a change of the Constitution whilst the Supreme Court ruled it anti-constitutional. More generally the crisis was fuelled by the opposition between different interest groups, an opposition exacerbated by the more leftist ruling of Zelaya compared to its predecessors⁴ and a shift of international alliance towards the ALBA countries⁵ and Hugo Chávez from Venezuela.

The period immediately following was marked with political unrest under the leadership of President Roberto Micheletti (from the same liberal party as Zelaya - PLH), sworn in as President by the National Congress for a term lasting till January 2010. At first no country recognised this *de facto* government. **All donors suspended official aid with Honduras** (which has cost the country around 6% of its annual GDP according to an IMF publication⁶). Demonstrations in favour of Zelaya were severely repressed, constitutional rights were suspended (personal liberty, freedom of expression, freedom of movement, habeas corpus and freedom of association and assembly), an opposition radio station and a television station were closed, a number of opposition journalists and unionists were arrested and some were found dead.

Porfirio Lobo Sosa (PNH) won the general election held as scheduled in November 2009. He took office in January 2010 and was promptly recognised by the US. The European

³ On 7 July 2011, the Commission for Truth and Reconciliation (CVR) concluded that the events of 28 June 2009 were « a coup d’Etat against the executive ». It also stated that the decisions taken by Manuel Zelaya notably the organisation of a referendum that same 28 June 2009, violated the Constitution. Furthermore, prior to these Truth Commission’s conclusions, an agreement was signed in May 2011 between the former President Zelaya and the current President Lobo thanks to the mediation efforts of the presidents of Colombia and Venezuela; in this agreement, the events of 28 June 2009 are described as a “*Golpe de Estado*”.

⁴ E.g. In December 2008 the president declared a 60% increase of the minimum wage, which met strong opposition from the business sector.

⁵ The “Alternativa Bolivariana para las Américas” is a commercial and political alliance joined by Cuba, Venezuela, Bolivia, Nicaragua, Ecuador and 3 small Caribbean islands. It was briefly joined by Honduras, before the 2009 events.

⁶ IMF : Honduras : Request for a Stand-By Arrangement Under the Standby Credit Facility_Staff report; Press Release on the Executive Board decision; and Statement by the Executive Director for Honduras, 2010

Union and the United States resumed their cooperation in March 2010 and most western countries slowly did the same. However the new government still faces the opposition of several Latin American countries (such as ALBA countries and Brazil).

Until now, the slow return to a constitutional State has not improved the human rights situation. In 2010, there were 47 attacks, including 18 murders, against journalists, human rights activists or political opponents.⁷ All these crimes remain unsolved at present.

2.1.2 Social background

- **Poverty and extreme poverty**⁸ rates decreased between 2005 and 2008 but have significantly increased since 2009. In 2010 they represented 65.0% and 42.4% of the population respectively.
- In 2007 (latest data available), Honduras had the highest rates of inequality in Central America and some of the highest in the world: the Gini index was 55.3⁹. The poorest 10 percent of the population shared 0.7% of National Income, while the richest 10% shared 42.2% thus meaning that the income of the highest deciles was **60 times** the income of the lowest. No trend towards decreasing inequality could be identified¹⁰.
- **Crime and violence** are a major concern in the country. According to the UNDP, a preliminary estimation for 2010 gives a rate of 72 murders per 100,000 inhabitants¹¹, the highest in the region and one of the highest in the world. An estimated 60% of homicides are related to drug trafficking and organised crime.
- Although Honduras has registered steady progress in key **education** indicators during the last decade and although education's share of GDP is much higher than the regional average, these efforts have not resulted in superior education outcomes compared to its neighbours. The heavy weight of education in the GDP is mainly related to the share of spending on teacher salaries, which, although already high, has increased sharply in recent years.
- **Health** expenditure has increased as a proportion of GDP and in 2007 it amounted to US\$ 107 per capita (current US dollars). Honduras has demonstrated progress in most national level health, nutrition and population indicators. It has reduced neonatal mortality, infant and child mortality, and to some extent chronic malnutrition. Significant gaps remain in terms of access and outcomes between rural and urban areas, regions, poor and wealthy segments of the population. The health sector has been more successful in advancing reforms than other sectors.

⁷ Paulo A. Paranagua, « *Les violations des droits de l'homme n'ont pas été sanctionnées au Honduras* », Le Monde, 23 décembre 2010, p.7.

⁸ The extreme poverty rate is the proportion of the population which has a per capita income below the basic food basket (who cannot even cover their food necessity).

⁹ The Gini index lies between 0 and 100. A value of 0 represents absolute equality and 100 absolute inequality. Other values in Central America are: El Salvador: 49,7; Guatemala: 53,7; Nicaragua: 52,3.

¹⁰ UNDP Human Development Statistic Index, 2009

¹¹ In 2004 this rate was 46 murders/100,000 inhabitants. This rate would have increased 72% in 6 years.

2.1.3 Economic background

Honduras is a lower middle income country with a GNI per capita of US\$1740 (current US dollars) in 2009. According to 2009 UNDP data, it ranks 112th out of 182 countries on an index scale of human development (HDI)¹². The share of manufacturing (essentially “maquila” or offshore assembly products) in GDP is almost double that of agriculture. The service sector is dominated by financial intermediation. Honduras is a very open economy, with exports and imports accounting for around 40 and 50 percent of GDP respectively. The inflow of remittance or *remesas* was US\$ 369 per capita in 2007 which represented almost 25% of GDP of the same year¹³. This high dependence on international trade, on a sector (*maquila*) subject to strong competition from Asia, on supply and demand in one particular country (the USA), and on remittances, makes the Honduran economy particularly fragile as it is very exposed to external shocks.

Some other economic characteristics are as follows:

- **GDP per capita at constant prices** stagnated from 1981 to 2002 (21 years), but from 2002 to 2008 it increased at an average rate of 3.5 percent a year. It declined sharply in 2009 due to the international crisis and the acute internal political crisis.
- The **population growth rate is high** but is slowing down (from 3.3 percent per annum at the beginning of the eighties to 2.1 percent per annum in 2009), which illustrates the entrance of Honduras into the “second phase” of the demographic transition (a slower birth rate). Around 1.5 million Hondurans are estimated to be living abroad (20 percent of the population), mainly in the USA.
- The main characteristics of **the agricultural sector** are the following:
 - Its two main export crops are coffee and bananas.
 - Its share in GDP and employment has been declining slowly and represented 14 percent of GDP and 39 percent of employment in 2009.
 - A strong land concentration process is taking place: half of the 508,000 farms of less than 5 ha existing in 1999 had disappeared by 2009.
 - The area and production of African palm oil is increasing rapidly, reaching 14% of cropped area and 380,000MT in 2008.
- **The maquila sector** has declined significantly in recent years in term of exports, value added and employment: it moved from 134,000 employees in 2007 to 104,000 in 2009. Honduras has been unable to move up the added-value chain of economic development towards segments that are not as heavily dependent on low wages and/or restricted labour rights.

Honduras benefited from a third consecutive Poverty Reduction and Growth Facility (PRGF) Arrangement with **the International Monetary Fund (IMF)** in early 2004, but this arrangement was allowed to expire in February 2007. In April 2008 the IMF approved a 12-month Stand-By Agreement for approximately US\$ 63.5m but the conditions were

¹² This is approximately the same level as Indonesia or Bolivia, but higher than Nicaragua or Guatemala.

¹³ In comparison, ODA per capita reached US\$ 65 in 2007, or only 18% of remittances.

never met by Honduras which thus went off-track. A new 18-month stand-by agreement was approved in October 2010 for approximately US\$201.8m.

Honduras reached the Highly Indebted Poor Countries (**HIPC**) Initiative's Completion point in April 2005 and benefited from a US\$ 3.14m debt relief from 2005 to 2007.

2.1.4 Environmental background

Honduras is heavily exposed to natural disasters. In 1998 Hurricane Mitch killed at least 6,000 people, destroyed 70% of the roads and virtually every bridge in the country, destroyed 33,000 homes and damaged 55,000 others, leaving 20% of the population without shelter. One consequence of Hurricane Mitch was an increased awareness of the importance of environmental issues. The problem is aggravated by a highly skewed land distribution, unsustainable small farming systems, illegal logging and weak administrative capacity. As a consequence 44 percent of the total land suitable for agriculture is seriously eroded and deforestation continues.

2.1.5 National development policy

No National Development Plan was published during most of the reference period. However the GoH approved a **Poverty Reduction Strategy Paper** (PRSP) in August 2001 which was updated in 2003 and monitored until 2006. The plan was not formally endorsed by the Zelaya Government in 2006. In November 2009 the two main parties competing in the presidential election issued a joint development plan called "*Visión de País 2010-2038*" which in turn contained a shorter-term plan called "*Plan de Nación 2010-2022*". This last plan is intended to replace the PRSP.

2.2 EC cooperation framework¹⁴

2.2.1 The (Sub-)Regional Cooperation Framework

The European Commission (EC) has been in relation with Latin and Central American countries since the 1960s, but strengthened ties significantly following the entry of Spain and Portugal to the European Community in 1986. Relations have consisted of policy dialogue, preferential trade agreements, and a cooperation framework¹⁵. It is necessary to differentiate between regional level (Latin America), sub-regional level (Central America), and bilateral level (Honduras) cooperation. Cooperation at (sub-)regional levels is described in this section; the bilateral level is addressed in Section 2.2.2 below.

The 1992 ALA Regulation¹⁶ from the European Council relating to Asia and Latin America provided a **legal basis** for the main regional, sub-regional and bilateral budget lines and

¹⁴ See Annex 3 for more details

¹⁵ Sources: Evaluation of EC regional strategy in Latin America (DRN, 2005), Evaluation of EC regional cooperation in Central America (DRN, 2007)

¹⁶ European Council Regulation EEC n°443/92 of February 1992 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America

established priority sectors. This Regulation gave priority to strengthening the cooperation framework and to promoting sustainable development. Social, economic and democratic stability were reinforced through an institutional dialogue and economic and financial cooperation. It was replaced in 2006 by the Regulation establishing the EC's Development Cooperation Instrument (DCI)¹⁷, which provides a new framework for the main regional, sub-regional and bilateral budget lines and defines current priority sectors.

At the level of Central America (*sub-regional*), a policy dialogue specific to Central American countries was initiated by the EC and the EU MS in the 1980s. During its first years the so-called **“San José Dialogue”** targeted the peace-building process and democratisation of the region. This process was also supported by a significant increase in development aid and adoption of GSP measures (Generalised System of Preferences – see below). During the 1990s the EU-Central America (EU-CA) dialogue evolved to integrate new issues such as regional integration and disaster prevention and rehabilitation. In 2002 the EU-CA dialogue was renewed in the XVIII Ministerial Conference of San José, and was confirmed and completed in 2004 at the EU/LAC Guadalajara Summit with a focus on social cohesion. At the 2002 Conference the following themes were considered important for alignment of future cooperation:

- Democracy, human rights, rule of law, good governance and civil society
- Regional integration
- Economic relations between the two regions
- Security
- Environment and natural disasters
- Political consultation on international matters of common interest

There have been discussions since 1994 on preferential trade agreements with Central America. A **EU-CA Association Agreement was signed** at the Euro-Latin American Summit in Madrid on May 19, 2010. Eight rounds of negotiations were held between October 2007 and March 2010. The June 2009 political events in Honduras delayed the process because meetings had to be postponed and because a debate started on whether to exclude Honduras from the negotiation process. In the event, Honduras' presence was maintained and negotiations successfully ended at the beginning of 2010.

The EC started structuring its cooperation framework with Central America in 1998 with a first Regional Strategy Paper (RSP) covering the period 1998-2000. The subsequent regional strategies (EC-SICA MoU for 2000-2006, 2002-2006 RSP, 2007-2013 RSP) have shown a clear continuum, mainly in support of regional integration.

From 2000 until 2005, there were 4 main regional programmes that related to Honduras in the three sectors of the environment, food security and local development. These were the PREVDA on preventing environmental degradation (€20m committed), the ZONAF on

¹⁷ Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation

the development of areas at the borders (€40m committed), the Bi-national programme SLV-HN (€30m committed) to promote development at the border between Salvador and Honduras, and the PRESANCA regional programme on food security and nutrition Central America (€12m committed).

2.2.2 The EC's cooperation strategy with Honduras

This section presents a brief overview of the EC cooperation strategy with Honduras over the evaluation period 2002-2009. This strategy was laid down in the following documents:

- EC Country Strategy Paper (CSP) for the period 2002-2006; *and*
- EC Country Strategy Paper for the period 2007-2013.

A Mid Term Review of the 2007-2013 CSP with proposals and recommendations was finalised recently.

Earlier EC cooperation strategies consisted of two succinct documents: the Mid-term Strategy for 1996-1997 and the Country Strategy Paper for 1998-2000, which were described in the 2004 evaluation of EC cooperation with Honduras that covered the period 1992-2002¹⁸.

The EC and the Government of Honduras signed a **Memorandum of Understanding** (MoU) on 26 March 2001 that covered the period 2000-2006. It is the official basis for the cooperation, consisting of a signed agreement binding the two parties (unlike the CSPs which are EC documents on its strategy). The EC's Country Strategy Paper for 2002-2006 corresponds in general terms to the broad guidelines of the 2001 MoU. No other MoU has been signed with Honduras since then.

2002-2006 CSP

The CSP for the period 2002-2006 specified that EC action aims at substantial and visible contribution to the country's **poverty reduction strategy** set out in the 2001 PRSP. The CSP stated that there is a need for concentration of efforts through targeting in a **limited number of sectors** (with three focal sectors compared to the five sectors included in the MoU) where the EC could have a comparative advantage.

The three focal sectors were defined as follows:

- Sustainable management of **natural resources** (*integrated management of water resources*);
- Support to **local development** and **decentralisation** (*decentralised management of urban services*); *and*
- Support to the **education** sector (*secondary education*);

The National Indicative Programme (NIP) envisaged a total of €121m for these three focal sectors (45%, 26% and 21% respectively), with an additional reserve of €10m, besides

¹⁸ Evaluation de la stratégie de coopération de la Commission européenne avec le Honduras, MWH, 2004

contributions on other budget lines of €12m for debt reduction (HIPC) and €119m for the post-Hurricane Mitch PRRAC reconstruction programme.

2007-2013 CSP

The CSP for the period 2007-2013 also highlighted the principle of **concentrating aid** in sectors where the EC offered an added-value, but added explicitly considerations from the 2005 European Consensus on Development (e.g. focus on **social cohesion**) and from the 2005 Paris Declaration (notably **donor harmonisation** and **alignment** with the domestic agenda).

Three focal sectors were determined as follows:

- Human and social development – Making the PRSP a catalyst for **social cohesion** (*global budget support to the PRSP's education and health sectors*);
- The environment and sustainable management of **natural resources** – promoting forestry reform; *and*
- Justice and **public security**.

The National Indicative Programme (NIP) envisaged a total of €223m for these three focal sectors over the 7-year period, of which €127.5m for 2007-2010 (NIP-1) and €95.5m for 2011-2013 (NIP-2). Respective distribution between focal sectors was of 50%, 30% and 20% for the entire period 2007-2013.

As shown in the synthetic table below, the 2007-2013 CSP has shifted focus compared to the 2002-2006 CSP, by abandoning direct support to certain areas (decentralisation), adding new areas (justice and public security), and changing focus within two areas: from water to forestry in natural resources, and from direct support to secondary education to general budget support to social sectors (education and health).

Table 1: EC focal sectors by period

| CSP 2002-2006 | CSP 2007-2013 |
|--|---|
| • Decentralisation | • Justice and public security |
| • Secondary education | • Budget support to PRSP for education and health |
| • Integrated management of natural resources: Water | • Integrated management of natural resources: Forestry |

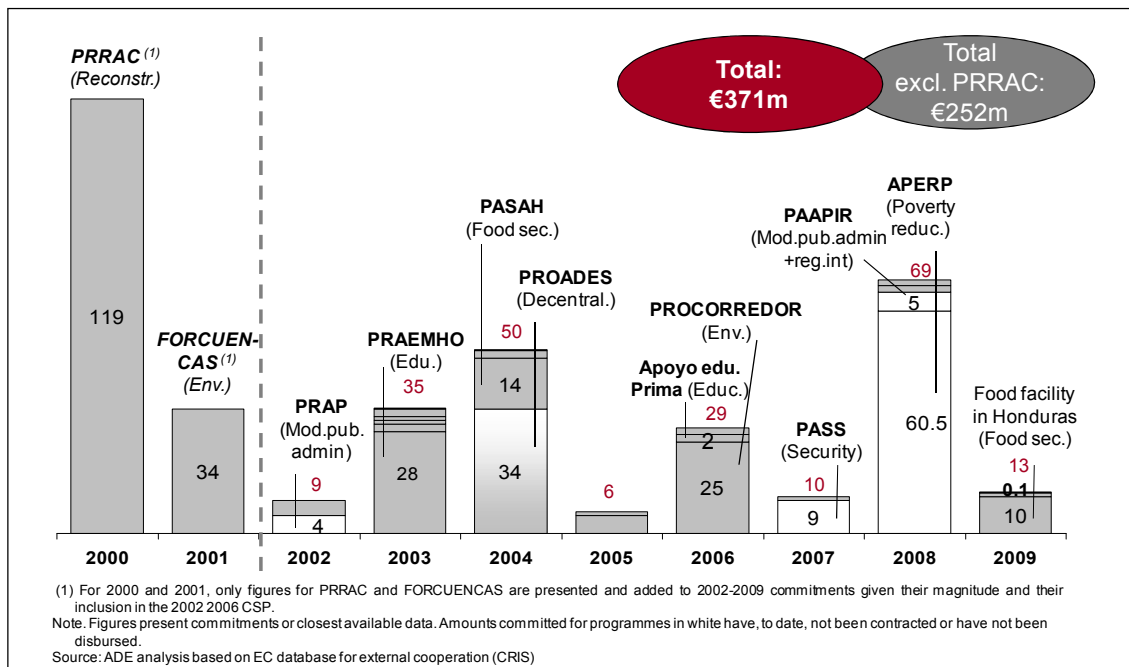
EC cooperation objectives per period are further detailed in Section 2.3 on the Intervention Logic.

2.2.3 The implementation of the strategy: Inventory¹⁹

The EC committed a **total of €371m** to projects and programmes in Honduras over the evaluation period 2002-2009 on resources relating to external co-operation (DG RELEX, DG DEV and EuropeAid, as from now on referred to as EC support)²⁰. Out of the total of €371m, €119m was allocated to the post-Hurricane Mitch PRRAC reconstruction programme. It represents 32% of total EC support to Honduras over the evaluation period.

The figure below presents the chronology of EC support between 2002 and 2009.

Figure 2: EC commitments to Honduras, €m, 2002-2009 – per year



Whilst funds for 41 interventions²¹ in total were committed between 2002-2009, the EC's cooperation with Honduras is in fact characterised by the **prevalence of several large interventions**. Indeed, commitments made for the 5 largest interventions amount to almost three quarters (74%) of total EC support to Honduras between 2002 and 2009 or, excluding the PRAAC, to almost half (49%) of total EC support.

¹⁹ See Annex 3 for more details

²⁰ Resources from the EC humanitarian office ECHO and other EC Directorates General are not included (falling out of the scope of this evaluation)

²¹ Decisions specific to Honduras, and contracts specific to Honduras but released from global and regional decisions.

The following pre-2002 interventions have been included in the inventory of EC support to Honduras²²; the magnitude of those programmes and their inclusion in the 2002-2006 CSP justified this choice:

- the €119m PRRAC²³ ; *and*
- the €34m FORCUENCAS intervention to strengthen the local management of natural resources in the Patuca and Choluteca river basins.

From 2002 to 2009, funds for the following large interventions were committed:

- in 2003, €28m for the Apoyo a la educación media en Honduras (PRAEMHO) ;
- in 2004, €34m for the Programa de apoyo a la descentralización en Honduras (PROADES, budget support) ;
- in 2006, €25m for the Gestión Sostenible de Recursos Naturales y Cuencas del Corredor Biológico Mesoamericano en el Atlántico Hondureño (PROCORREDOR) ;
and
- in 2008, €60.5m for the Apoyo Presupuestario a la Estrategia de Reducción de Pobreza en los campos de la educación y de la salud (APERP, budget support).

In terms of **payments**, as of May 2010, 93% of funds committed by the EC had been contracted (or 52.5% excluding PRAAC) of which 81% had been paid (€234m payments on the €288m contracted for the interventions reported in CRIS)²⁴. Payment levels were limited for the following four interventions in particular:

- Two interventions decided in 2008, the **APERP** budget support of €60.5m and the **PAAPIR** (“Proyecto de Apoyo a la Modernización de la Administración Pública y a la Integración Regional”) of €5m, had not yet commenced as of May 2010 (APERP was signed and the first disbursement made at the end of 2010).
- Two interventions encountered important disbursement delays: **PASS** (“Programa de Apoyo al Sector Seguridad”) of €9m decided in 2007: only 1% had been contracted by 2010; and **PROADES** budget support (decided in 2004): less than €14m out of the total of €34m committed had been disbursed by 2010.

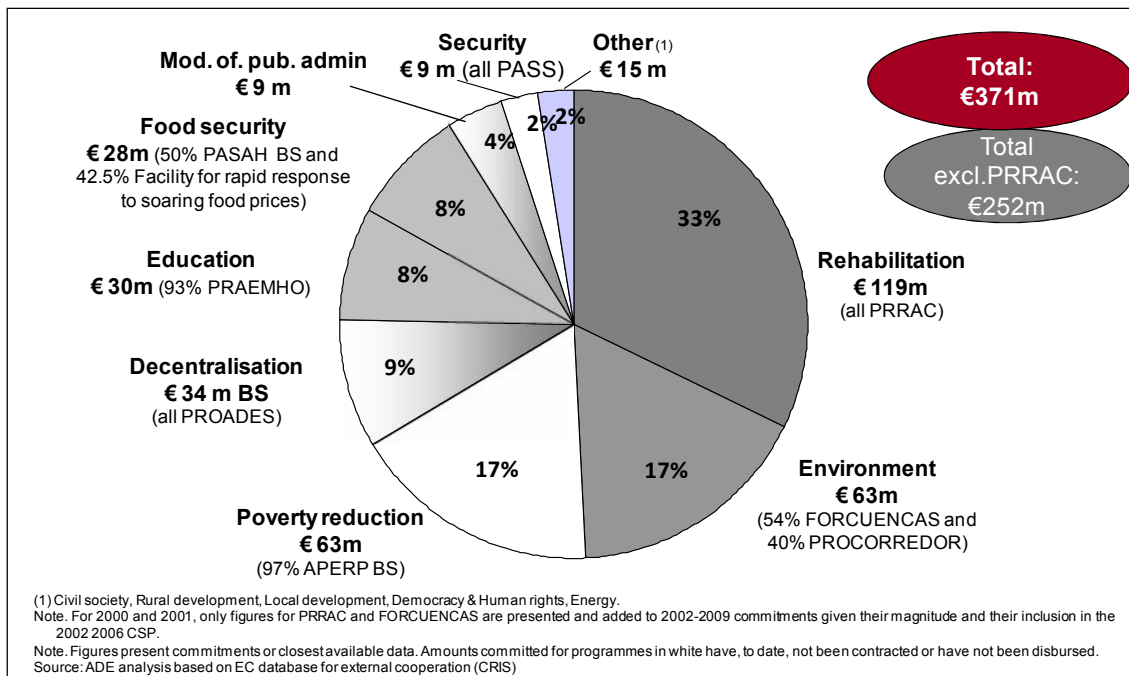
In terms of **sectors supported by EC funding**, the figure below shows that in total, 14 different sectors were supported with 92% of the support being concentrated in 6 major sectors **by one or two large programmes**, as detailed in the figure below. The shaded tones of the pie's shares show the extent to which interventions have been disbursed (white shows that the intervention had not yet started by May 2010).

²² Additionally, the PRAP programme (“Apoyo a la Modernización de la Administración Pública en Honduras”) is presented with 2002 commitments: it was initially approved in 1998, but was not contracted before 2002, on the basis of a revised financing agreement.

²³ The commitment for the overall PRRAC structure dates from 2000, although contracts for underlying programmes or activities have been signed during the whole evaluation period.

²⁴ Payments in CRIS are aggregated disbursement data from signature of contract to date of extraction (12.05.2010), for contracts signed since 2001. Less information is thus available on payments vis-à-vis commitments (e.g. breakdown per year).

Figure 3: EC funding to Honduras, commitments, 2002-2009 – per sector supported



In terms of sources of funding, the table below shows that:

- 86% of commitments originated from the EC geographical budget line **ALA** (incl. DCI-ALA). It was to support 20 interventions (decisions and contracts) as presented in the table below.
- In terms of number of interventions supported, the thematic budget line NGO-Co-financing (incl. DCI-NSAPVD) was to fund almost half of interventions committed (36/80), which however represented only 4% of total amounts committed.

Table 2: EC commitments to Honduras, 2002-2009 – per EC budget line

| | Commitments* in €m | Share | # Interventions |
|-------------------------------|--------------------|-------------|-----------------|
| ALA (incl. DCI-ALA) | 320 | 86% | 20 |
| FOOD (incl. DCI-FOOD) | 28.5 | 8% | 10 |
| NGO (incl. DCI-NSAPVD) | 16 | 4% | 36 |
| ENV | 3 | 1% | 4 |
| EDUCATION | 2.2 | 1% | 1 |
| EIDHR | 0.6 | 0,2% | 9 |
| TOTAL | 371 | 100% | 80 |

Note. PRRAC (2000, ALA) and FORCUENCAS (2001, ALA) have been included given their magnitude and their inclusion in the 2002-2006 CSP.

Note. Figures present commitments or closest available data.

Source: ADE analysis based on EC database for external cooperation (CRIS)

2.3 EC intervention logic

This section provides a brief overview of the intervention logic of the EC cooperation with Honduras during the evaluation period, which is presented in detail in Annex 4. The intervention logic delineates the set of objectives against which the EC interventions are assessed; it presents the hierarchy of objectives and expected impact pursued by the EC²⁵. It is based on the official documents that set out the EC strategies in the country, in particular the two Country Strategy Papers for Honduras, covering the periods 2002-2006 and 2007-2013.

The intervention logic is presented in the figure below in the form of a compiled expected impact diagram. It differentiates between four levels of expected impact which correspond to four levels of objectives, and the intended activities for attaining the results:

- Global impact (corresponding to global objectives, in the long term);
- Intermediate impact (corresponding to intermediate objectives, in the medium term);
- Specific impact (corresponding to specific objectives);
- Results (corresponding to operational objectives);
- Activities

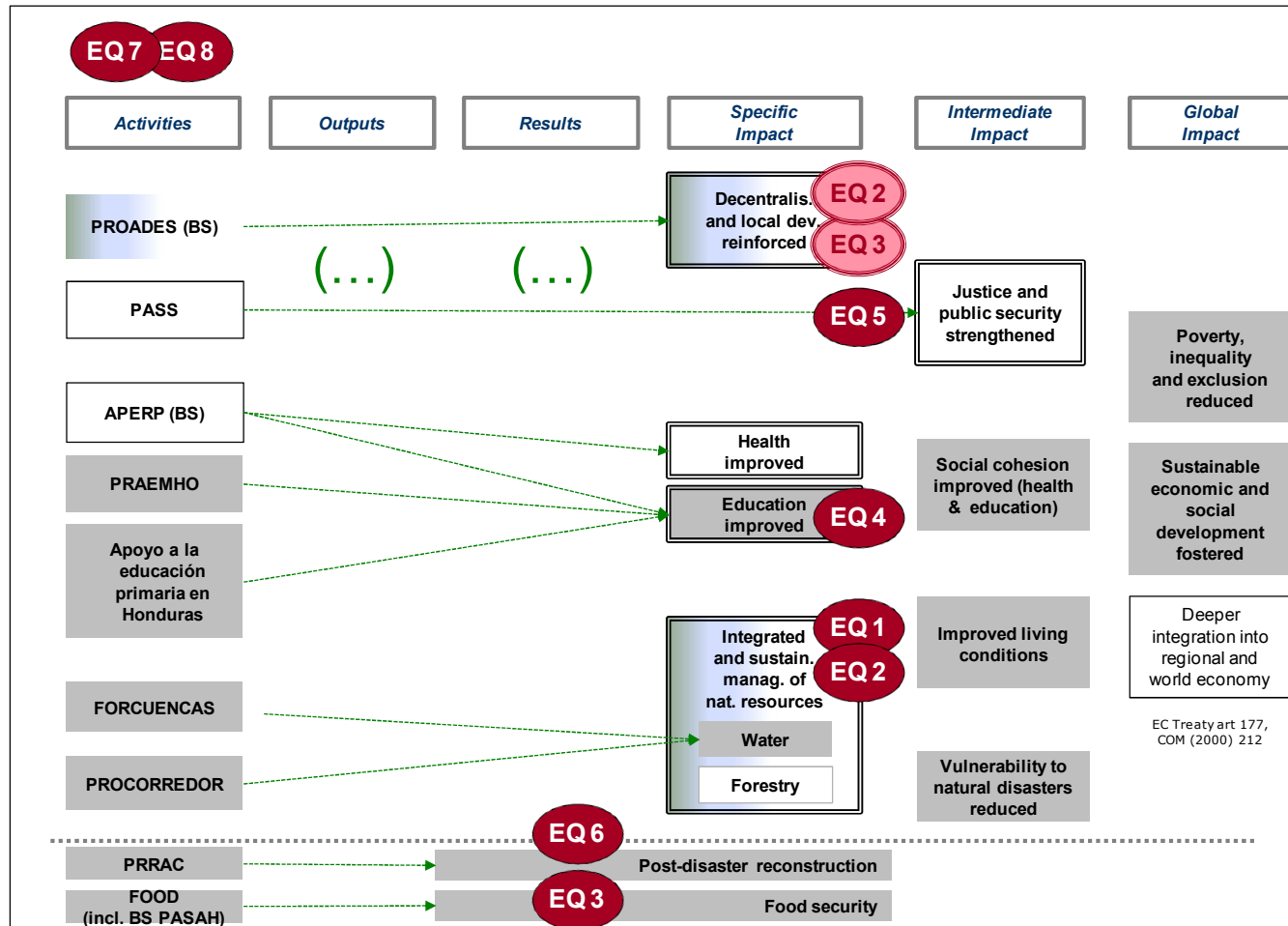
The hierarchical links for attaining these expected impacts are made explicit in the figure. Additionally, the diagram shows other EC instruments with their own objectives and expected impact, such as the post-Hurricane Mitch PRRAC reconstruction programme, thematic budget lines, and regional programmes, which also benefited Honduras.

The figure also shows the main areas of the intervention logic which are covered by the eight evaluation questions.

Details on the different intervention logic diagrams and their expected impacts, results and activities are provided in Annex 4 of this report.

²⁵ Unlike reconstructing the intervention logic of a project, where the logical framework provides the rationale, in this case the intervention logic of a country strategy consists of a number of objectives and expected impact expressed in subsequent strategy documents over the years. The evaluators attempted to stay as close to the texts as possible, in line with the enunciated strategy. As such, the intervention logic reflects the EC overall intentions and approach in an aggregate form, and is not oriented to an analysis of specific interventions or contributions.

Figure 4: Expected Impact Diagram, compiled for 2002-2006 and 2007-2013: Coverage by Evaluation Questions²⁶

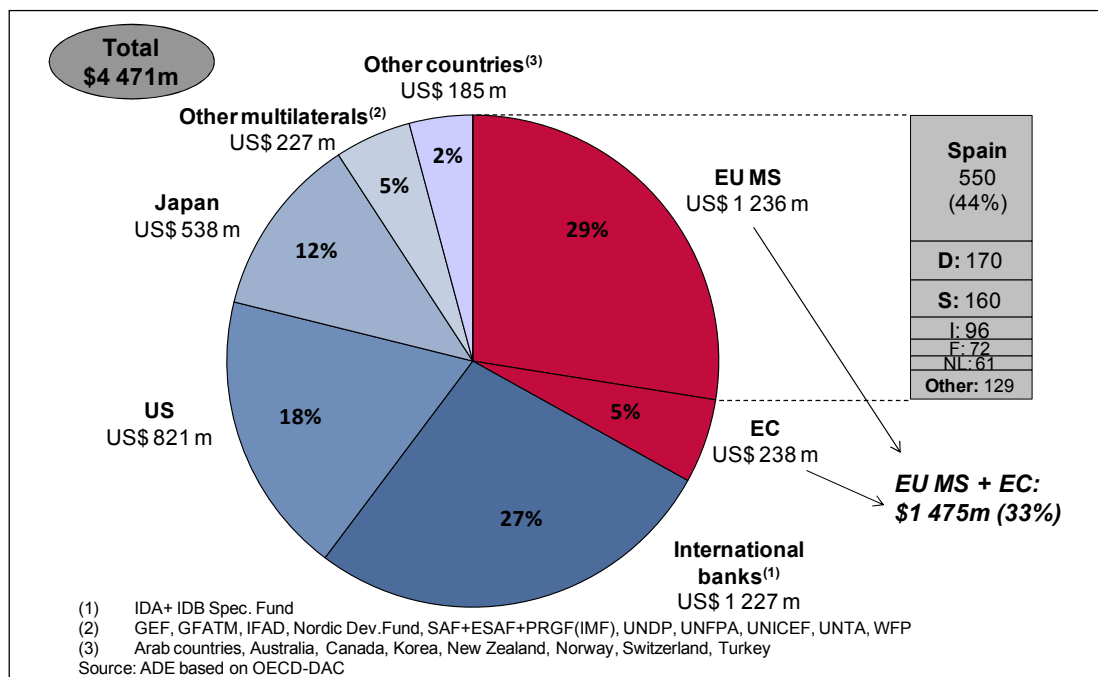


²⁶ Boxes in white and shaded tones indicate that there have been respectively no corresponding contracts or limited disbursement so far. Ellipses in red indicate the evaluation questions (EQs) covering the main areas of the intervention logic; the pink ellipses refer to the indirect coverage of decentralization in two EQs focusing on other sectors.

2.4 Other donors' cooperation

Honduras received a total of \$4,472m net disbursements of official development aid (ODA) from the donor community over the period 2002-2008, according to OECD-DAC data. In 2002, ODA represented 5.9% of Honduras' GDP that year. In 2008, this share dropped to 4.0% of Honduras' GDP. In 2008, average ODA *per capita* was \$74.8.

Figure 5: Donors' ODA to Honduras, 2002-2008 (net disbursements in current prices, USD)



The EU, represented by its Member States and by the European Commission, disbursed a total of \$1,475m worth of official development aid between 2002-2008. This represents a third of total ODA received by Honduras across that period. Amongst EU member states, Spain represented almost half of total support. The US and Japan, the other largest single country donors with Spain, represented 18% and 12% of total ODA respectively.

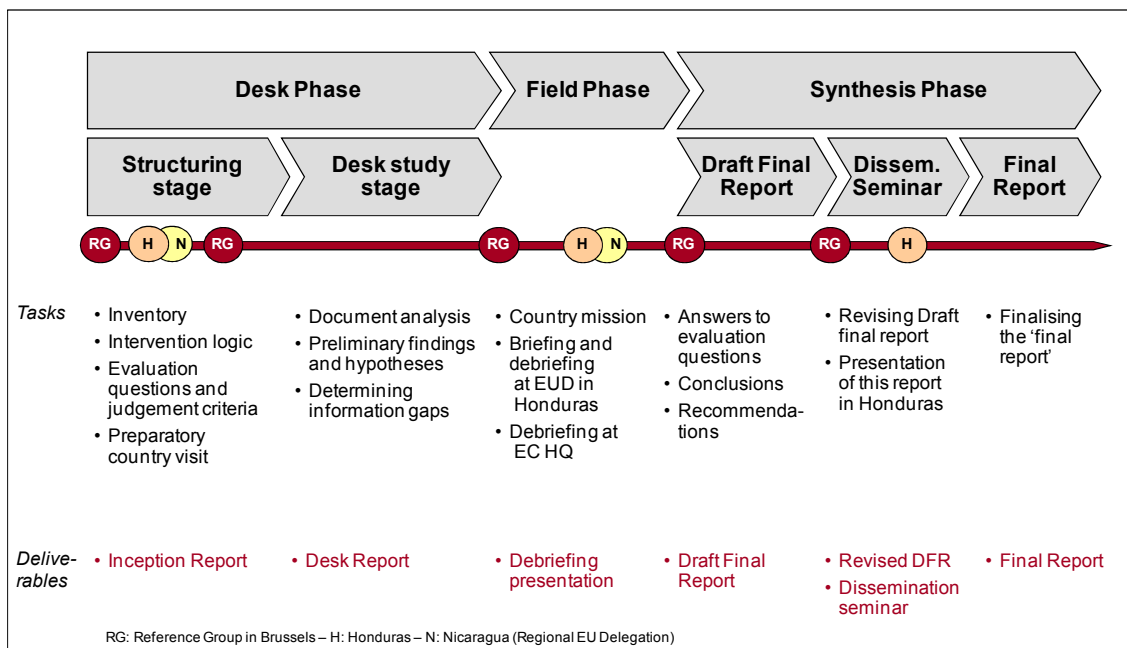
3. Methodology

This section presents the main features of the methodological approach for the evaluation, in particular (i) the evaluation process; (ii) the data collection method; and (iii) the challenges and limitations of this exercise.

3.1 Evaluation process

The evaluation was based on a structured process consisting of a sequence of distinct and well-defined phases. The figure below provides an overview of this process, specifying for each phase the activities carried out and the deliverables produced. It also specifies the meetings with the Reference Group (RG), with the EU Delegation in Honduras and the Regional EU Delegation in Nicaragua, and the dissemination seminar in Honduras.

Figure 6: Evaluation phases



3.2 Data collection

The approach for data collection and analysis followed a **structured process**, also shown in the figure above. During the **Structuring stage**, information on the national context and EC cooperation was collected and studied, including on EC cooperation objectives and funding in the country. During the **Desk study** stage, documentary sources available on a desk basis were collected and reviewed by the evaluation team, and interviews were undertaken with EC Headquarters' staff. During the **Field phase**, the team complemented the collection of documentary evidence and undertook visits to selected projects and a large number of interviews with a variety of stakeholders. Information was hence triangulated as far as possible by collecting it through different types of sources. This data

collection and analysis approach aimed at ensuring that the data collected was such as to allow providing useful, sound and credible information on the Indicators, the basic components of the JCs and EQ, while being adapted to the nature of the information that had to be retrieved and taking into account the evaluation's calendar and budget.

The data collection and analysis were based on a structured framework consisting of 8 Evaluation Questions and their 42 Judgement Criteria and 185 Indicators (*see Annex 5*), in accordance with the methodological framework defined at the beginning of the evaluation. Findings of this evaluation are presented per Evaluation Question at the level of the Judgement Criteria (*see Chapter 4*), based on data collected at the level of the Indicators, which is presented in a so-called "Data Collection Grid" (*provided in Annex 8*).

The **evaluation tools** selected for this purpose and their use are detailed in the table below, which also refer to the annexes providing further details. These tools have been selected taking account of the different sectors and fields of investigation and relating indicators. They enabled collecting quantitative data (e.g. statistics, disbursement levels), specific studies, informed views from EC staff and key local stakeholders involved, opinions from final beneficiaries, and on-site observation and verification. Their combined use provided the required basis for collecting, triangulating and analysing information, as detailed thereafter.

Table 3: Evaluation tools used

| Evaluation Phase | Evaluation Tool | What was it and what was it used for? |
|------------------|----------------------------|--|
| Desk | Statistical data gathering | Analysis of the EC's CRIS database to provide an inventory of the funding to Honduras over the evaluation period. <i>See Annex 3 for details</i> |
| | Effects (impact) diagram | This allowed provision of graphical presentations of the Intervention Logic of EC cooperation in Honduras, with indication of the different levels of expected effects over the two different evaluation periods (with additionally a compiled diagram covering both periods) and their linkages with the EC's main interventions. It clarified the EC cooperation objectives overall and in each key cooperation sector. It served as a reference framework, among other things, to define the focus of the evaluation. <i>See Annex 4 for details.</i> |
| Desk & Field | Document analysis | A total of 195 documents provided information for this evaluation. Three main categories of documents have been collected and studied: <ul style="list-style-type: none"> - <u>Context information</u> on the situation and its evolution of the country and the region, including for instance national statistics, GoH policies, sector studies, etc. This information is necessary to understand the main issues addressed, or that should have been addressed, by the EC support, and to have an overview of the evolution of the situation of the country in relation to these issues so as to form a first idea about the possible contribution of the EC support to the observed trends; - <u>General information on the EC cooperation with Honduras, e.g. EC strategy and programming documents, donor coordination document;</u> - <u>Information on the selection of interventions</u> for desk and field study. A set of interventions (provided below) was identified and selected at the beginning of this evaluation for end-to-end analysis during the desk and |

| Evaluation Phase | Evaluation Tool | What was it and what was it used for? |
|------------------|---|---|
| | | field phases. Available documentation on these interventions has been screened and studied in detail at the level of every relevant Judgement Criterion and Indicator. <i>See Annex 9 with the full bibliography.</i> |
| | Interviews | Interviews enabled to collect the views of a total of 97 stakeholders. Different types of interviews have been used: open, structured and (for most of them) semi-structured. Numerous individual interviews have been organised and also some grouped interviews. <i>See Annex 10 with the list of persons met.</i> |
| | Telephone interviews and video-conference | Most interviews were face-to-face, in Honduras or in Brussels, but a few telephone interviews have also been conducted when a face-to-face interview was not possible or to check specific issues. Video-conference has been used for meetings with Reference Group members based in Honduras and in Nicaragua. |
| Field | On site visits and verifications | On-site visits (project visits) allowed examining the outputs of EC interventions and better understanding of specific issues. They also permitted verification of information provided in documentary sources. They further allowed conducting of interviews with operators and sometimes final beneficiaries. |
| Synthesis | Multi-criteria analysis | Was used to appraise impact in different sectors according to several criteria. |

The table below provides additionally details on the rationale for the selection of tools and the sectors or fields of investigation for which they will be used. Details on the specific tools and sources of information per Evaluation Question are provided in Annex 5.

Table 4: Data collection tools per EQ

| | Overall | EQ 1 Nat Res. Strategy | EQ 2 Nat Res. Achiev. | EQ 3 Food Security | EQ 4 Second. Education | EQ 5 Public Security | EQ 6 LRRD | EQ 7 Budget Support | EQ 8 Aid Modalit. |
|--|---------|------------------------------|-----------------------------|--------------------------|------------------------------|----------------------------|--------------|---------------------------|-------------------------|
| Selected interventions | | | | | | | | | |
| Statistical data gathering | ■ | ■ | ■ | ■ | ■ | ■ | | ■ | |
| Effects (impact) diagram | ■ | ■ | ■ | ■ | ■ | ■ | | | |
| Document analysis | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Interviews | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Telephone interviews and video-confer. | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| On site visits and verifications | | ■ | ■ | ■ | ■ | | ■ | | |

The **selection of interventions** for desk and field study consisted of the EC contributions to the following programmes:

Table 5: Selection of interventions²⁷

| Name - short | Name - full | Commitm. | Year |
|----------------|---|----------|------|
| PRRAC | Programa de Reconstrucción Regional para América Central - Subprograma Honduras | €119m | 2000 |
| APERP | Apoyo Presupuestario a la Estrategia de Reducción de Pobreza en los campos de la educación y de la salud | €61m | 2008 |
| FORCUENCAS | Fortalecimiento de la Gestión Local de los Recursos Naturales en las. Cuencas de los Ríos Patuca y Choluteca | €34m | 2001 |
| PROADES | Programa de apoyo a la descentralización en Honduras | €34m | 2004 |
| PRAEMHO | Apoyo a la educación media en Honduras | €28m | 2003 |
| PROCORREDOR | Gestión Sostenible de Recursos Naturales y Cuencas del Corredor Biológico Mesoamericano en el Atlántico Hondureño | €25m | 2006 |
| PASAH | Programa de apoyo a la seguridad alimentaria en Honduras | €14m | 2004 |
| PASS | Programa de Apoyo al Sector Seguridad en Honduras | €9m | 2007 |
| EFA | Apoyo a la educación primaria en Honduras (<i>Education For All</i>) | €2m | 2006 |
| FAO Semilla | Producción y comercialización de semilla artesanal mejorada y diversificada | €1m | 2003 |
| Bosques y Agua | Protección y manejo sostenible de bosques y zonas productivas de agua en el Occidente de Honduras | €1m | 2006 |

This selection represents a large proportion of the EC's contributions (88%) and covers the most relevant dimensions for this evaluation, that is in terms of sectors, periods, size and status of projects, and aid modalities, viz.:

- 88% of total commitments (€327m out of €371m);
- all interventions larger than €10m;
- all budget support interventions (PROADES, PASAH, and APERP);
- all EQ sectors (Secondary education, Natural resources, Food security, Public Security, and LRRD);
- the entire 2002-2009 evaluation period;
- on-going and closed interventions;
- a variety of project sizes (€1m-€119m);

²⁷ Showing EC commitments and years of signature of the financing agreement.

- 7 types of aid modalities (budget support, decentralised to the GoH, implemented by NGOs, basket funding, channelled through the UN, and PRRAC's specific set-up); *and*
- 4 EC budget lines (ALA, FOOD, EDU, ENV).

In addition to the eight large interventions, three smaller projects have been included in this selection to cover additional aid modalities (basket funding with *Apoyo EFA*, delegated management with *FAO Semilla*, and NGO implementation through *Bosques y Agua*) and for providing additional evidence in the fields of food security (*FAO Semilla*) and management of natural resources (*Bosques y Agua*).

Once all the information had been collected, at the end of the field phase, it has been analysed and synthesised in a data collection grid (*provided in Annex 8*) with a view to constructing answers to the Evaluation Questions and, from those answers, Conclusions and Recommendations. Information has been gathered mainly at the detailed level of indicators. The information from each source has been critically examined to confirm its validity (in many cases this had already taken place at an earlier stage when the information was gathered) and has been crosschecked to see whether sources confirm each other or not. Where necessary, supplementary data sources have been sought to increase reliability and credibility of the findings. Once the different indicators had been informed, aggregate analysis took place and it was decided to what extent the judgment criteria were validated or not. Answers to the Evaluation Question were based on the validation of these criteria. Conclusions and Recommendations were derived from the answers to the different EQs (see chapters 4, 5 and 6 for details on the specific logical linkages for each of them).

3.3 Challenges and limitations

A first challenge for this evaluation was the **difficult political context** in Honduras following the June 2009 events. Most countries interrupted their cooperation (*see section 2.1.1 above*), including the EC which resumed its cooperation in March 2010. This political context hence affected EC cooperation during the (2002-2009) evaluation period. It also posed a challenge for this evaluation in that it complicated access to key information sources and stakeholders involved during the period. It also implied particular sensitivity on certain issues, for instance on public security or on references to the political context. As for the typical challenge of data collection in this kind of evaluations covering a long (eight year) period, notably in terms of institutional memory and availability of information, the approach to address this challenge consisted first in multiplying and triangulating the sources of information for collecting data, confronting information, verifying hypotheses and confirming preliminary findings through e.g. documents, interviews, field visits, debriefing meetings, etc. (*see for instance the information in the Data Collection Grid in Annexe 8*).

Evaluating budget support was also (and still is) a key challenge, as widely recognised by donor agencies and the evaluation community. Budget support (BS) is indeed a contribution to the implementation of the policy and public spending actions of a partner government. Evaluating budget support is still in an exploratory phase, which entails teething problems and room for interpretation. The present report follows the current EC methodological requirements in this regard, which consists of Step One of the

methodology for budget support evaluation presented in the Issue Paper of May 2008 ('Methodologies for Evaluations of Budget Support Operations at Country level', by E.Caputo (DRN), A.Lawson (ODI), M.v.d.Linde (ECORYS))²⁸. Step 1 of the methodology is focused on the relevance of the inputs provided, the direct outputs of these inputs, and the quality and adequacy of the changes supported in the government systems (induced outputs).²⁹ Step One thus excludes the appreciation of outcomes (level 4) and impacts (Level 5). The present evaluation focuses accordingly its questioning of budget support on the adaptation of the instrument to the Honduran macroeconomic, political and administrative context (see EQ 7 in Annex 5 and the response to this EQ in section 4.7).

Another general challenge relates to this type of exercise: a **strategic-level country evaluation** is difficult *per se*. It requires the analysis of a country cooperation framework which spans many sectors, many instruments and implementation modalities and a long period of time. It has to go beyond the evaluation of single interventions by drawing on the analysis of a sample of interventions to inform the manner in which the cooperation framework was implemented and the degree of success it obtained. This challenge is tackled mainly by the specific structured methodological approach of the Joint Evaluation Unit, based notably on the reconstruction of the EC intervention logics, the definition of Evaluation Questions, Judgement Criteria and Indicators, and the determination of a selection of interventions for the desk and field study (*see above*).

²⁸ The proposed evaluation methodology consists of a five-level analytical framework (inputs, direct outputs, government strategy (induced) outputs, outcomes and impacts, which is applied in a sequence of three steps/components. Step One consists of an assessment of the inputs, direct outputs and induced outputs clearly attributable to budget support. Step Two focuses on those outcomes and impacts of the government strategy that GBS/SBS intends to support. Step Three deals with an exploration of the linkages between the GBS/SBS processes and the outcomes and impact of the government strategy.

²⁹ "Step One covers the first three levels of the evaluation framework as follows: (i) GBS/SBS inputs by donors defined as including funds, policy dialogue, conditionality, technical assistance/capacity building (TA/CB), alignment to government policies and systems, harmonisation between donors, (ii) direct outputs (improvements expected in relationship between external assistance and the national budget and policy processes), and (iii) induced outputs (positive changes expected in the financing and institutional framework for public spending and public policy, and consequent improvements in public policy management and service delivery)."

4. Answers to the Evaluation Questions

The answers to the eight Evaluation Questions are presented in this chapter. Three different levels have been used for providing three levels of reading:

- Answers to each Evaluation Question (EQ) provided in the form of **summary boxes**;
- Findings and analysis on which each answer is based are provided in the remainder of the **text** – indication is provided on the Judgement Criteria (JC) on which they are based;
- Facts on which the findings are based are provided in the Data Collection Grid in **Annexe 8**, with systematic indication of the information sources. These facts consist of specific information for assessment at the level of the indicators (I), under the Evaluation Questions and Judgement Criteria to which the different sections of this chapter refer.

The table below provides a synthetic overview of the set of Evaluation Questions.

Table 6: Overview of the Evaluation Questions

| | |
|-------------|--------------------------------------|
| EQ 1 | Natural resource strategy |
| EQ 2 | Natural resource achievements |
| EQ 3 | Food Security |
| EQ 4 | Secondary education |
| EQ 5 | Public Security |
| EQ 6 | LRRD³⁰ |
| EQ 7 | Budget Support |
| EQ 8 | Aid modalities |

Details on the Evaluation Questions as such and their Judgement Criteria and Indicators are provided in Annex 5, along with the justification for and coverage of each question. They were defined and agreed at the beginning of the evaluation during the Structuring stage. They cover the main sectors/themes of EC cooperation and the main EC criteria for the evaluative questioning (relevance, effectiveness, impact, sustainability, efficiency, coherence and EC added-value), and additionally cross-cutting issues and the key issues of coherence, coordination and complementarity (*see the table on the next page*). They formed together with the intervention logic the backbone for the entire evaluation.

³⁰ Linking Relief, Rehabilitation and Development

Table 7: Coverage of evaluation criteria and key issues by the EQs³¹

| <i>Evaluation criteria</i> | EQ 1 Nat Res. Strategy | EQ 2 Nat Res. Achiev. | EQ 3 Food Security | EQ 4 Secondary Education | EQ 5 Public Security | EQ 6 LRRD | EQ 7 Budget Support | EQ 8 Aid Modalities |
|-----------------------------|---------------------------------------|--------------------------------------|-----------------------------------|---|-------------------------------------|----------------------|------------------------------------|------------------------------------|
| Relevance | ■ | | ■ | ■ | ■ | ■ | ■ | □ |
| Effectiveness | ■ | ■ | ■ | ■ | | ■ | ■ | □ |
| Impact | | ■ | | ■ | | | | |
| Sustainability | ■ | ■ | ■ | ■ | ■ | ■ | ■ | □ |
| Efficiency | | | | | | ■ | | ■ |
| Coherence | ■ | | ■ | ■ | ■ | ■ | | |
| EC added value | ■ | | ■ | ■ | ■ | ■ | ■ | □ |
| Key issues | | | | | | | | |
| Cross-cutting issues | | ■ | ■ | ■ | | | ■ | |
| 3Cs | ■ | | ■ | ■ | ■ | ■ | ■ | ■ |

Largely covered
 Treated

4.1/4.2 EQ 1/ EQ 2 on Natural Resource Strategy and Achievements

EQ1: *To what extent has the EC approach to natural resources been relevant in the national context and ongoing dynamics, and contributed to the strengthening of the public strategy in the sector?*

EQ2: *To what extent has integrated and sustainable management of natural resources been strengthened and to what extent has the EC contributed to it?*

Sustainable management of natural resources is a focal sector for EC cooperation in both the 2002-2006 and the 2007-2013 CSPs. The EC has provided direct or indirect support in this field through various interventions, but primarily through the €34m FORCUENCAS and the €25m PROCORREDOR programmes, committed in 2001 and 2006 respectively. Both fell into the €59m indicative programme relating to the 2002-2006 CSP. Another programme is in the pipeline: the MOSEF on the modernisation of the forestry sector. A NGO project (€1,14m Bosques y Agua) was added to the sample in order to diversify aid modalities in the analysis.

³¹ The understanding of the evaluation criteria is based on the definitions of the OECD DAC Glossary 2002 for effectiveness, impact, sustainability and efficiency, and on the Joint Evaluation Unit's definition guidelines for Commission value added, relevance, coherence (in the sense of coherence with other development interventions by the EC in the country), and the "3Cs" (coordination, complementarity, and coherence with other European Community policies).

EQ1 tackles the EC's approach to natural resources at strategic level, assessing the relevance and coherence of the Natural Resource Management (NRM) strategies applied by the EC-funded interventions, how these have co-evolved along with the NRM approaches followed by Honduran public and non-public sector actors, coordination with other donors, and the effect of EC interventions on public strategies. It also assesses the relations between NRM, Food Security and Decentralisation.

EQ2 on Natural Resource Achievements addresses the EC interventions in terms of achievements, mainly in terms of impact and sustainability. It analyses the extent to which the EC contributed to strengthening the management of natural resources. It also assesses the evolution of the EC strategy towards a stronger insistence on information and coordination between actors at different levels, central and local. The shift in the EC implementation approach is also taken into account. Additionally, it also covers coherence with other EC cooperation interventions.

The answers to the two questions have been merged because some topics pertain as much to the area of strategic choices as to concrete achievements. Such are the cases of complementarities and coordination's with other donors' cooperation, synergies between the EC's own programmes linked to natural resources, and the link between NRM, Food Security and decentralisation.

EQ 1 and EQ2 on Natural Resource Strategy and Achievements –

Answer Summary Box

In natural resources the EC approach was linked to the consequences of Hurricane Mitch and was relevant in the Honduran context. It tried to address the causes of the natural resource mismanagement problem (poverty, land tenure, legal and institutional settings) and launched two major and complementary projects, PROCORREDOR working on protected areas and biodiversity, and FORCUENCAS on watersheds and community forestry. These will be soon followed by a third intervention: MOSEF.

These interventions had only a very partial impact on the complex realities of the Honduran policy and the 2008 Forest Law was little influenced through EC policy dialogue. Honduras has no real committed policy in this sector and no policy dialogue was conducted on the causes of resources mismanagement or in support to a national agenda on natural resources management.

The interventions analysed showed some positive features:

- There was a clear learning process from one intervention to the other, at least concerning the bilateral projects and during the evaluation period.
- Actions and approaches were coordinated with and complementary to those of other donors and coordination was sought with some other EC interventions.
- Capacities of local actors (mainly municipalities) have effectively increased in the areas of the EC interventions.
- Some national institutions such as the Agenda Forestal Hondureña (AFH), the Instituto de Conservación Forestal (ICF) and CONADEH received impressive support from FORCUENCAS and PROCORREDOR.

However:

- No lessons were drawn from a successful and innovative project such as “Bosques y Agua” (being too small and too far away).
- FORCUENCAS and PROCORREDOR being ongoing projects, many results and impacts are still unknown because no final evaluation has yet been conducted.

4.1.1 Response to the causes of the problem and to ongoing dynamics (JC 1.1)

Environmental issues were put at the forefront of public attention following the impact of Hurricane Mitch in 1998, when Honduran society awoke to the consequences of widespread neglect of environmental assets, leading to attention on the need to reduce socio-economic vulnerabilities. The Commission captured the problems in its programming documents: both CSPs contain a robust analysis of environmental issues, the role of Hurricane Mitch, the links with vulnerability and poverty, with land tenure, and with legal and institutional questions. The EC thus places NRM in a wider context, considering support to food security and strengthening of local capacities as essential elements of the approach to environmental management (see Box 1 below and section 5 on food security).

In terms of specific environmental support, the EC's answer to the problem it described in the CSPs was to launch two major projects: PROCORREDOR working on protected areas and biodiversity, and FORCUENCAS on watersheds and community forestry. The project identification and formulation documents of these projects as well as the grant application for the 'Bosques y Agua' project on the NGO budget line³² clearly identified the problems to be solved and proposed appropriate responses. The interventions flexibly complemented each other, focusing on significant NRM problems, and applying strategies that are responsive to locally-specific causes of natural resource mismanagement and to the dynamics of the drivers of improvements. On the whole, the programming of Commission support to Natural Resource Management (NRM) thus responded to the identified causes of the natural resource management problems.

Furthermore monitoring reports, project implementation reports, interviews and the conclusions of the CSP 2007-2013 show that the programming and the interventions were sufficiently flexible to take into account the on-going dynamics. The programmes have maintained continued relevance as problem dynamics evolved, with PROCORREDOR showing particular agility, due to the active communication channels the Project has established via modern methods of citizen participation, support to research on relevant NRM techniques and methods and associated actions for lesson-learning, piloting, systematisation and sharing of information; social auditing, multi-agent networking; capacity-development and by constantly fostering communication across stakeholders on key issues.

4.1.2 Effect on ongoing public and private strategies (JC 1.2)

In the absence of clear Government strategies for NRM, the Commission's dialogue was mainly focused on specific issues tackled at project level rather than at global policy level. Indeed, available information shows that no clear attribution can be established for the policy incidence of EC interventions on the major framework legislation of the 2008 Forest Law³³. No clear statement of formal EC NRM policy dialogue objectives at Delegation

³² The « Bosques y Agua » project is only one of the many projects financed in this sector by the EC through non programmable budget lines. Therefore the findings related to the Bosques y Agua project may not be extended to others.

³³ Although FORCUENCAS became a key field agent for implementing the Forest Law.

level, for any recent period, is yet available. More than €60m was spent during the evaluation period on NRM, but no national agenda has emerged which would indicate that this question is taken seriously by national authorities. In particular there is a consensus on the fact that the agricultural sector is a major driver of deforestation, but no policy exists to try to control this dynamic.

However the Ministry for National Resources and Environment (SERNA) is using the considerable improvements made by the Atlantida Region (PROCORREDOR) as a case study of best practice for improving SERNA's national role. There are also clear examples of lower level policy dialogue and incidence achieved on the ground, through practical demonstrations of good practice in NRM³⁴.

PROCORREDOR has improved the approaches taken by NGOs in managing protected areas, so that these take on board a wider and more socially-focussed approach; and all three projects evaluated have influenced the policies of municipalities in NRM, especially by supporting their role as decentralised bodies in watershed management.

4.1.3 Learning process in EC cooperation on NRM, coordination and complementarities with other interventions and with other donors (JC 1.3, 1.4, 2.4)

The main elements on this question are the following:

- There is a clear progression in methods and coordination from FORCUENCAS to PROCORREDOR and these two interventions are in turn useful precursors to MOSEF. PROCORREDOR has avoided most of FORCUENCAS initial implementation difficulties, is better integrated into the Honduran public administration and since its beginning has applied modern techniques of communication, participation and information thus laying the grounds for improved sustainability.
- However synergies with other interventions in natural resources, in food security or in decentralisation were scarcely searched for. No lessons were learnt from the successful and innovative “Agua y Bosque” project, but coordination was ensured between FORCUENCAS and the EC regional PREVDA intervention. Synergies were not deliberately sought, but were left to the initiative of each project (Annex 8, I-2.4.1 to I-2.4.3). Although many results were obtained in strengthening local capacities, no links were established with the PROADES budget support which initially supported the application of a decentralisation policy.
- Actions and approaches were coordinated with and complementary to those of other donors³⁵ and are consistent with normal good development practice³⁶. However no

³⁴ For example an EC Brussels staff member came to Honduras to explain the FLEGT programme for control of illegal logging to regional and national interested parties.

³⁵ For example, FORCUENCAS mentions, amongst others, coordination with: GTZ in forest and biodiversity management; with COSUDE on low-consumption cooking stoves and ovens; with ACDI Canada overall support of the forestry sector; with the World Bank and the Inter-American Development Bank, on ecosystem management; with GTZ's PRORENA on their Natural Resources Programme and RIOPLUS systematisation; with SNV on

evidence was found on a division of labour between the main actors in the field of natural resource management³⁷.

- It was not possible to establish the EC's comparative advantage compared with other bilateral MS aid agencies in the field of NRM³⁸, but according to independent observers, at country level, the agency with greatest experience in forestry is GTZ.

4.1.4 Effect on capacity of local actors and national institutions (JC 2.1, JC 2.2)

The two projects have a large geographical and population coverage. FORCUENCAS covers three watersheds and 5 departments amongst which Francisco Morazán (Tegucigalpa). It aims at 450,000 beneficiaries. PROCORREDOR covers 19 municipalities with a total population of 1.8m inhabitants, mainly in the Atlantida department. Increasing local capacities is the main objective of each project but none has yet been evaluated in term of effectiveness, efficiency and impact, and no quantitative results are yet available. However:

At the level of local actors, essentially municipalities, all sources (monitoring reports, EARM, project reports, interviews...) argue that capacities have effectively increased in the area of the EC interventions on natural resources.

strengthening local organisational capacities; with CIDA and the Canadian Partnership on natural resources and forest management methods; with SIDA/Sweden on software support; and again with GTZ on actions in the Rio Platano Biosphere Reserve. Other contacts included agencies such as USAID-MIRA, FAO, IDB and UNDP. PROCORREDOR has coordinated a very large suite of actions with donors, such as on disaster risk management with the World Bank's PMDN programme; FAO on agricultural extension methods; with Danish NGO Nepenthes, on eco-tourism; with Spanish cooperation's Proyecto de Fortalecimiento Municipal, strengthening municipalities; with the World Bank PATH Project, improving land registration processes; with PNUD, supplying small donations to SMEs; with GTZ's PRORENA, collaborating Proyecto USAID/MIRA PREMACA-DANIDA.

³⁶ A PROCORREDOR staff member states: "Coordination has been highly effective with other projects, such as the World Bank PMDN programme, where, to avoid duplication, work was distributed between the two project intervention areas. With some projects, agreements or letters of understanding were signed". See also Annex 8: I-1.4.2 to I-1.4.5.

³⁷ As noted by a PROCORREDOR staff member: "The project serves as a facilitator, so was not responsible for determining the division of labour between agencies, which has arisen organically through agreements between development actors. The project approach was to facilitate capacity-building using participatory methods".

³⁸ However the 2009 Monitoring Report notes: "the coverage of FORCUENCAS actions in its area of intervention is particularly important for synergies with other projects working in the same region. Because of the intense work carried out across the region focused on increasing participation, **FORCUENCAS is regarded as the leading reference for other actors in international cooperation.**"

This increase in local capacities was related to interventions of the three selected projects in the following domains:

- Watershed management (including water quality)³⁹
- Cadastre, land titling and spatial planning (rendered easier with GPS technology). This, in turn, had also an impact on conflict resolution and taxation. In turn increased land taxes and taxation revenues for municipalities meant an increased capacity to finance development. Success in spatial planning means that the **fundamental issue of land insecurity** may be declining as a cause of failure in NRM efforts.
- Forest management and reforestation
- Municipal capacity which was directly favoured through support to Strategic Municipal development Plans⁴⁰ (PEDM), administrative capacity, accounting systems, equipment, and lobbying capacity.
- Other themes cover for example: (1) hygiene and sanitation; (2) energy efficient stoves and ovens; (3) education and environmental awareness; (4) solid and liquid waste management; (5) sustainable farming practices; (6) social auditing; (7) wildfire prevention and control; (8) soil management.

The strengthening of local capacities, especially municipalities, is an indirect support to decentralisation policies because stronger capacities at this level is a condition to a successful decentralisation (see Box 1).

An interesting innovation is the challenge for all agents to broker 'deals' in which communities agree to protect key natural resources (forests, habitats, target species) in return, for example, for help in making agriculture more sustainable, and wider support to communities in reaching their development potentials. This was particularly the case with the "Bosques and Agua" project and with PROCORREDOR.

However:

- In projects such as FORCUENCAS and PROCORREDOR with a large geographical coverage, it is extremely difficult to attribute to a given intervention the observed improvement in local actors' capacity.
- In many cases the precise results and impacts of projects are not known because no evaluation has yet been conducted. For example, impacts on deforestation and water management are unclear for lack of evaluations (Annex 8, I-2.2.1). Both FORCUENCAS and PROCORREDOR worked on land titling and planning, but no

³⁹ An effect of improving watershed management is that local water user committees are now seen, within policy and procedures, as having a vital role which cannot be ignored in the process of managing an area of land for the servicing of water production. If these groups, within their communities, reach a stage where their role in management of the land and water supply infrastructure is recognised - and their services are paid for - across watersheds, then one would expect that project to be well on the way to sustainability (Annex 8 I-2.1.6).

⁴⁰ However experience shows that considerable time is needed before real linkages develop, with local NRM deliberately factored into local development plans rather than occurring as a by-product of local initiatives or available opportunities (Annex 8, I-2.1.5).

precise information is available on results. There are important exceptions to this, e.g. on municipal finance⁴¹.

- Poor rural municipalities lack high quality human resources and the traditional change of the entire administrative staff after each election implies that capacity building efforts have to begin again from scratch after each election.

At the level of national institutions, different documents and EC staff members stress that FORCUENCAS has supplied impressive support to national entities such as the “Agenda Forestal Hondureña” (AFH) or the “Comisión Nacional de Derechos Humanos” (CONADEH) from which depends the Independent Forest Monitor responsible for receiving complains for illegal logging. FORCUENCAS stimulated the formation of a large number of “Consejos Consultivos Forestales” (CCF).

According to high government officials, PROCORREDOR has significantly increased the effectiveness of the “Instituto de Conservación Forestal” (ICF) and SERNA feels strengthened in its role supporting the Caribbean Biological Corridor (CBC) within the wider effort to overcome poverty.

However there is not enough ground to sustain that the interventions have significantly increased the capacity of national institutions to intervene in sustainable management of natural resources.

⁴¹ Significant changes achieved by PROCORREDOR in Municipal finances are: (i) Funds received are well managed and properly invested; (ii) Capacity has greatly increased to generate municipal tax income (with increases of 45% in the period Jan – Sept 2010 in relation with those received in 2009), and to invest this most effectively; (iii) All investments follow best practice guidelines; (iv) Municipal authorities are improving their accounting systems and are now able to respond to requests for information, so fulfilling the need for transparency (Annex 8 I-2.1.6).

Box 1: Linking natural resource management, food security and decentralisation

International literature and Honduran experience show that on the question of NRM there is a progressive shift from centralised towards decentralised management because decisions on some common resources such as forest, water, soil or protected areas, require a quantity of information that can only be efficiently gathered and treated at a decentralised level. Therefore there is an evident link between NRM and decentralisation.

The same is true for a policy of food security aiming at improving food access (rather than food availability) in rural areas: food security is improved through rural development which in turn means policies improving employment, access to production factors, management of natural resources, etc. In turn many aspects of these policies (such as land planning, small productive initiatives, credit, etc.) are more efficiently executed at a decentralised level. There is a practical link between food security and decentralisation. Land security plays a special role in these policies for its importance both at individual level (land security favours investment and should improve food availability as well as food access), and at communal level through its effect on taxation and municipal revenues.

The link between NRM and food security is secured by the idea that if people improve their livelihood (food security), they will be better prepared to take care of NRM because they will give more importance to the long term. This is a fundamental principle of the EC strategy on NRM.

In Honduras the EC has intervened in these three fields:

- Food security through a large number of interventions, the last of which, PASAH, is analysed in this evaluation (see EQ3).
- Decentralisation through PROADES (EQ7)
- Natural Resource Management through many interventions, the most recent ones being FORCUENCAS and PROCORREDOR (EQ1 and 2).

Therefore it is not surprising to find that interventions in the three fields share very similar methods: supporting local (municipal) capacities in general development planning, land planning (“ordenamiento territorial”) and titling, administration, accounting, control (social auditing), and management of collective resources.

However, despite this comprehensive strategy there are few practical links between each of these three fields. Synergies, complementarities and coordination are left to the initiative of each intervention and are not organised in a top-down form.

4.3 EQ 3 on Food Security

EQ3: To what extent has the EC contributed to strengthening conditions for food security?

The purpose of the question is to assess the effectiveness of the EC interventions on food security. In addition it considers the relevance of the EC approach in the national context, alignment with national policies and dynamics, coherence with other EC cooperation interventions, coordination, harmonisation and synergies with other donors, EC added-value, effects of the intervention at central and decentralised levels, integration of Gender and Decentralisation as a cross-cutting issue, and sustainability of the approach.

The question on food security is based on the analysis of two very different interventions: first a small (€1m) project implemented through FAO, executed by local NGOs and terminated in 2007, and second a sector budget support (PASAH) financed by the food security budget line (€24m) and presently (February 2011) beginning a two year phasing-out process.

EQ 3 on Food Security – Answer Summary Box

The EC strategy on food security has been adequate and relevant because (i) it built on a long and diversified EC experience on FS in this country, (ii) it supported a policy which stemmed from the application of the PRSP in 2001, continued in the same line but was recently reinforced and can thus be considered as a State policy, (iii) it was based on an intensive and fruitful policy dialogue which led to concrete results such as an improvement of inter-institutional coordination, better information, more effective strategy and policy instruments, a (future) improvement of the legal framework and an improvement in budget allocation.

Through PASAH successes at a strategic level, the EC has certainly contributed to strengthening conditions for food security and the prospects for the sustainability of results obtained is good because they stem from the GoH's own actions at the legislative and executive levels.

At field level, both projects analysed obtained positive results (in particular they enhanced the capacity of some municipalities to provide support to food security) even though these remained limited because the late start of the intervention followed by the 2009 interruption reduced the time of implementation, and deep-rooted institutional capacity constraints remain to be solved.

A phasing out of PASAH is presently on-going; no analysis is available on this sectors' need for support and no more interventions are planned in a near future.

4.3.1 Adequacy of approach given national dynamics (JC 3.1)

EC Food Strategy in Honduras has a very long history, moving from a band-aid approach dominant in the 1970s with food aid, towards food security policies promoted through budget support. Since the end of the 1990s, EC strategy has been based on the observation that food insecurity is much more a problem of access to food than a problem of food availability. Therefore it had to be tackled through poverty reduction approaches: diversification of production, employment, transformation and marketing, organisation, access to production factors such as land and credit, management of natural resources, etc. It also became evident that food security policy had to be directly linked to decentralisation, education and rural development policies.

The FAO seed project was a response to the need, urgently felt after Hurricane Mitch (1998), for access to locally produced good quality seed and for production diversification.

PASAH had more general goals and implemented two main components: a strategic component supporting the application of the national strategy of food security, and a field component in 57 poor rural municipalities (out of 298) to (i) bring in municipal planning regulations oriented towards the sustainable management of natural resources, and (ii) to strengthen the planning of local economic development with the support of local initiatives on food security.

This EC approach to food security has been relevant and adequate for the following reasons:

- EC strategy was aligned to a national strategy which was first marked by the adoption of the National Strategy for Implementation of the Food Security Policy (SFSP) in October 2006. In turn this document was updated in November 2010 and was named the National Strategy on Food and Nutrition Security (ENSAN). Therefore PASAH is supporting a food security policy which has remained constant despite four different governments and has thus been converted into a State policy.
- The strategic component of PASAH is based on an intensive and fruitful policy dialogue which led to concrete results such as an improvement of inter-institutional coordination, better information and more effective policy instruments (see also 4.3.3 and 4.7).
- The field component of PASAH increased GoH participation and experience in municipal planning and support to food security.
- The EC showed a high degree of flexibility and adaptability when maintaining the international technical assistance despite the interruption of cooperation between the EU and Honduras following the 2009 events. In these circumstances, the Delegation in Honduras and the ITA team maintained the interest on FS and took advantage of this relative inactive period of over 12 months to prepare reports on FS in Honduras and on the EC's experience in this field. These works were used in the following year for the elaboration of the ESAN.

4.3.2 Synergies and coordination with other cooperation programmes (JC 3.2, 3.3)

Since 1998, more than 12 projects or programmes, directly or indirectly linked to food security and financed by the EC, were implemented in Honduras. They were executed at national or regional levels and stemmed from different budget lines (see annex 8, J.C 3.2). Given the number of past and present interventions linked to FS, the preparatory documents of PASAH insisted on the necessity of synergies and cooperation between some of these interventions and with programmes from other donors.

Although being a budget support intervention thus supporting the policies, priorities and procedures of national authorities, PASAH also sought to establish opportunities for complementarities and coordination. For example, the geographical coverage of the field component of PASAH was the same as the programme “Tierra” in order to ensure continuity between these two interventions. Strategic alliances were sought with other EC programmes such as PRESANCA or FORCUENCAS but did not lead to joint action. Likewise, direct relations were planned with PROADES (through PRODDEL and the SGJ) since decentralisation is an important aspect of the strategy of food security supported by PASAH, but the limited success of PROADES hindered this attempt.

Instead, the route followed by PASAH was somewhat different: it supported the institutionalisation of a permanent dialogue between the GoH, civil society and international donors through its support for the creation of the “Comité Técnico Interinstitucional de Seguridad Alimentaria” (COTISAN) which brings together 42 different institutions. COTISAN established a map of matching institutions in order to see where help on FS is concentrated, to facilitate cooperation and avoid overlaps.

The substantial experience of the EC on food security, the diversity of approaches followed, the evolution of these approaches based on regular evaluations of these interventions, all **contribute to a real expertise of the EC in this field and to a comparative advantage of EC cooperation over other donors.**

4.3.3 Management of food security at central level (JC 3.4)

At central level institutional management of food security has improved significantly and is linked to the implementation of PASAH mainly – but not exclusively⁴² – through the policy dialogue held by the international technical assistance team which worked on all (but the first) elements cited below. These main elements which sustain this assessment are the following:

- In 2007, after the disbursement of the first fixed tranche of PASAH (€2m), the GoH decided to devote €1m of its own resources to the Food Security strategy.
- In 2008, COTISAN was created (see 4.3.2).

⁴² According to different interviewees, the conditions attached to disbursements also constituted useful incentives.

- In 2010, the GoH created a technical coordination for Food Security, between all the public institutions with a responsibility on this matter, thus reducing the jurisdictional disputes between them.
- A new system of information and indicators was designed in order for the UTSAN (*Unidad Técnica de Seguridad Alimentaria y Nutricional*) to assess and monitor the Food and Nutritional Security National Strategy (ENSAN).
- The Secretary of the Presidency (SP) established a strategic alliance with Parliament in order to prepare the new law on food and nutritional security and protect its budget.
- A realistic and simple technical proposal was drafted by UTSAN so that a future conditional cash transfer system will benefit the poorest in Honduras, avoiding political pressures and clientelism.
- PASAH supported the Secretary of the Presidency in its negotiation with the Secretary of Finance (SEFIN) and obtained, in 2010⁴³, a direct budget increase for the public institutions involved in Food Security.

4.3.4 At local level: municipalities' capacity for support to food security (JC 3.5)

Activities geared towards planning regulations for sustainable management of natural resources were conducted in 44 municipalities. PASAH also helped finance 118 small productive projects (local initiatives on food security) benefiting 397 women and included in the Municipal Development Plans.

Activities such as cadastre and land titling have important impacts on municipal finance through taxation and therefore are easily supported by the local councils. Also some institutional innovations at municipal level are worth mentioning such as the setting-up of a women's municipal bureau ("*Oficina Municipal de la Mujer*") and the use of social audits (often conducted by women) which allows for the participation of civil society in the control of local governments.

Certainly the field component of PASAH has enhanced the capacity of some municipalities (less than 20% of Honduran municipalities) to provide support to food security and to apply more effectively a decentralisation policy, but these results were limited for four main reasons:

- Time was very short (implementation really started in 2008)
- The consequences of the 2009 crisis lasted more than one year during which the fieldwork was interrupted. This work started again in August 2010.
- In poor rural municipalities, there is a lack of human resources capable of reading and using spatial planning instruments such as maps
- This component is managed by two public institutions (SAG and INA) which suffer from limitations in staff, transport and methodology⁴⁴.

⁴³ In 2007 and 2008, the SG had obtained FROM SEFIN a special budget for food security and signed an agreement with each of the public institutions concerned by FS so as to spend this budget.

4.3.5 Sustainability of approach and actions, and its impact on women (JC 3.6, 3.7)

At **strategic level** the existence of a law on FS is probably the most important indicator of ownership of the policy supported by the EC, even if it does not guarantee its effectiveness. This law establishes food security as a national priority in term of policy goals and budget, and therefore ensures (to some extent) the financial sustainability of the FS policy supported by PASAH⁴⁵. The creation of the UTSAN, of COTISAN and the diffusion of information and instruments of analysis linked to FS strategies are also indicators that the PASAH approach will probably continue in the future after the end of the intervention.

Although the phasing-out of PASAH is very important for the consolidation of the programme, no analysis is yet available on this sector's need for support and no more FS programmes are planned in the near future (nor at a regional level). This may result in future in the loss of the EC's experience in food security, its main field of value added in Honduras.

At the **local or field level**, the strengthening of municipal capacities in spatial planning and food security is hindered by the non-existence of a more or less stable local administration, given the overall change of the entire administrative staff after each election. Small local initiatives directed towards women have sustainability problems linked to their design⁴⁶, to the poverty of the economic environment and to the difficulty of training and monitoring. The FAO project also suffered from the difficulty in organising, in only a few years, sustainable small seed enterprises in a very poor economic and low educational level environment.

As for the **gender approach**, PASAH incorporated a gender indicator as a condition for its variable tranche disbursement⁴⁷, and two other gender indicators are part of the ENSA monitoring system⁴⁸. Most small local productive projects benefit women's groups.

However, availability, access and use of food have **not** structurally changed for women. PASAH had no ambition to change availability of food for women because it was detected that the problem was more about food access (poverty) than availability. The programme further focused on employment and new sources of income for women. It did not directly address the problem of food use. As mentioned above, it had a reduced effect on food access because of the limited scope and success of the small local initiatives.

⁴⁴ The budget support has helped these institutions but it is not possible to expect a significant improvement after only a few months.

⁴⁵ It was not possible to compare the budget increase in FS institutions during 2010, with the 2011 budget approved by Parliament in November 2010. Therefore it was not feasible to assess strictly the continuity of the quantitative changes in the FS financing in Honduras. Additionally the real expenses are normally between 20 and 30% higher than the corresponding budget prepared the year before its execution (see annex 8 I-7.1.2).

⁴⁶ Most small projects visited by the evaluation mission consisted of giving resources (money, material and training) to groups of women with very little counterpart, except for promises of duplication which are not kept.

⁴⁷ At least 400 women benefit from the small productive initiatives promoted by PASAH.

⁴⁸ Gender considerations are incorporated in local development plans, and women's offices (Oficinas Municipales de la Mujer) are established in municipalities, which play an important role in monitoring local initiatives and in the implementation of the development plans.

4.4 EQ 4 on Education

EQ4: *To what extent has secondary education been strengthened and has the EC contributed to it?*

Education is considered as part of the EC focal sectors in both the 2002-2006 and the 2007-2013 CSPs. In the latter CSP it is actually considered as global support to the national Poverty Reduction Strategy. This evaluation question treats the overall EC approach to education, while focussing in terms of impact on secondary education, for three main reasons. Firstly, because the 2002-2006 CSP prescribed focus on secondary education ('as the WB had already put emphasis on primary education'). Secondly, EC action corresponding to the 2002-2006 CSP's education focal sector consisted of support to secondary education, through the €28m PRAEMHO programme. Thirdly, EC support to education in the 2007-2013 CSP consisted of global budget support to the national PRS (through the €61m APERP programme for which no disbursements had been made until November 2010), rather than of a specific EC strategy or approach in education. The question will also cover vocational training as part of secondary education. The EC considers the two to be closely linked when it states in its strategy for 2007-2013: "[T]he development of secondary/vocational education will also make it possible to address the issue of massive youth unemployment."

Firstly there is comprehensive questioning at sector level in the sense that the question considers the relevance of the EC approach in the national context, alignment with national policies and dynamics, coherence with then prevailing EC cooperation policies, division of labour, coordination, harmonisation and synergies with other donors (with a focus on EU MS), EC added-value. Subsequently, the question assesses more specifically improvement in secondary education, notably in terms of access and quality, and the extent to which the EC contributed to such improvement. Finally, it studies the integration of the cross-cutting issue of Gender, and the sustainability of the approach.

EQ 4 on Education – Answer Summary Box

The EC's support to education evolved from a focus on vocational training through the PRAEMHO project in the beginning of the evaluation period to a more general support to the education sector as a whole via the general budget support operation APERP at the end of the period. At the same time, a limited contribution to the basket fund aiming for Education For All (EFA) was also implemented in the mid 2000s. These different supports were aligned with the priorities and expressed needs of the Ministry of Education.

The emphasis on vocational training provided an efficient way of developing the productive sector of the country badly in need of a better skilled workforce. The approach, focused on poverty reduction, was in total coherence with the EU Consensus on Development. Furthermore, the contribution to the EFA programme at the primary education level was also coherent and complementary to the activities of PRAEMHO in vocational training which are perceived as giving a follow-up to EFA.

EC support through PRAEMHO achieved interesting results in the field of vocational training that are likely to be capitalised upon by the Government and other donors in which case sustainability would be ensured. The EC itself has opted to support the education sector overall through the APERP (general budget support) rather than renewing its direct support through another project in vocational training.

4.4.1 The EC approach in education and national dynamics (JC 4.1)

Over the evaluation period the Commission supported education through three main projects/programmes: the PRAEMHO project (€28m decided in 2003) which mainly focused on vocational training, support to the Education For All programme (€2m contribution to the EFA basket fund decided in 2006) and the general budget support programme APERP (€61m decided in 2008) with special attention devoted to health and education.

Following Hurricane Mitch and in the framework of the Poverty Reduction Strategy (PRS), the GoH has expressed its commitment to closely link its development strategy with support to health and education. Furthermore, the government perceived the strengthening of vocational training as an efficient tool in reducing poverty in the sense that this specialised sector of secondary education is attended mainly by adolescents from low-income families.⁴⁹ The Ministry of Education also wished to strengthen vocational training as a key to developing the productive sector of the country badly in need of a better skilled workforce.

The EC shared this analysis and established the same linkages between education, poverty reduction and development. It also stressed the importance of vocational training in its approach and stated in its CSP 2002-2006: *“The education system is in need of complete overhaul to adapt it to the market conditions and requirements; nowadays some 85% of the curricula concern traditional (often theoretic) matters and only 15% are linked to the productive sector.”*⁵⁰ Such necessity had also been emphasised in the 2004 evaluation of EC cooperation with Honduras which described the problem of unemployment and the fact that the education system was not addressing the needs of the country.⁵¹

The EC was very much aligned with the priorities of the GoH and responded specifically to the needs of the Ministry of Education in the field of vocational training when it designed the project PRAEMHO. The three objectives of PRAEMHO may be summarised as follows:

- To establish the Legal Framework for professional education, to guarantee the qualifications for competitiveness.
- To improve the quality of the Professional Education Centres by organizing a reference network, equipped and managed by qualified teachers.
- To benefit students from the most vulnerable groups by giving them access to training through financial aid and insertion into the workforce.

⁴⁹ IBF International Consulting, *Evaluación Final del Programa de Apoyo a la Enseñanza Media en Honduras (PRAEMHO): Borrador Informe Final*, Junio de 2008, p. 12.

⁵⁰ European Commission, *Country Strategy Paper Honduras: 2002-2006*, p.15.

⁵¹ MWH-ODI-ECDPM, *Evaluation de la stratégie de coopération de la Commission Européenne avec le Honduras*, Vol. 1 : Rapport de Synthèse, 2004, p.50.

According to an EC staff member, PRAEMHO was initially to be implemented through sectoral budget support. This decision was revised and the project approach was adopted mainly because Honduras did not have a sector policy in the field of education.

4.4.2 Coherence of the EC approach with then prevailing overall EC cooperation policies, notably in the field of education (JC 4.2)

One of the common principles of the “European Consensus on Development” is that *“The EU will support partner countries' poverty reduction, development and reform strategies, which focus on the MDGs [...]”*.⁵² Even though the “Consensus” was only published in 2006 this had already been a practice of the EC at the beginning of the millennium. It is therefore in total coherence with this development policy that the EC chose education as a focal sector in both CSPs.

For the period 2002-2006, the EC approach to education was framed therefore within the PRS which had as one of its six areas of intervention: *“[I]nvestment in human resources through the improvement of access to and the increase in the quality of basic services of health and education.”*⁵³

In the mid-2000s, it became clear that the “human capital” pillar (health and education) had become *“the pillar in which the largest financing gap had been identified, jeopardising the achievement of the related PRSP/MDG goals.”*⁵⁴ The EC chose therefore as a focal sector *“Human and social development – Making the PRSP a catalyst for social cohesion”* with equal importance given to health and education.

At the implementation level, the EC's decision to support the Education for All Programme (EFA) in 2006 was also coherent with respect to the activities previously foreseen by the PRAEMHO programme. The DTAs of PRAEMHO state in this respect that the work done by the programme in vocational training will offer a follow-up for some of the activities of the EFA at the primary level as it shall *“in time help to face the challenge introduced by the EFA programme which seeks to universalise 6th grade education.”*⁵⁵

The involvement of the EC in education thus evolved from a strong focus on vocational education with the PRAEMHO, to a more general support through budget support and a much more financially limited contribution to a basket fund for primary education. It is noted that despite PRAEMHO's significant results achieved in vocational training (see below) and the GoH's wish to continue the project with a second phase, the EC did not follow suit. Instead it provided general budget support through the APERP (*Apooyo Presupuestario a la Estrategia de Reducción de Pobreza*) oriented towards education and health but without specific focus on secondary/vocational education (through the monitoring of performance indicators for example).

⁵² European Parliament, Council and European Commission, *The European Consensus on Development*, 2006/C46, p. 3.

⁵³ European Commission, *Country Strategy Paper Honduras: 2002-2006*, p. 8.

⁵⁴ European Commission, *Country Strategy Paper Honduras: 2007-2013*, p.22.

⁵⁵ Convenio de Financiación entre la Comunidad Europea y la Republica de Honduras ALA/2003/5747.

4.4.3 Coordination of EC approach in education with and complementary to other donors' cooperation (JC 4.3)

In its 2002-2006 CSP, the EC justifies the focus on secondary/vocational education by putting forward complementarity with other donors' cooperation: “[E]ducation has not received adequate attention from donors and among those active and in particular the World Bank the emphasis is put on quality standards and primary education. Therefore, it is proposed that this programme concentrates on secondary education[...]⁵⁶”

This complementarity is not surprising as there is a good coordination of donors in the sector of education. There are two instances where donors can exchange on education: i) the EFA Pool Fund Donors Group; and ii) the G-16 Round Table (*Mesa Redonda de Cooperantes Externos en Educación-MERECE*) established in 1998.

- EFA is a common basket fund programme and the EFA group meets every two weeks to monitor implementation, to approve disbursements, and to have one voice when asking for changes or addressing national authorities.
- MERECE is a broader instance, where all agents involved in education meet every two months. There are thirteen permanent members: CIDA (Canada), AECID (Spain), EU, IDB, World Bank, GTZ, KfW, JICA (Japan), OEI⁵⁷, World Food Programme, UNICEF, UNFPA, USAID. The focus is on technical issues.
- The G16 has three internal levels: the group of ambassadors (GER) that focus on political issues; the groups of technical experts (GTS) and finally the different thematic round tables. The thirteen donors of MERECE constitute the G16 table on education.

The EC has been responsible for the coordination of the EFA fund group lately and has used this mandate to increase synergies among different projects. According to a representative from the Canadian cooperation (CIDA), donors that were MERECE members but not involved in the EFA fund group could develop complementary actions to the EFA initiative such as providing textbooks in the case of USAID and JICA, or school meals in the case of the World Food Programme “thanks to the coordinating leadership role played by the EC.”

4.4.4 Quality of secondary education (JC 4.4)

The effect of EC support on the quality of secondary education as a whole cannot be established since the major EC intervention in this sector, PRAEMHO, focused only on vocational training. As stated above, one of the three objectives of PRAEMHO addressed the issue of increasing quality, namely: “To improve the quality of the Professional Education Centres by organising a reference network, equipped and managed by qualified teachers.” In this area, results were as follows:

⁵⁶ European Commission, *Country Strategy Paper Honduras: 2002-2006*, p.26.

⁵⁷ Organización de Estados Iberoamericanos para la Educación, la Ciencia y la Cultura

- Curriculum: This is probably one of the most important achievements of the programme. The curricula developed by PRAEMHO were adopted as the national curricula for vocational education. A representative of the Spanish cooperation comments in this respect: *“PRAEMHO has laid the groundwork for the development of secondary education curricula oriented towards the job market. These are very good lessons learned and provide a basis for future interventions in secondary education than other donors might want to do.”*
- Training of teachers and administrative staff: The project was to train initially 1500 teachers in vocational education and 64 administrators. The targets were exceeded as a total of 3171 teachers and 141 administrators were trained in high profile institutions such as the *Universidad José Cecilio del Valle* and the *Instituto Centroamericano de Administración y Gestión de Empresas*. According to an end-of-programme evaluation this training had a real impact on how teachers perceived their pedagogical mission.⁵⁸
- Benefiting students from the most vulnerable groups: Two initiatives were undertaken to this end. The first one was the offer of scholarships. The evaluation informs in this respect: *“The scholarships have allowed a significant group (un grupo considerable) of students from socially vulnerable sectors to complete their studies.”*⁵⁹ The second initiative consisted of supporting students who graduated from vocational centres to create their small enterprises. The evaluation considered this activity to be innovative and interesting but its results were mixed due to a lack of coordination between the stakeholders and a lack of clear perspective. At the time of the evaluation approximately 70% of the 360 small enterprises created were still active and this number was expected to decrease if the enterprises created in 2008 did not receive proper monitoring after the end of the programme.
- Infrastructure and equipment: Only 17 of the 19 professional education centres were built. Even then, there is a centre in almost each one of the 18 departments thus providing good geographical coverage. The most critical problems occurred with the equipment of the centres as only 28% of the investment in laboratories and other equipment was actually being used by the teachers and students (39% of the equipment was set-up but does not function and 33% is still to be installed)⁶⁰.

PRAEMHO was not intended to have any impact on school attendance.

⁵⁸ IBF International Consulting, *Evaluación Final del Programa: Borrador Informe Final*, Junio de 2008, p. 30.

⁵⁹ Ibid.

⁶⁰ Idem, p. 28. Some reasons that affected the use of the equipment are: i) Lack of appointment by the Ministry of Education of the teachers in charge of the facilities built and equipped by PRAEMHO; ii) Lack of training on the operation of equipment by the technical staff of the companies responsible for the workshops and provision of the equipment to the laboratories; iii) Lack of software.

4.4.5 Sustainability of EC approach and actions in secondary education (JC 4.6)

The end-of-programme evaluation states that the project has a low sustainability as a whole.⁶¹ The maintenance of infrastructure and equipment will depend on whether a strategy is developed to this end at the local level⁶² as the project design did not fully develop the question of sustainability and the EC has not foreseen continuing direct support to the sector (other than through the general budget support). The component of scholarships obtained good results but this activity ended with the conclusion of the programme. The designing of curricula seems to be the component most promising in terms of sustainability due to the appropriation on the part of the government described above.

Indeed, despite this rating of low sustainability, the Ministry of Education has an interest to continue with many activities started with PRAEMHO such as:

- To advance towards a new law of education
- To elaborate new plans for professional training
- To continue the training of teachers
- To develop maintenance plans for the infrastructure

In addition, other donors might support the Government in this endeavour such as the German cooperation who stated: “*PRAEMHO is a reference and we are studying it in order to design our intervention.*” It thus seems that the project has laid the grounds for the Government and/or other donors to build and capitalise upon the initiatives started under the project.

4.4.6 Gender equality and secondary education (JC 4.7)

The question of gender equality in secondary education is not problematic in Honduras in the sense that, since the nineties, the enrolment of girls at all levels of education has been greater than that of boys (see table below). Even then, gender was taken into account in the design of PRAEMHO and the project generated good results. For example; among the approximately 360 small enterprises created, 56.2% are administrated by women.⁶³ Honduras has other challenges to face in terms of education such as the low coverage: 40.2% in 2009 (gross coverage) according to the Ministry of Education.

⁶¹ Idem, p.33.

⁶² However, according to PEFA there is no financial follow-up (provisions) for maintenance of public capital goods. See 4.7.3

⁶³ Idem, p.35.

Table 8: Enrolment, Gross Coverage, and Net Coverage for Secondary School Education (2006-2009)

| Data | 2006 | | | 2007 | | | 2008 | | | 2009 | | |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | F | M | T | F | M | T | F | M | T | F | M | T |
| Enrolment | 216,431 | 185,696 | 402,127 | 225,413 | 188,001 | 413,414 | 220,371 | 185,163 | 405,534 | 237,510 | 198,310 | 435,820 |
| Gross Coverage* (%) | 43.1 | 36.5 | 39.8 | 43.8 | 36.1 | 39.9 | 41.8 | 34.7 | 38.2 | 44.1 | 36.3 | 40.2 |
| Net Coverage** (%) | 18.6 | 16.1 | 17.3 | 18.3 | 15.2 | 16.7 | 18.6 | 15.6 | 17.1 | 19.9 | 16.3 | 18.1 |

Source: Datos del Departamento de Estadísticas del Ministerio de Educación, Diciembre 2010.

* Gross Coverage is the total number of students enrolled over the total number of students that should be enrolled.

** Net Coverage is the total number of students enrolled in the right age over the total number of students that should be enrolled

4.5 EQ 5 on Public Security

EQ5: To what extent has the EC approach in public security been relevant in the national context and ongoing dynamics?

Justice and public security are a focal sector for EC bilateral cooperation in the 2007-2013 CSP (not in the previous CSP), reflecting a problem which has become particularly acute over the last years. The EC has planned direct support in this field with the commitment of €9m in 2007 to the PASS (Programa de Apoyo al Sector Seguridad en Honduras). The PASS is to support the reform of the security sector through the backing of the National Security Policy and the strengthening of the main institutions of the security and justice sectors in charge and responsible for providing such services to the Honduran population, i.e. the Ministry of Security, the Public Ministry and the Supreme Court. However, only the technical assistance has been contracted so far⁶⁴ and hence nothing has been implemented on the ground.

Assessment of concrete EC results or impact in this field is hence not possible. Nevertheless, an interesting ex ante question remains as to what extent the EC strategy and approach to public security was relevant in the national context and ongoing dynamics.⁶⁵ This includes aspects of dialogue with the Government and with civil society. It also encompasses consideration of the underlying reference documents or practices on which the EC strategy and approach were based. The coherence with other EC public security programmes in Central America has further been assessed, and the use of transferable lessons and searches of synergies with these other programmes. The question has additionally verified the EC added-value in this field and the division of labour and coordination with other donors (with a focus on EU MS), and the integration of the cross-cutting issue of Gender.

⁶⁴ TA of €86,704 for launching the programme (“Asistencia Técnica de arranque al programa PASS”)

⁶⁵ The evaluation team used the term “ongoing dynamics” to refer to the events occurring during the entire 2002-2009 evaluation period.

EQ 5 on Public Security – Answer Summary Box

The EC addressed the highly relevant issue of rising insecurity in Honduras directly by designing, under the CS P2008-2012, an institutional reform programme (the PASS) targeting mainly the Ministry of Security but also the Public Ministry and the Supreme Court. In the programme, the EC took into consideration international good practices such as the recommendations of the OECD-DAC on Security System Reform (SSR). There are indications that it wished with this sectoral and three-pronged approach – prevention, law enforcement and rehabilitation- to tackle the root causes of the problem. Initially, even though the GoH was concerned with the problem of insecurity, it had not foreseen a sectoral reform programme. The EC had to engage in an intense policy dialogue which was interrupted by the political crisis in 2009. The EC has recently convinced the beneficiary institutions of the necessity to adopt a security and justice sector approach. This approach can globally be considered as relevant, but in the delicate security context of Honduras, the EC did not actively involve civil society from the start (which was also an OECD-DAC recommendation). Subsequently, some members of civil society failed to perceive the PASS as a reform programme and saw it rather as a programme to strengthen institutions that had an active role in the 2009 events; the EC has tried to address these concerns notably by establishing a dialogue with NGOs and human rights defenders.

Before considering the judgement criteria, it is worth first explaining the causes for the suspension of the PASS programme; and second describing the circumstances in which it is being resumed.

The EC Delegation in Honduras informed with respect to the non-implementation of the PASS in January 2010: “Under AIDCO Objectives 2 & 3 (and Priority 3 of the CSP) the PASS programme was halted due to the political crisis and the aggravation of the human rights situation in the country.”⁶⁶ The EC suspended its entire cooperation immediately after the beginning of the 2009 political crisis and re-established it in March 2010, several weeks after the takeover of Porfirio Lobo as the newly elected president of Honduras (*for details on the political background, see section 2.1.1*). Today, there are still tensions in the aftermath of the 2009 political crisis. To this complex political situation, a deterioration of human rights records must be added.⁶⁷ Furthermore, the PASS was conceived as a reform and an institutional-building programme, which direct beneficiaries were the institutions of the Justice and Security sector (Supreme Court, the Public Ministry -*Fiscalía*- and the Ministry of Security), i.e. institutions that had an active role in the political events of 2009.

⁶⁶ EC Delegation in Honduras, *External Assistance Management Report (EAMR)*, 22 Jan 2010, p.2

⁶⁷ *Report of the United Nations High Commissioner for Human Rights on the violations of human rights in Honduras since the coup d'état on 28 June 2009*, March 2010.

4.5.1 Causes of the problems and EC approach to public security (JC 5.1)

Under its CSP 2007-2013, the EC addressed the problem of rising insecurity in Honduras notably by designing a reform programme (the PASS) targeting the Ministry of Security but also the Public Ministry and the Supreme Court. Addressing public insecurity was highly relevant when considering that Honduras has one of the highest levels of crime and violence in the world.⁶⁸ In addition, crime and violence cost Central America around 8% of its GDP, according to a 2011 World Bank report. In Honduras, cutting the murder rate by 10% would boost income growth per capita by up to 1% a year.⁶⁹

A UNDP country evaluation informed in 2006 that crime, violence and insecurity were related to rising drug trafficking and to the phenomenon of violent crime and gangs such as the *maras*. It states that: “*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.*”⁷⁰ As mentioned above, the PASS aims precisely at reforming the Ministry of Security, in charge of managing the police, and the Public Ministry.

With the PASS the EC targeted the key institutions of the security and justice sector and adopted a three-pronged approach simultaneously addressing prevention, law enforcement and rehabilitation with a view to address the root causes of public insecurity. The need to adopt such a global approach is described in the CSP 2007-2013. In practice, out of the 10 expected results of the PASS programme, 4 are directly related to prevention and rehabilitation:

- drafting of prevention policies;
- implementation of rehabilitation policies ;
- reduction of the penitentiary population; *and*
- improvement of the living conditions in jails.

Whether this global approach will actually be able to effectively address the challenges posed by insecurity in the country is another question difficult to answer as the only EC programme in the public security sector has yet not been implemented.

Even though there is no mention of internationally-recognised good practices in the CSP, some were factored in the designing of the PASS, and the programme description (DTAs) makes a clear reference to the OECD-DAC Guidelines for Security Sector Reform (SSR).⁷¹ It is important to note that the adoption of one of these good practices namely *Co-responsibility and Inter-institutional Coordination* was problematic in the PASS programme and

⁶⁸ The UNDP provides as preliminary estimation for 2010 a rate of 72 murders per 100,000 inhabitants, the highest in the region and one of the highest in the world. In 2004 this rate was 46 murders/100,000 inhabitants. This rate would have increased 72% in 6 years.

⁶⁹ Crime and Violence in Central America – A Development Challenge, World Bank, report 56781, 1-09-2010.

⁷⁰ UNDP, *Country evaluation: The Assessment of Development Results – Honduras*, 2006, p. 36.

⁷¹ For a more detailed description of these good practices see I-5.1.3 in Annex 8.

may even have been a reason for delaying its implementation⁷² as strong confrontations among the beneficiary institutions (Supreme Court and the Executive) emerged as early as 2008 when the programme was signed and worsened over time, finally contributing to the political turmoil of mid-2009.

4.5.2 Policy dialogue conducted by the EC on public security in the country (JC 5.2)

There was an ongoing effort on the part of the previous GoH to design a National Security Plan. Since 2005, there has been a will on the part of the Honduran authorities to move away from a law-and-order policy towards a more comprehensive approach.⁷³ Yet, this global approach to the problem of insecurity is not reflected in the functioning of the relevant institutions. The policy dialogue of the EC actually focused on this necessity to adopt a sectoral approach and on the related need for the relevant institutions of the security and justice sector to coordinate themselves. Initially, the government did not want a sector wide reform programme; the Supreme Court, the Public Ministry and the Ministry of Security preferred to have three distinct projects. The negotiations with the GoH were initiated in 2007, over a year before the signing of the financial agreement. They were interrupted during the 2009 political crisis, and were taken up again after the takeover of the Lobo administration in 2010. The “perfect political timing” referred to in the Annual Action Plan 2007 was obsolete due to the change of government. Nevertheless, the new government has begun working on the design of a National Security Policy and the Minister of Security has committed himself to finalise and make public such a policy by May 2011. The UNDP is supporting the drafting of this security policy and considers this deadline realistic. Furthermore, the three beneficiary institutions of the PASS have recently begun to coordinate themselves and have agreed to sign a Memorandum of Understanding between them.⁷⁴ This achievement may be attributed to a great extent to the policy dialogue conducted by the EC. Indeed, these two actions were directly suggested by the EC to the beneficiary institutions as crucial conditions for the implementation of the PASS.⁷⁵

However, there has been limited involvement of the civil society in the dialogue on security issues whereas this is recommended by OECD-DAC with respect to Security Sector Reform. EC support to civil society efforts to create a pro-reform environment was not factored into the PASS's design. The EC's position was very difficult as heavy criticisms of the PASS programme were formulated by civil society organisations in Honduras and

⁷² An article recently published by the Security Cluster of *Initiative for Peacebuilding*, gives a similar analysis emphasizing that the PASS was properly designed, that it targeted the right institutions adopting the relevant global approach; but, at the same time, the author underlines the specific problem of poor inter-institutional coordination and the more global challenge of very weak ownership. Julia Schünemann, *Initiative for Peacebuilding*: “¿Una reforma sin apropiación?: Dilemas en el apoyo a la reforma del sector seguridad y justicia en Honduras.

⁷³ “Diagnostico de los Servicios de Prevención, Rehabilitación y Reinserción social de Personas vinculadas a Pandillas o Maras in Honduras”, *Programa Nacional de Prevención, Rehabilitación Y Reinserción Social, Unidad desconcentrada de la Presidencia de la Republica de Honduras, Septiembre 2005.*

⁷⁴ Letter addressed to the *Chargé d’Affaires* of the European Delegation by the President of the Supreme Court of Justice on December 17th 2010.

⁷⁵ This achievement, however, does not mean that the institutions now own the programme. On this question of lack of ownership see Julia Schünemann, ¿Una reforma sin apropiación?, December 2010.

abroad which were distrustful of the beneficiary institutions. The EC has reacted to these criticisms both at the level of HQ and in the Delegation notably through answering of letters and by trying to establish a dialogue with NGOs and human rights defenders explaining its reform strategy. It reassured them on the fact that no funds have been provided to those institutions but it could not convince several of them of the relevance of its approach to reforming these institutions.

4.5.3 Coordination with and complementary to other donors' cooperation in public security (JC 5.3)

Until recently, the budgets allocated by the international community to programmes of Public Security and/or Justice were very small and it was therefore easy to avoid overlaps or any other problems linked to a lack of coordination in this field. It is interesting to note that, for the same reason, there was no coordination effort on the part of the Government either. Taking into consideration the significant budget of the EC's PASS programme, a "Donors Group in the Sector of Security and Justice" was revitalised. This group was to act within the Stockholm Declaration framework which describes the mandate of the G-16 Groups of Donors in Honduras.⁷⁶

The group, coordinated by the EC in 2009 and 2010, provides a forum for constructive exchange of information and knowledge of "who does what" but has not yet given rise to harmonisation of supports. Since 2009 coordination and harmonisation have been more difficult as the participating donors have taken different positions on their support to the sector: some have backed out of justice altogether (Spain) and some have widened the scope of their involvement (IDB from justice to justice and security). The EC's PASS programme has been usefully complemented by work undertaken by the UNDP in the formulation of a National Security Policy.

4.5.4 Transfer of lessons and optimised synergies with other EC public security programmes in Central America (JC 5.4)

In its Country Strategy Paper, the EC emphasises that two of the three priorities –natural resources and public security- address issues that are also regional concerns and "are thus liable to promote Honduras's regional integration agenda."⁷⁷ There is certain coherence in the strategy documents in the sense that "Regional Governance and Security Matters" is a focal sector in the RSP 2007-2013. Nevertheless, at intervention level, the different EC documents on the PASS do not refer to any other intervention in the rest of Central America may it be in Public Security or related fields of security and/or justice. There are references to transferable lessons (general and operational) in the DTAs of the PASS but they are non-programme specific. This apparent lack of coherence at the programming level may be explained, however, by the fact that most of the funding for the two relevant focal sectors at the regional level, namely "Regional Governance and Security Matters" and

⁷⁶ After Hurricane Mitch in 1998, the international community set up a joint coordination structure to maximise the impact of the aid channeled to Central America. Concretely, in Honduras, an operational and well-structured group of 16 donors, the so-called G-16, was created.

⁷⁷ *Country Strategy Paper Honduras 2007-2013*, p. 22

“Consolidating the customs union and related harmonised and common policies” are foreseen under the second Regional Indicative Programme for the years 2011-2013.

4.5.5 Gender dimension and EC approach to public security (JC 5.5)

This cross-cutting issue is mentioned in the CSP 2007-2013 and the PASS documents. The CSP has an entire annex on gender profile (Annex IV). It further states that “the gender dimension has also been integrated in the justice and public security component of this strategy” mainly “as young women are being increasingly affected by the gang phenomenon (both as members and victims)”⁷⁸.

Nevertheless, there is no gender-related performance indicator in any of the available documents so it will be more difficult to appreciate the results of the EC strategy in this domain. In addition, none of the ten expected results of the PASS refers explicitly to this cross-cutting issue. The DTAs mention a strong presence of women in the beneficiary institutions and this has been verified to some extent during the field phase; but this does not mean that the programme integrated the gender dimension.

4.6 EQ 6 on LRRD

EQ6: To what extent did the EC interventions with respect to rehabilitation following Hurricane Mitch link relief, rehabilitation and development?

Hurricane Mitch (October/November 1998) was probably the worst natural disaster suffered by Central America in the 20th century. The EC's response involved the Humanitarian Aid Department (ECHO) and the external cooperation of the EC (in this case the then Directorates-General External Relation and EuropeAid). The action of ECHO was relief focused (although it did play a role on the rehabilitation front) and encompassed different projects for a total budget of € 39.79 million, while the external cooperation designed a medium to long-term programme of €256 million meant to contribute to rehabilitation and to sustainable development in the region. This major programme was called the Regional Programme for the Reconstruction of Central America (PRRAC) and, despite its name, consisted of four sub programmes implemented at the national level. The total budget for the sub programme Honduras was €119 million, and it led to the implementation of five main projects.⁷⁹

This programme is additionally included in the evaluation because Honduras is one of the cases where the link between relief, rehabilitation and development (LRRD) can be examined and from which lessons can be drawn for the future. The rehabilitation programme alone represents one third of total EC commitments during the evaluation period. The country is very vulnerable to natural disasters; it suffers regularly from hurricanes which are becoming more frequent and violent. Hence, the importance of disaster preparedness and the need to understand how to consolidate the country's own institutions to cope with disasters.

This question does not address the direct effectiveness or impact of the rehabilitation programme itself, which have been analysed in the general evaluation of PRRAC in 2009, but the overall effectiveness and efficiency of the LRRD approach. It assesses hereby coordination between EC interventions, and also with other donors' interventions. Furthermore it presents a structure similar to that in the Nicaragua country evaluation⁸⁰ in order to allow for comparisons between two country programmes which, although very similar, were in fact independent in their execution.

⁷⁸ Idem, p. 29.

⁷⁹ PRRAC ASAN, a large-scale hydraulic project delivered to national institutions; PRRAC AGUA-HIGIENE RURAL and PRRAC SCI, small-scale hydraulic projects delivered to local institutions; PRRAC SALED, a project in the education and health sectors; PRRAC DESAROLLO LOCAL, a training and institutional development project.

⁸⁰ Evaluation of EC cooperation with Nicaragua, ADE, 2009

EQ 6 on LRRD – Answer Summary Box

Following Hurricane Mitch, the EC intervened notably through its humanitarian office ECHO and with the “Regional Programme for the Reconstruction of Central America” (PRRAC). While ECHO focused on relief operations, the PRRAC played a key role in rehabilitation and development. However, such linkage between the different stages was hampered by the differences in institutional set-up and dynamics between ECHO and PRRAC operations. Furthermore, the PRRAC was identified and designed when the EC’s external aid was being devolved to the delegation in Managua, which did not yet have the capacity to manage such a large programme. These factors caused a gap in the global response of the EC to the hurricane and meant that there was a delay of two years between the end of ECHO operations and the beginning of the PRRAC activities. Since the mid-2000s concrete measures have been taken to remediate this situation such as an increased collaboration notably through the ECHO focal point in the Delegation. Despite these coordination efforts in the past years, linking ECHO actions with the activities undertaken under the EC’s bilateral and regional cooperation framework remains a challenge as these projects continue to have very different dynamics and timelines. Another lesson that the EC has learned from the PRRAC is the necessity to do more on disaster preparedness. In this respect, the Regional Programme for the Reduction of Vulnerability and Environmental Degradation (PREVDA) was launched as a follow-up programme notably to address this issue.

4.6.1 Concrete relations between relief operations, rehabilitation, and development programmes (JC 6.1 and JC 6.2)

The EC responded promptly to the disaster by approving its first emergency programme within ten days after the hurricane (the first ECHO aid of € 6.8 million). ECHO’s second decision (taken in December 1998 for a total of € 9.5 million) began to incorporate rehabilitation components. Even though ECHO’s intervention was focused on the emergency stage, it ended up playing a key role in rehabilitation (rehabilitation accounted for 20.4% of overall humanitarian aid); it also continued longer than planned with the EC still approving activities to complete ECHO’s Global Plan in August 2000. Despite this expanded role played by ECHO and the fact that its Global Plan considered the PRRAC as the logical continuation to its actions,⁸¹ a smooth transition did not occur. The first Financing Agreement of the PRRAC signed for the sub-programme Honduras in July 2000 does not refer to the operations financed by ECHO thus illustrating the lack of explicit synergies foreseen between these operations at the design stage. In the event, there was a delay of approximately two years between the end of ECHO operations and the first implementation phases of the PRRAC programme. This delay can be explained by three major factors:

⁸¹ “This plan [the EC Action Plan] is to guarantee the link between the emergency stage (responsibility of ECHO) and the rehabilitation stage. The key component of this Plan is the PRRAC.” ECHO, *Terms of Reference for the Evaluation of ECHO’s Aid to the Victims of Hurricane Mitch* ECHO/EVA/210/2000/01007, p.2.

- The difficulty of articulating relief, rehabilitation and development projects that do not have the same dynamics and timeline, with additional coordinating difficulties originating from a relief and emergency context.⁸²
- The fact that ECHO and PRRAC operations were managed under different administrative umbrellas, which prevented the establishment of concrete and constructive relations between the stages of rehabilitation and development. For example, the identification work done by ECHO could not be capitalised upon under the PRRAC projects because they were managed by different administrative units who did not cooperate closely.⁸³
- Finally, difficulties stemming from the fact that the EC was undergoing a process of devolution of its external assistance with management responsibilities being transferred from HQs to the Regional Delegation in Managua. An innovative structure had to be put in place at the level of the Delegation to manage the PRRAC and it was not yet prepared to implement such a large programme.

Since the mid-2000s, efforts have been made to increase collaboration between ECHO and the EC Delegations in the region notably by putting ECHO focal points in all the delegations in Central America. Furthermore, ECHO submit the project proposals it receives for disaster preparedness projects to the evaluation of the delegations. According to members from both institutions, this collaboration on DIPECHO projects has been beneficial in terms of knowing who does what. At the level of Honduras, although there is now a better information flow between the different EC services, it has not yet resulted in joint actions or even in creating synergies between projects funded by the different instruments and managed by the different services. A few exceptions were however noted, such as the initiative to coordinate the disaster preparedness project of ECHO in the Patuca basin with the FORCUENCAS project.

4.6.2 Rehabilitation operations and the issue of disaster preparedness (JC 6.3)

While the EC acknowledged the need to pay special attention to disaster preparedness in its policy and included this issue in the design of the PRRAC programme, such weight was not reflected at the implementation level. The 2001 EC Communication on LRRD mentions that the pursuit of linkage is not simply a matter of ensuring a smooth transition from emergency to development assistance and that it must be seen as part of an integrated approach towards preventing crises and disasters, in particular through disaster preparedness.⁸⁴ One of the three specific objectives of the PRRAC is: “the preparation and

⁸² In this respect, ECHO emphasized that it has been easier to collaborate when the more flexible Instrument for Stability was used.

⁸³ An evaluation of ECHO's aid to the victims of Hurricane Mitch conducted in 2001 describes in this respect: “Linking emergency and development remains a dead letter as long as ECHO and development agencies within the EU, especially PRRAC, keep on operating under separate administrative umbrellas.[...] This is especially true for the rehabilitation, and water & sanitation sector. In these cases (administrative) integration of ECHO or at least strong inter-co-operation with the development services of the EU is strongly recommended.” Source: *Quest-Consult, Post-Mitch ECHO evaluation, Global Plans 1998, 1999 and 2000: Rehabilitation Sector, 2001, p. iv.*

⁸⁴ *EC, Communication from the EC to the Council and the Parliament on Linking Relief, Rehabilitation and Development – An assessment, COM(2001) 153 final, 23.04.2001; p. 6*

launching of the normative framework of risk prevention and reducing the impact of these types of natural disasters". But, at the implementation level, the PRRAC projects in general had a "risk management" component that was very weak: it was mentioned as a cross-cutting issue with no concrete actions planned in the domain.⁸⁵ This lack of emphasis put on risk prevention combined with the fact that none of the PRRAC projects had a regional vision was perceived by EC officials as a missed opportunity in the sense that risk preparedness is especially relevant at the regional level.⁸⁶ Nevertheless, the EC has tried to remediate this missed opportunity by designing a regional follow-up programme on Reduction of Vulnerability and Environmental Degradation (PREVDA). This programme will further be discussed under JC 6.5.

4.6.3 Coordination between rehabilitation interventions and other donors' interventions (focusing on EU MS) (JC 6.4)

After Hurricane Mitch in 1998, the international community set up a joint coordination structure to maximise the impact of the aid to be delivered to Central America. Concretely, an operational and well-structured group of 16 donors -the so-called G-16- was created. The existence of such a structure has helped the EC in its effort to coordinate its programme with those of other donors. In its 1999 Communication to the Council and the European Parliament introducing the PRRAC, the EC specified that the programme's areas of intervention and content were determined according to four criteria, one of them being "*the existence of other projects by the Community, the Member States or other donors.*"⁸⁷ The final 2009 evaluation of the PRRAC argued that the EC should have played a more influential role within the donors' group (by being a member of the Monitoring Group for example).⁸⁸ Nevertheless, there was good coordination between the EC and other donors immediately after the disaster, defining both geographic and thematic areas of intervention.⁸⁹ Such coordination allowed major contradictions or duplications during the implementation phase to be avoided but it was not sufficiently strong to plan synergies between other donors' interventions and PRRAC's projects in general. These synergies when they occurred happened rather on an *ad hoc* basis.⁹⁰

⁸⁵ This observation, however, does not apply to the PRRAC *Desarrollo local* which had as one of its objectives the strengthening of the government body in charge of disaster preparedness and risk prevention COPECO (*Comisión Permanente de Contingencias*).

⁸⁶ An EC staff member explains in this respect: "[A]n opportunity was lost to strengthen the regional integration in the sectors of risks management, protection of the environment, and management of water resources where such integration is so relevant."

⁸⁷ EC, *Communication from the EC to the Council and the Parliament on a Community Action Plan for the Reconstruction of Central America*, COM(1999)201, 28.04.1999; p. 8.

⁸⁸ *Transtec-Sher, Global Evaluation of the Regional Programme for Reconstruction in Central America (PRRAC), July 2009, p.21*. The Monitoring Group was made up of Germany, Canada, Spain, Sweden, the United States and Japan.

⁸⁹ *Idem*, p. 69.

⁹⁰ For example, as a result of the EC and Italian Cooperation joining efforts, the number of beneficiaries of the La Vega water treatment plant in Tegucigalpa could be substantially increased without having to increase funding.

4.6.4 Sustainability of rehabilitation and development interventions (JC 6.5)

The centralised management modality (as opposed to decentralised management where implementation tasks such as finances and contracts are delegated to third countries) which was selected for implementing the majority of the PRRAC projects did not favour dialogue with either national authorities or civil society. The sustainability of the EC supported interventions was further undermined by the fact that a majority of the projects (90% of the total budget) were manned and managed by PMUs with virtually no capacity building of national institutions.⁹¹ Even though such choice may have been motivated by the fact that governments of the regions were overwhelmed in the aftermath of the hurricane, more attention should have been given to the capacity of national institutions. The EC acknowledges in its CSP 2007-2013 that this is a lesson to be learned from the PRRAC: “As to the PRRAC, one of the most important lessons is that such programmes should include a component specifically designed to assist and strengthen the public institutions responsible for long-term sector strategies.”⁹²

The EC continues to support the same sectors where the PRRAC was active and has funded a follow-up programme (PREVDA). It is, for instance, still supporting the water sector. The rural communities which have benefitted from PRRAC-AGUA have asked for their files to now be managed within the framework of FORCUENCAS. The PREVDA programme is to address this issue of sustainability notably by intervening at the political and organisational level in order to strengthen the management of risk, the protection of the environment and the management of water.

⁹¹ An EC staff member wished to emphasise that there were also examples of good experiences with heads of PMUs working in close collaboration with local authorities. This was the case in Honduras with the PRRAC *Desarrollo local*.

⁹² *Country Strategy Paper Honduras 2007-2013*, p.19.

4.7 EQ 7 on Budget Support

EQ7: To what extent have the EC's interventions through Budget Support been adapted to the national context, and to what extent have they contributed to strengthening the framework for public policy and expenditure?

This question focuses on the adaptation of the instrument to the Honduran macroeconomic, political and administrative context, using Step 1 of the methodology for the evaluation of budget support (BS) presented in the Issue Paper of May 2008 (*Methodologies for Evaluations of Budget Support Operations at Country level*, by E.Caputo (DRN), A.Lawson (ODI), M.v.d.Linde (ECORYS)). As explained in section 3.3 above, Step 1 of the methodology covers the first three levels of the evaluation framework as follows: (i) GBS/SBS inputs by donors defined as including funds, policy dialogue, conditionality, technical assistance/capacity building (TA/CB), alignment to government policies and systems, harmonisation between donors, (ii) direct outputs (improvements expected in relationship between external assistance and the national budget and policy processes), and (iii) induced outputs (positive changes expected in the financing and institutional framework for public spending and public policy, and consequent improvements in public policy management and service delivery). Step 1 thus excludes the appreciation of outcomes (level 4) and impacts (Level 5).

There are, presently, three cases of budget support in Honduras, two of which were approved during the 2002-2006 period, and one corresponds to the CSP 2007-2013 (APERP):

- **PROADES:** commitment approved in 2004 for €34m sector budget support to **decentralisation**,
- **PASAH:** commitment also approved in 2004 for a €14m sector budget support to **food security**, and
- **APERP:** a commitment approved in 2008 for a €60.5m general budget support to the **PRSP** in the field of education and health.

EQ 7 on Budget Support – Answer Summary Box

The EC used budget support in a difficult economic, political and administrative context. It reacted to this environment with a mixture of rigour and flexibility. The EC showed flexibility in particular by (i) adapting its procedures to the political and economic context evolutions (in APERP, PROADES and PASAH), (ii) adapting the ATI functioning to the local situation (in PROADES and PASAH), and (iii) adapting the calendar and conditions of APERP/APN to the Government's new decentralisation policy.

Disbursements did not reach their potential amounts due to the deterioration of the macroeconomic situation and the partial fulfilment of sector goals. After the 2009 political crisis, cooperation with the GoH (and thus budget support) was halted altogether. Therefore the total disbursement rate was low at the end of the 2002-2009 evaluation period: 51%⁹³.

The induced outputs of the budget support concerned their effect on the framework for

⁹³ For PROADES and PASAH, total commitments and disbursements (excluding ITA) were the following:

| | Committed (million €) | Disbursed (million €) |
|---------|-----------------------|-----------------------|
| PROADES | 32 | 16.4 |
| PASAH | 12.4 | 6.1 |
| TOTAL | 44.4 | 22.5 |

EQ 7 on Budget Support – Answer Summary Box

public policy and expenditures which was strong in one case (PASAH) and weak in the other (PROADES):

- Although a public financial management (PFM) indicator was included in two of the BS programmes, improvement of PFM was not directly supported by the two sector budget supports. During the period PFM performance was mixed: improvement from 2002 to 2007 was followed by deterioration between 2007 and 2009. Through the policy dialogue linked to the implementation of the PASAH, the EC contributed to improving inter-ministerial coordination and budget allocation to food security.
- Because of the discontinuation of the decentralisation policy from 2008 to 2009, PROADES became partially obsolete and policy dialogue had little effect. However the importance of decentralisation rose again since 2010.
- The policy dialogue conducted through PASAH had an important effect on the policy strategy of the GoH on food security (i) by supporting the drafting of a new law on food security, (ii) by encouraging consultation and coordination at all levels, (iii) by improving institutional organisation on food security, and (iv) by supporting the technical organisation of a conditional cash transfer system.

4.7.1 Adaptation to the national context (JC 7.1)

The EC budget support interventions have on the whole been regularly adapted to the macroeconomic and national policy and political context. The main elements that can be highlighted are the following:

- The Central Government deficit, which averaged 5.2% of GDP from 2000 to 2004, declined sharply thereafter and was nil in 2006. However it began to rise rapidly again, reaching 4.5% of GDP in 2008 and 6.5% in 2009, a year of acute political and economic crisis. From 2007 to 2009 the deficit moved from € 85.7m to € 681.2m, an 8-fold increase in only two years. Despite this rather high deficit level reached in 2009, Honduras had no major external indebtedness problem, but a high internal debt (especially towards national pension funds) and a serious problem of budget orientation, with excess weight given to current expenditure over capital expenditure, and an excess weight of wages and salaries within current expenditure. In this context, the EC budget support programme⁹⁴ which could have represented a maximum of 18% of the deficit in 2007 (if all commitments had been disbursed) only represented 4% of the deficit in 2008 and 0.6% in 2009⁹⁵. From a strict macroeconomic point of view it therefore had little significance⁹⁶.

⁹⁴ The total disbursements committed (not effectively disbursed) by PASAH and PROADES were €15.5m in 2007, €14.9m in 2008 and €4m in 2009.

⁹⁵ These figures are calculated taking into account the disbursements initially committed for these 3 years and not the amounts effectively disbursed.

⁹⁶ These same figures would have represented 4% of the budget of capital expenditure in 2007, but much less than one percent in 2009. See Annex 7, I-7.1.2.

- In Honduras, budget support interventions were designed to support precise policies (poverty reduction strategy - PRS, decentralisation, food security) but the political anchorage of these policies proved with hindsight to be rather weak:
 - The PRS, which seemed firmly accepted in 2001, did not enjoy the same priority at the end of Zelayas' government. The present Lobo government put forward a "*Visión de País 2038*" and a "*Plan de Nación*" which contains elements of a PRS⁹⁷.
 - The decentralisation policy was never fully accepted even by the Maduro administration and was quickly set aside by the following government (Zelaya). In 2010 the Lobo administration designed a new "strategic plan" called "*Plan Estratégico 2010-2014 Descentralización para el desarrollo local en el marco de la visión de país 2038*". However it is still too early to appreciate its importance.
 - The food security policy was hardly coherent at the beginning of the Maduro government when PASAH was being set up, but soon became a priority and was confirmed as such by the Zelaya government. The last period, starting in 2010, corresponds again to a high priority given to Food Security. Its present status has been reinforced and a law on food security has been passed in March 2011. This is a clear State policy.
- International Technical Assistance (ITA) was especially important because, according to PEFA⁹⁸, to different WB and other documents⁹⁹ and to staff from the GoH and donors, there was a serious problem of administrative capacity in Honduras. The radical turnover of administrative and technical staff with each new government and the absence of a civil service system based on merit leads Honduras to "*score below average on all the qualitative indicators developed by the IDB, indicating serious deficiencies in most areas of human resource management.*"¹⁰⁰ As a consequence "*the BS modality is experiencing considerable difficulties in Honduras due to the GoH's limited ability to correctly manage this type of intervention and generalised institutional weaknesses*".¹⁰¹ High quality technical assistance was provided (although late) and was well adapted to the national context (see 4.7.5)..
- Up to a certain point the risk factor related to political instability, to lack of continuity of public policies, and to a lack of a common donor approach or strategy, was taken into account by the EC (see 4.7.2).

⁹⁷ These two long term plans, the first with a 28-year horizon and the second only 12 years, were agreed on between the two main political parties (Liberal and National) just before the November 2009 presidential election. The EC is supporting this new plan through APERP. An addenda to the FA was signed in October 2010 and a first disbursement of €14m was decided in November.

⁹⁸ Honduras: Evaluación del Desempeño del Gasto Público y la Rendición de cuentas (PEFA) – Gestión de las Finanzas Públicas, Informe Preliminar, Versión 2, 18 de diciembre 2008.

⁹⁹ See for example: "Strengthening performance accountability in Honduras", WB, 2009; "Honduras – Public Expenditure Review", Vol I and II, WB, November 19, 2007, Report No 39251-HO; "Honduras – Difficile émergence d'une nation, d'un état", André-Marcel d'Ans, Ed. Karthala, 1997.

¹⁰⁰ Such as planning, job organisation, employment management, performance management, compensation, career development, and human and social relations. See "Strengthening performance..." Op. cit. p.20.

¹⁰¹ EARN 2007: p.3.

4.7.2 Implementation (JC 7.2)

The **national context** was characterised by a weak administrative capacity, a general institutional weakness, and the lack of a strong and coherent political project. With these structural issues, Budget Support has inevitably faced problems in attaining agreed targets. These difficulties were aggravated by three other causes in 2008 and 2009 which affected the payment conditions and overall cooperation:

- A shift in public policy away from decentralisation since 2008 gave PROADES little relevance.
- The deterioration, since 2008, of the international economic context and of the Honduran economic policy led to the multilateral donors suspending budget support in September 2008.
- The political events of June 2009, which provoked the interruption of cooperation of most countries - the EC resumed its cooperation in March 2010.

The adaptation of EC budget support to this situation and events has been mixed.

At the design level, policy dialogue has been good in all three programmes but the GoH did not show a strong negotiating will. According to EC sources: procedures, conditions and targets of BS were accepted with little discussion but they were not always well understood¹⁰².

On the question of **risk** during the preparation phase, APERP's financial agreement took into account the **political risk** and asked to proceed to a political risk evaluation of each indicator. Some preparatory documents of PROADES stress the political risk¹⁰³ and suggest a close monitoring of PFM during the implementation phase. Regarding the **policy risk**, PROADES preparatory documents clearly acknowledged it. Generally, the preparation phase of BS programmes takes full account of the risks involving these programmes but suggests few practical solutions¹⁰⁴.

¹⁰² The system of fixed and variable tranches, indicators and objectives is sometimes complex but considerable progress has been made recently in order to simplify indicators/conditions: these are now less numerous (although APERP VT includes 13 indicators), simpler and more reliable than before. But the modality, because of its many indicators, still requires a good system of accounting, monitoring and reporting that may be missing, especially at a local level. See for example VT indicators/conditions 5 and 8 of PROADES, or 3, 4 and 5 of PASAH. When receiving the first PROADES FT disbursement, SEFIN acknowledged it by introducing a "PROADES" line in the income budget. It promptly introduced a similar "PROADES" line in the expenditure budget. See Annex 8, I-7.2.1.

¹⁰³ The political risk is the risk of social unrest, interruption of the constitutional order, etc. linked to political reasons. The policy risk is the risk that a new government decides to change the policy which is supported by a BS programme. The fiduciary risk is the risk of embezzlement of donor's funds.

¹⁰⁴ However, at the moment of approval of PASAH and PROADES (2004) Honduras was enjoying a long period of political stability (civil governments regularly elected since 1981) and had also experienced a period of relative economic stability (slow growth and one digit inflation) since 2000. The first warnings of problems linked to economic policy management came in late 2007 and the country was off-track of the IMF stand-by agreement in September 2008.

At the implementation level, the situation of each of the three BS programmes was the following:

APERP's Financial Agreement was signed in December 2009 without defining indicators and conditions in order to follow negotiations with the newly-elected government which was installed at the end of January 2010.

These negotiations started in August 2010. In November a new addendum was signed changing APERP into APN (Apoyo al Plan Nación), defining a new disbursement calendar¹⁰⁵ and establishing a set of conditions and targets for the fixed and variable tranches. In December 2010, the first FT disbursement (€14m) was approved.

This illustrates the adaptation of the APERP budget support procedures to the national context and to the exceptional political circumstances.

PROADES was confronted with the deterioration of the country's financial position (budget deficit and international reserves) and the abandonment of the decentralisation policy, which led to a rather low level of disbursement (€16.4m out of €32m or 51%).

PROADES was supported by a consultation and monitoring committee (FTD) composed of representatives of GoH, donors and civil society¹⁰⁶. This committee guaranteed donor's coordination on decentralisation policy.

A new addendum was signed at the end of 2010 to organise the conditions and disbursement calendar of the €15.6m not approved during the main phase. This will consist of a FT of €5.6m in 2011 and two VTs of €5m each in 2012 and 2013.

PASAH was confronted with unfulfilled macro-economic conditions, unattained target indicators, and the decision to suspend all disbursements after the 2009 events, which resulted also in a low level of disbursement between 2006 and 2010 (€6.1m out of €12.4m or 49%). The main phase of the programme ended in December 2010 and a phasing-out is planned to start in 2011. A new addendum was signed in 2010 with the present government in order to organise the conditions and disbursement calendar of the €3.6m not approved during the main phase, plus the €2m initially planned for the 2-year phasing-out period.

¹⁰⁵ This calendar includes one FT disbursement in 2010 (€14m) and four VT disbursements totaling €45.1m, from 2011 to 2014.

¹⁰⁶ The 'Foro Tripartito de Descentralización' (FTD) monitored the public policy on decentralization. It was inactive after June 2009 during the interruption of cooperation, but met twice in 2010.

On the implementation difficulties in PROADES and PASAH relating to the changing macroeconomic and political contexts, the following elements may be highlighted:

- The EC followed the deteriorating macroeconomic situation in Honduras and its risks to the BS programmes. An internal "Early Warning" Note on Budget Support dated 14 May 2009 stated for instance that “there are grounds for serious doubt that the Government of Honduras (GoH) will fulfil the eligibility criteria for disbursement”.
- Three Fixed Tranches out of seven could not be disbursed because the macroeconomic conditions were not fulfilled. All four Variable Tranches (VT) were only partially disbursed because some targets were not or partially attained¹⁰⁷.
- Half of the disbursements were made late¹⁰⁸, mostly for reasons linked to administrative problems on the beneficiary side. It affected the predictability of the BS programmes.
- Because of the uncertainty on the macro situation since 2007, the VT disbursements took place in the same year as the macroeconomic assessment. Therefore these disbursements were not included in the budget proforma (budget proposal before the execution period) and were subject to budget extensions¹⁰⁹. This reflected short term necessities, which should be lifted as soon as the country regains macroeconomic stability because it hinders predictability, an adequate planning of the budget execution, and a scrutiny by Parliament of a realistic budget proposal.
- After the 2002-2009 evaluation period, at the end of 2010, the EC decided to re-programme all remnant funds from the unpaid variable and fixed tranches from both PROADES and PASAH.

¹⁰⁷ The FT that were not approved because of macroeconomic conditions were PROADES FT3 (€3m) and FT4 (€3m), and PASAH FT3 (€1,5m). The VT approved were:

| | | | |
|---------|-----|---------------|--------------|
| PASAH | VT1 | 45% disbursed | Out of €2.5m |
| | VT2 | 80% | 3.4m |
| PROADES | VT1 | 65% | 7.0m |
| | VT2 | 55% | 7.0m |

¹⁰⁸ More precisely, out of eight disbursements from 2005 to 2009, four were disbursed on time (PROADES FT1 and FT2, PASAH FT1 and FT2) and four were late (PROADES VT1, VT2, PASAH VT1, VT2). However the “timely” PASAH FT disbursements were executed in December, at the very end of the budget year..

¹⁰⁹ However, from 2007 to 2010 the budget was presented with considerable delay to the parliament, or not presented at all. Besides, one of the strong recommendations of the IMF in the stand-by arrangement of October 2010, was that the GoH should incorporate external donor commitments in the budget presented to Parliament. Between 2007 and 2009 the increases added during the execution period of the budget represented between 22 and 27% of the initial budget.

4.7.3 PFM improvement (JC 7.3)

The PFM performance

There were clearly three different periods in the PFM performance.

1. According to the last PEFA, **PFM in Honduras has improved from 2003 to 2007** (the time span of PEFA) and started from a very low level.

In order to evaluate PFM performance, the PEFA method uses six main (or high level) indicators, which each contain between two and nine different criteria, and each criterion is given a performance mark. The following table shows the results for the last two PEFA evaluations of Honduras, as a percentage (0 is worst, 100 is best)¹¹⁰.

Table 9: Evolution of PEFA evaluation results

| Indicator | No of criteria | 2005 (%) | 2008 (%) |
|---|----------------|----------|----------|
| 1. Budget is credible | 4 | 50 | 72 |
| 2. Information is significant and transparent | 6 | 57.5 | 42 |
| 3. Budget is based on policies | 2 | 44 | 69 |
| 4. Budget is predictable and controlled | 9 | 37.5 | 51 |
| 5. Accounts, registration and reports | 4 | 53 | 50 |
| 6. Legislative control and external audit | 3 | 29 | 46 |
| 7. Donors practices | 3 | n.d. | 37.5 |

The 2008 evaluation gives a higher mark than the previous one (2005) for four out of six indicators. More importantly, both evaluations almost concur in that the worst indicator is the legislative control and external audit: public finance is scarcely checked and Parliament does not play its part. According to the 2008 PEFA, budget credibility is good (the budget is realistic and is executed according to schedule), while the amount, significance and transparency of budgetary information are still insufficient¹¹¹.

Another noticeable result is the bad mark (the second worst) for **donor practices**: disbursements are unpredictable, information offered by donors on their programmes is scarce, and application of national rules by donors is rather exceptional.

The PEFA report concludes that the progress made during those five years in reforming the PFM system is significant, and that in consequence PFM is more cautious and disciplined. The main elements outlined by the report are the following:

- Subsystems of financial programming, budget execution and accounting have been integrated, modernized and centralized.
- Execution and control of disbursements are more effective and public expenditure is more transparent.
- A unique treasury account has been established in 2006.

¹¹⁰ Use of percentages responds to a reading facility. Scale from 1 to 4 has been converted to a scale from 0 to 100 (0 is 1- while 100 is 4+, 50 is 2+).

¹¹¹ However the budgets (income and expenditure) can be consulted on the internet at three different levels (up until 2009): (i) budget approved by Parliament, (ii) budget extension during the execution phase, (iii) budget really executed. The 2011 budget was made available in December 2010.

On the negative side, the main PEFA findings that have immediate consequences for international cooperation are the following:

- Information on external aid is incomplete, fragmented and outdated
 - There is no strategic planning of public investment (no long term prevision on what should be financed).
 - There is no financial follow-up (provisions) for maintenance of public capital goods.
 - Some weaknesses still remain in the information and in the public procurement system that renders difficult the execution of public projects.
2. **From 2007 to 2009 PFM has clearly deteriorated**, as shown by many sources. The budget was not sent to Parliament in time in 2007, 2008 or 2009.¹¹² The CPIA (Country Policy and Institutional Management) evaluation of the “Public Management and Institutions” cluster shows that the result for Honduras has been worsening since 2007¹¹³. As a consequence, four donors (Germany, Sweden, World Bank and IBD) suspended their budget support at the end of 2008, before the political crisis of June 2009¹¹⁴.
3. **Since 2010 some PFM aspects have improved**, such as the timely presentation of the 2011 budget in the Parliament and its discussion, and an improvement in the composition of the public debt through loans from IDB and WB¹¹⁵.

EC role

The EC's influence on this mixed performance was found at two levels:

1. The two sector BS programmes were oriented towards an improvement of sector policies on food security and decentralisation (see section 4.7.4). They each included an indicator on PFM improvement but did not consider precise instruments in order to attain this objective. For example, the EC did not participate in a PFM training programme organized by the WB and the IDB for Honduran officials. Therefore the influence of the two sector BS programmes was probably limited to an indirect incentive through discussions with SEFIN on the PFM indicator (in the case of PASAH) and through conditionality. However it must be stressed that the **policy dialogue** conducted through PASAH helped

¹¹² Source: “Early Warning on Budget Support” by DELHon from May 14, 2009 - reuniones y notas – Proades2

¹¹³ The CPIA (Country Policy and Institutional Management) is divided in four clusters. Cluster number three refers to “Public Management and Institutions”. A mark from one (low) to six (high) is given, founded on the five main criteria.

Results for Honduras are the following :

| | |
|------|-----|
| 2005 | 3.5 |
| 2006 | 3.5 |
| 2007 | 3.5 |
| 2008 | 3.4 |
| 2009 | 3.3 |

This puts Honduras at about the same level as countries such as Bolivia, Nicaragua, Sri Lanka, Ethiopia, Benin, Mozambique or Mongolia. See Annex 8 JC 7.3

¹¹⁴ See “EC Mid-Term Review of the country strategy for 2007-2013 – Honduras”, 2010, p.10.

¹¹⁵ See IMF Request for a Stand-By Arrangement, October 2010.

improve the inter-ministerial coordination and increase the budget of the public institutions dedicated to food security. Also, the EC aimed at improving directly the public administration through two technical assistance programmes: PRAP committed in 2002 and PAAPIR committed in 2008¹¹⁶.

2. At a more general level the results of the PEFA evaluation organised by the EC in 2008-2009 were published in October 2010 by SEFIN and thus can now represent the base line of a future monitoring of the PFM progress. This publication is certainly an improvement in the transparency of PFM.

4.7.4 Support to public policies and policy dialogue (JC 7.4)

The two BS programmes implemented (PROADES and PASAH) offer very different results and will be analysed separately.

PROADES was designed to support the decentralisation policy through support to PRODEL (a public decentralisation programme) and the Secretary of Government and Justice (SGJ). As decentralisation progressively ceased to be a priority for the GoH from 2007 onwards, the EC's Budget support to decentralisation and its associated policy dialogue also lost impetus. With little progress being made in reaching the pre-agreed target indicators, no more than half the funds could effectively be disbursed. Concomitantly, budget allocations to SGJ and PRODEL¹¹⁷ remained low. Public decentralisation policy was increasingly inadequate and ineffective. However, as will be seen, PROADES had a longer term effect by improving information and analysis available in Honduras on decentralisation and thus preparing the present sector policy.

PASAH, supported by a State policy on food security, started with the first PRS before 2004. Despite delayed and low disbursement due to the targets not being reached (no more than 36% of funds committed had been disbursed before June 2010), a very effective **policy dialogue** took place and helped improving both the policy design and its implementation as follows (see also 4.3.3):

- Policy design:
 - Helping to draft the National Strategy on Food and Nutritional Security (2010)
 - Supporting the preparation of the law on FS which was passed in March 2011.
- Implementation of policy:
 - Supporting coordination between all actors involved in FS (public sector, civil society and external donors)
 - Designing an instrument to focus a conditional cash transfer programme towards the poorest.

¹¹⁶ PRAP (Apoyo a la Modernización de la Administración Pública en Honduras) and PAAPIR (Programa de Apoyo a la Administración Pública y a la Integración Regional) were not included in the sample of interventions for analysis in this evaluation. See section 3.2.

¹¹⁷ A fundamental principle of non-targeted budget support is that the budgetary allocation between sectors or ministries should respect Government priorities. Therefore SBS disbursements do not provoke an automatic increase in the sectoral budget. Because funds are transferred to the general Treasury Account, are managed by the Minister of Finance, and normally respect the budget allocation proposed by Government and agreed by Parliament, the sectoral Ministry does not always "see" the funds and may well not "feel" any difference in financial terms.

4.7.5 International Technical Assistance (JC 7.3 and JC 7.4)

On the adequacy of ITA and results obtained, the following elements may be highlighted.

- For the reasons stressed in 4.7.1 and linked to the Honduran context (lack of administrative capacity), technical assistance was important in both budget support programmes. In PASAH this assistance was provided by a team of two experts which on the one hand supported the planning in 44 municipalities for sustainable management of natural resources and the preparation and follow-up of small productive projects. On the other hand, at a central level, the team supported improvements in policy design, drafting a new law on food security, the design of a new system of information and indicators, etc¹¹⁸. The ITA team in PROADES was composed of three experts and their work was mainly focused on decentralisation policies, municipal tax system and municipal planning.
- Both technical assistance programmes began late. PROADES ITA began almost three years after the beginning of the Budget Support¹¹⁹ in a moment when the political interest on decentralisation was very low and thus little could be done to improve the effectiveness of PROADES. In the case of PASAH the ITA team arrived in July 2008, more than a year after the official implementation of the programme and a year and a half after the first disbursement (December 2006). This provoked a considerable delay in the PASAH implementation because little had been done before the beginning of the ITA, both at the central level (at policy, legislative and administrative levels, on coordination, resource allocation to food security, etc.) and at the field level.
- According to GoH and EC sources, both ITA teams were of very good quality and adequate in terms of professional skills. However the PROADES team should have had previous experience in budget support.
- All cooperation activities were halted after June 2009 for more than a year. Both teams devoted time to studies and analysis which proved useful when the programmes were resumed¹²⁰.
- According to sources from the GoH, both ITA teams were useful, not only for their capacities, but also in providing information and continuity at each change of government so that memory and past efforts would not be lost. It is stressed that in a weak State, ITA teams have an important role to play in facilitating transitions, in addition to capacity building.
- Even though both BS had low disbursement rates (49% for PASAH and 51% for PROADES) and good ITA, very different achievements were attained for the reasons described below.

These two ITA programmes were very different in terms of effectiveness. While PASAH achieved concrete, useful and immediately applicable results, PROADES did not share the

¹¹⁸ Section 4.3.3 provides a list of the main results obtained by the PASAH ATI.

¹¹⁹ The PROADES first FT was disbursed in August 2005 and the ITA mission started in May 2008. See *Evaluación Global de PROADES*, 2010, p. 6.

¹²⁰ The PASAH ATI team prepared in 2009 the first report in Honduras on the present situation of food and nutritional security. This report was endorsed and published by the GoH in 2010.

same success from 2005 to 2009. However some of the ITA team's outputs are now being used to prepare the present decentralisation plan (APN).

The following table illustrates the main reasons of these differences in achievements.

| PASAH | PROADES |
|---|--|
| Supported a State policy common to three successive governments and which is still gaining political importance | Supported a policy which was never fully agreed on and which was abandoned between 2007 and 2009 |
| Was attached to a Secretary (SP) influential on the political scene | Was attached to a Secretary (SJG) weak on the political scene |
| ITA team was located inside the Ministry, close to the levels of decision | ITA team was located in a different building from the SJG |

4.8 EQ 8 on Aid Modalities

EQ8: *To what extent were the chosen EC aid modalities adequate in the national context?*

This Evaluation Question aims at assessing the overall adequateness of the (mix of) aid modalities chosen for EC cooperation in Honduras. In this exercise the evaluators apply the term 'aid modality' to a variety of cases, including for instance project and budget approaches; centralised, decentralised or delegated management; and geographical or thematic budget lines. The assessment is based on a study at the level of individual interventions selected for the desk and field phases.

EQ 8 on Aid Modalities – Answer Summary Box

A variety of 'aid modalities' were used in the EC's cooperation with Honduras, reflecting the possibilities in the specific situation and time in which the interventions were initiated and the possibilities offered by EC financial instruments of that time. Budget support was the preferred vehicle for aid delivery during the period. Overall, the choice of EC aid modalities at the time of decision can be considered as adequate with regard to the context of intervention for all project approaches examined. The sector budget support modality was further a success factor for aid in food security. Regarding the sector budget support to the decentralisation policy, few results have been obtained owing mainly to the discontinuation of this policy; but it is difficult to conclude on the adequacy of the modality. In the global budget support it is too early to have a clear view as it was launched recently.

4.8.1 Situation: a mix of modalities (JC 8.4)

Overall, a variety of 'aid modalities' was used in Honduras over the evaluation period, as presented schematically in the figure below. In addition, the inventory in Annex 3 provides an overview of all financial instruments used.

Figure 7: EC management modalities in Honduras¹²¹

| Management modalities | | | EC Budget Lines | | |
|--------------------------|------------------------------|--------------------|---|---|--|
| | | | Key Interventions | Bilateral coop. (ALA) | Thematic coop. (thematic BLs) |
| Project Approach | Direct Centralised Mgt | Previously: w. PMU | PRRAC 2000 FORCUEN. 2001 | Bosques y Agua, etc. (through calls for proposals) | (out of scope) (e.g. PREVDA, ZONAF, PRESANCA, Binacional) |
| | | Now: EUD direct | / | | |
| | Indirect Central. Mgt | through EU MS | / | / | / |
| | Decentral. Mgt (by benefic.) | Previously: w. POA | FORCUEN. 2003 PRAEMHO 2003 PROCORR. 2006 PASS 2007 | / | n.a. |
| | | Now: w. DP | / | / | n.a. |
| Joint mgt | through Int'l Org. | / | FAO-Semilla 2003 | / | |
| Sector / Global approach | Direct Centralised Mgt | Sector BS | PROADES 2004 | PASAH 2004 | n.a. |
| | | General BS | APERP 2009 | / | n.a. |
| | Decentral. Mgt | Basket Funding | / | EFA 2006 | n.a. |

4.8.2 Rationale for the choice of aid modalities (JC 8.2 and 8.3)

The observed mix of modalities is a consequence of a variety of situations and considerations. In general, it did not really owe to a deliberate willingness to have a variety of aid modalities in the country, for instance with a view to spreading risks or strengthening different kinds of implementing partners. For all interventions examined, it reflected essentially the possibilities in the specific situation and time in which the interventions were to take place, the objectives pursued and the possibilities with the EC financial instruments of that time.

A recurrent theme in the cooperation was that budget support was the 'first option' aid modality. Budget support was considered as the preferred vehicle for aid delivery by the EC in its cooperation with Honduras whenever it was possible. This was fully coherent with the 2005 European Consensus on Development and an internationally agreed principle laid down in the 2008 Accra Agenda for Action. Budget support represented 43 percent of all commitments (excluding PRRAC) during the evaluation period. Other modalities were used notably when BS was impossible (e.g. without a sector policy there could be no sector budget support, such as in the area of vocational training) or when it was clearly inappropriate (e.g. for reasons relating to the GoH policy such as in public security¹²²).

¹²¹ The complexity of EC modalities and their evolution has been simplified where needed.

¹²² Cf. 2007-2013 CSP

Coordination with other donors was limited with regard to aid modalities. While coordination on *interventions* took place in some sectors, to varying degrees, there is little evidence of coordination on *aid modalities* as such. Few examples have been found where the EC analysed aid delivery options via non-EC modalities, such as notably through United Nations bodies, the World Bank or EU Member States (*see Figure 7 above*).¹²³ Following this, three noteworthy exceptions are to be noted: (i) the EC supported local seed production in a context of Hurricane Mitch-recovery by funding a successful FAO project; (ii) the support to the Education for All (EFA) initiative through basket funding; and (iii) the PASS for which the GoH is able to benefit from EU MS' technical assistance in the sector of public security.

Overall, the choice of EC aid modalities at the time of decision can be considered as adequate with regard to the context of intervention for all interventions examined based on a project approach and for the sector budget support in food security. Most stakeholders involved (directly or indirectly) in interventions based on a project approach did not regret the chosen EC aid modality and highlighted the overall relevance of such an approach in their specific cases (e.g. FORCUENCAS, PROCORREDOR, PRAEMHO, FAO-Semilla, Bosques y Agua)¹²⁴. The success of the PASAH budget support to food security policies owed mainly to benefits relating to its BS modality (*see EQ 7*). **Regarding the sector budget support to the decentralisation policy it is difficult to conclude on the adequacy of the modality.** The use of budget support for PROADES (2004) related to the willingness of the EC to support the decentralisation policy of the Government of the time which was engaged in a promising dynamic in this field. This support clearly bore political and policy risks, which unfortunately materialised in the sense that decentralisation progressively ceased to be a priority for the Government from 2007 onwards and that the decentralisation policy was discontinued from 2008 to 2009 (*see EQ 7*). This explains largely the lack of policy-level results in this field. Nevertheless, PROADES had a longer term effect as its international technical assistance worked on improving information and analysis available in Honduras on decentralisation, which proved useful for preparing the present sector policy as the importance of decentralisation rose again since 2010. **In the global budget support (APERP/APN) it is too early to have a clear view as it was launched recently.** The use of budget support showed the EC's commitment to align on the country's PRSP, but to which the Zelaya administration proved with hindsight to have weak commitment. It was also not clear to what extent the Plan de Nación of the new Government could be considered as a poverty reduction strategy (PRS). It is too early to have a view on the success of the APERP/APN.

¹²³ Difficulties in doing so have been largely relieved for the UN and WB since 2003 and to some extent for EU MS' agencies since 2007.

¹²⁴ See the indicators under EQ 8 in the Data Collection Grid (I-8.2.1 to I-8.6.3 in Annex 8)

4.8.3 Implications of the choice of aid modalities (JC 8.3, 8.5 and 8.6)

The mix of EC aid delivery modalities described above had the following implications on its cooperation with Honduras, as observed *ex post*:

- **Strategic approach / policy dialogue:** In theory, BS allows for a more strategic approach because policy dialogue addresses strategic questions and is not concentrated on small practical issues as in traditional projects. This is confirmed in particular for the PASAH and also for PROADES (despite its difficulties), which have had an influence on the food security and on the decentralisation policy respectively.¹²⁵ Conversely, the two large interventions with a project approach in the field of natural resource management (PROCORREDOR and FORCUENCAS prior to 2008) lacked such a strategic approach and policy dialogue. This is typically also the case for the smaller projects funded on EC thematic budget lines (e.g. Bosques y Agua, FAO-semilla). Nevertheless, the EC aimed at having a strategic approach and real policy dialogue in the field of public security with the PASS, despite the fact that this programme was based on a project approach as budget support was not judged opportune in this sector by the 2007-2013 CSP “due to its specific characteristics”.¹²⁶ The EC also tried with its regional PREVDA programme to learn the lesson from PRRAC’s missed opportunities for a strategic approach in terms of regional integration (e.g. risk management, environmental protection).¹²⁷
- **National ownership:** In theory, BS allows for more ownership because this modality respects national procedures and funds should be integrated into the State budget. This was for instance the case with the PASAH, where there was a very close relation between the GoH and the ITA. But this does not always seem to be the case in Honduras, probably due to the low predictability of BS funds and the management difficulties associated with this modality in this country. National ownership on PROADES’ budget support to decentralisation also melted rapidly after a change in Government. Besides, ownership was tangible in several interventions based on a project approach, notably when the aid modality allowed strong involvement of local authorities and communities (PROCORREDOR, PRRAC-Desarrollo Local, Bosques y Agua) and when the programme responded to a clear demand from the Government (PRAEMHO).
- **Delivering through country systems:** Aid delivery through BS on the one hand resulted in respect for national procedures, but on the other hand it had its own conditions which were specific for each EC BS programme, and was little predictable.
- **Capacity building / sustainability:** Honduras suffers heavily in this respect from the drawbacks of replacing the entire administrative staff after each election (*see section 2.1.1*). This affects most types of aid modalities and in particular budget support (*see EQ 7*). While BS should in theory guarantee a much higher capacity building of national institutions¹²⁸, experience shows that a necessary condition for success in such

¹²⁵ See I-7.4.3 in Annexe 8.

¹²⁶ European Commission, *Country Strategy Paper Honduras: 2007-2013*, p. 33.

¹²⁷ See I-8.3.3 and I-8.3.4 in Annexe 8 for details on this paragraph.

¹²⁸ see I-8.3.5 in Annexe 8

situations is a strong accompanying international technical assistance (ITA) programme (*see EQ 7*).

- **Disbursement:** There have been strong disbursement issues in two of the three budget supports (*see EQ 7*).
- **Civil society strengthening:** The various EC thematic budget lines open to (small) projects from non-state actors through calls for proposals contributed to strengthening civil society intrinsically, by increasing their technical skills, coverage and influence. This was for instance the case of 'Bosques y Agua' which was implemented by Christian Aid. Besides, the two large interventions examined in the field of natural resources management¹²⁹ integrated actively the strengthening of civil society in their approach and significantly contributed to it. Besides, and surprisingly, all three budget support interventions relied on institutions including civil society – *see box hereafter*.

Box 2: Involvement of civil society in BS

The three EC budget support interventions in Honduras relied on institutions including civil society, which is unusual for this modality:

- A "Foro Tripartito de Descentralización" (FTD) was created related to **PROADES**, involving the GoH, key donors¹³⁰ and civil society organisations (incl. NGO networks, universities, and unions), through which civil society was involved in the monitoring of the national decentralisation policy, which was even a condition for disbursement of the variable tranches of that BS programme.
- Civil society played a significant role through the Consultative Council on the Poverty Reduction Strategy (CCERP) in 2007 and 2008 when defining both guidelines and priorities to give to the fulfilment of the goals of the PRS. The CCERP played an important role in **PASAH** implementation and should have been equally important for **APERP**¹³¹.
- The **PASAH** promoted the creation of COTISAN, a mechanism for coordination of 42 public and private actors in the field of food security.

¹²⁹ PROCORREDOR and FORCUENCAS

¹³⁰ European Commission, IDB, AECID, and USAID

¹³¹ See Annex 8: I-3-1-5 and JC 3.2

5. Conclusions and Lessons Learned

This chapter presents both conclusions and lessons learned emerging from the evaluation findings and analysis (*presented above in Chapter 4 “Answers to the Evaluation Questions”*).

The **conclusions** are structured in a few clusters so as to facilitate an overall synthesis and to draw lessons for the purpose of programming, design and implementation. They are presented in the figure below and detailed thereafter. Each conclusion further refers to the EQs on which they are based.

Figure 8: Conclusions

| Clusters | Conclusions |
|------------------------------------|--|
| Strategy and EC Added-Value | C 1: Relevance and Strategy |
| | C 2: EC Added-Value |
| | C 3: Coordination |
| Aid Modalities | C 4: Adequacy of Aid Modalities |
| | C 5: Addressing Administrative Weaknesses |
| Results & Impact | C 6: FS, Education, NRM and Decentralisation |
| | C 7: Public Security |
| | C 8: LRRD |

Lessons learned of EC cooperation with Honduras are presented hereafter.

5.1 Conclusions

Conclusion 1: Relevance and strategy

The EC concentrated its cooperation in five relevant sectors. Most of the support was aligned with government priorities and addressed the needs of the population well. Furthermore, by choosing three inter-linked sectors, the EC created a strong potential for synergies at local level which remains to be fully realised.

*Based on EQs 1, 2, 3, 4 and 5
Basis for Recommendations 4 and 6*

All five main sectors of intervention have been, at one moment or another, priorities for the GoH and/or for the population; it is also the case for reconstruction following the 1998 Mitch hurricane. This is based on the following findings:

- **Food security** was one of the rare sectors that was the object of a real State policy and this since the implementation of the PRSP in 2001 of which it formed an important part.
- **Natural Resource Management** was first cited as an official country priority in the late 1950s but converted itself into a top national priority after Hurricane Mitch (1998).
- **Decentralisation** is a long debated question on which Honduras has gained practical experience in the past 15 years. It has been a priority for the GoH until 2006 and again under the new government since 2010.
- **Vocational training** was a priority need for the Ministry of Education. It was perceived as an effective way to reduce poverty and to develop the productive sector of the country which was badly in need of a better skilled workforce.
- **Justice and security** gained importance (linked to increasing insecurity) since the beginning of the evaluation period until it became a high priority for the population.

Strong links exist between natural resource management (NRM), food security (FS) and decentralisation, as explained in Box 1 in section 4.1.4. Although the EC supported large interventions in each of the three areas, it had no overall strategy to bring about synergies and capitalise between EC interventions¹³². Despite the lack of explicit linkages between them, the interventions in the fields of NRM, FS and decentralisation were well designed in terms of considering aspects relating to the other fields.

¹³² For example, all three sectors embrace common resource management at local level and strengthening municipal capacity.

Conclusion 2: EC added-value

Many positive results were obtained and much added value provided by the EC's support to the post-Mitch reconstruction, food security and vocational training.

*Based on EQs 3 and 4
Basis for Recommendation 4*

This conclusion is based on the following findings:

- In the strict sense of the principle of subsidiarity¹³³, the European Commission's added-value in the cooperation with Honduras laid essentially in the effectiveness of a global EU approach for the **reconstruction** of Central America after the 1998 Mitch hurricane, in line with the mandate it received from the European Parliament to prepare a Community action plan. This resulted in the PRRAC programme, which represented a third of the EC's cooperation to Honduras (€119m out of €371m)¹³⁴.
- In a broader sense, the EC also offered added-value to the cooperation compared to the Member States in two sectors, notably in terms of capitalisation in food security and division of labour in vocational training:
 - **food security**
 - a significant number of past EC interventions linked to food security;
 - an accumulation of experience based on analysis and evaluation of many of these interventions; *and*
 - the present success of PASAH in strategic terms;
 - **vocational training:**
 - The EC was the first donor to enter this sector and had developed an expertise initially not shared by other cooperation actors; *and*
 - PRAEMHO has obtained significant results, it has notably laid the groundwork for the development of technical education curricula and has become a reference for other donors.
- The EC is withdrawing from support to food security in Honduras. With regard to education, the EC is now providing a global budget support (APERP/APN) to the Government's poverty reduction strategy, which covers the sectors of education and health. However, this budget support does not make specific references to vocational training, which could have encouraged consolidation of achievements in this field.

¹³³ The EC added-value as evaluation criteria is defined as the extent to which the development interventions add benefits to what would have resulted from Member States' interventions only in the partner country.

¹³⁴ See inventory in section 2.2.3 or Annex 3.

Conclusion 3: Coordination

Following Hurricane Mitch, a true forum for coordination was created with the setting-up of the G-16 group of donors. The EC has promoted this forum to share information and has tried in some cases to achieve a clear division of labour with other donors.

*Based on EQs 3 and 4
Basis for Recommendation 1*

This conclusion is based on the following findings:

- After Hurricane Mitch in 1998, an operational and well-structured group of 16 donors which account for 90% of total cooperation, the so-called G-16, was created. The EC has inscribed itself in this coordination mechanism. It has coordinated different sectoral round tables on several occasions and it will soon assume the rotating presidency of the G-16.
- This forum, according to different stakeholders, is essentially used to share information and allows donors to know who is doing what in which sector (there are 11 different sectoral round tables).
- There have been attempts on the part of the EC to reach a clear division of labour. Some were successful in the sector of education. The EC justified the focus on secondary/vocational education by putting forward complementarities with other donors' cooperation and notably with the World Bank's emphasis on primary education. Some were not successful and were abandoned such as the will of the EC to focus on security under PASS II while the IDB would focus on justice with the Justice III programme.

Conclusion 4: Adequacy of aid modalities

The aid modalities have globally proven so far to be appropriate in the context of the country for all interventions based on a project approach. The sector budget support modality was further a success factor for aid in food security. Regarding the sector budget support to the decentralisation policy, few results have been obtained owing mainly to the discontinuation of this policy; but it is difficult to conclude on the adequacy of the modality. In the global budget support it is too early to have a clear view as it was launched recently.

*Based on EQs 7 and 8
Basis for Recommendations 1 and 3*

This conclusion is based on the following findings:

- For all interventions examined that were based on a project approach, such aid modality was relevant in its intervention context.
- Budget support was considered as the first option for aid delivery by the EC in its cooperation with Honduras. The EC budget support programmes enabled it to comply with the aid effectiveness agenda, to support Government policies with significant

funding and to devote time to policy dialogue and follow-up of results rather than to project management. Structural issues relating to public sector's technical capacity, public policy and priorities, or governance hampered nevertheless the attainment of target indicators (*see section 4.7.2*). Unexpected macro-economic and political developments further undermined the fulfilment of payment conditions for the budget support programmes during the period under review (*see sections 4.7.1 and 4.7.2*).

- The budget support modality was clearly a success factor for support in the area of food security. The PASAH benefits were indeed closely related to those of this modality, notably in terms of strong policy dialogue and collaboration with the Government on design and implementation of a State policy in food security.
- With the PROADES (2004) the EC aimed at supporting the decentralisation policy of the Government of the time which was engaged in a promising dynamic in this field. The EC envisaged a financial support of €34m through the sector budget support modality, which would strengthen its capacity to engage in policy dialogue. This support clearly bore political and policy risks, as acknowledged in its preparatory documents. These risks unfortunately materialised in the sense that decentralisation progressively ceased to be a priority for the Government from 2007 onwards and that the decentralisation policy was discontinued from 2008 to 2009. With little progress being made in reaching the pre-agreed target indicators and a deteriorating macro-economic context, no more than half the funds were disbursed by 2010. The policy context largely explains the lack of results of the budget support in this field and makes it also difficult to conclude on the adequacy of specific modalities. However the programme had a longer term effect as its international technical assistance worked on improving information and analysis available in Honduras on decentralisation, which proved useful for preparing the present sector policy as the importance of decentralisation rose again since 2010.
- The EC showed with the use of a €61m global budget support (APERP/APN) its commitment to align on the country's poverty reduction strategy. But the Zelaya administration proved in fine to have weak commitment to this strategy. The situation further changed with the political events of June 2009 and subsequent interruption of cooperation. Negotiations on this global budget support restarted in August 2010, with the newly-elected government that was installed in January 2010; it resulted in an addendum changing APERP into APN (Apoyo al Plan Nación), with a new disbursement calendar and a new set of conditions and targets for the fixed and variable tranches. It was not yet clear to what extent the Plan de Nación of the new Government could be considered as a poverty reduction strategy (PRS). It is too early to have a view on the success of APERP/APN.
- Besides, significant potential value added of budget support compared to project support remained unrealised in terms of improvement of public financial management. Indeed, neither of the two budget support programmes implemented so far (PASAH and PROADES) contributed to improvements in public financial management (and in particular to the budgeting framework).¹³⁵ The EC had limited influence on the general management of public finance in the country since its technical assistance, conditions

¹³⁵ However PASAH had a positive effect on budget negotiation and allocation to food security. But it is not known whether this effect is sustainable.

and policy dialogue were focused in each case on a single sector. Nevertheless, the EC contributed in other ways to addressing certain public financial management issues (*see Conclusion 5*).

Conclusion 5: Addressing the administrative weaknesses

In the context of replacement of the administrative staff after each election, the EC satisfactorily tried to mitigate related difficulties, by involving the civil society in the programmes, by providing strong international technical assistance in budget support programmes and by addressing directly the issue of improving the State's administrative capacity through technical assistance coordinated with other donors.

*Based on EQs 1, 2, 3, 7 and 8
Basis for Recommendation 8*

Honduras is characterised by a system whereby the entire administrative staff is replaced after each election by staff loyal to the newly elected political leader (see section 2.1.1). As this system affects continuity and the level of experience and expertise, and hence development efforts at all levels, the question of avoiding its worse consequences is important. The responses brought by the EC concerned civil society on the one hand and international technical assistance (ITA) on the other.

The EC tried to mitigate related difficulties in three ways:

- It involved the **civil society** in project implementation and/or monitoring at both local and national levels, given that civil society can offer more continuity than governments:
 - *At a local level*, some interventions such as FORCUENCAS, PROCORREDOR and PASAH strengthened groups or institutions from the civil society such as women groups, social audit or water committees which are related to local governments but are also independent from them.
 - *At a higher level* PASAH has supported the formation and institutionalisation of consultative groups on food security, including government, civil society and donors, which should function independently from who is in the government. Besides, the *Foro Tripartito de Descentralización*, reactivated in 2010 after more than one year interruption, is another positive example of such a mixed consultative group. The same can be said of the Consultative Council on the Poverty Reduction Strategy (CCERP) in which civil society played an important role supporting PASAH in 2006 and 2007 (*see Box 2 in section 4.8.3*); and
- It provided strong **international technical assistance** for its two sector budget support programmes, given that ITA may provide some continuity between two governments:
 - *In the case of PROADES* this assistance arrived too late (three years after the beginning of the intervention) to be useful in a situation in which decentralisation had ceased to be a government priority. But it effectively prepared the Lobo governments' policy on this theme.

- In *PASAH*, ITA played also an important role in assuring the transition between the de facto government and the present Lobo government which assumed power in January 2010.
- It took direct action through two **technical assistance programmes** (PRAP from 2004 to 2007 and PAAPIR since end of 2010)¹³⁶ in order to strengthen a civil service which would be an alternative to the actual system. The donor community is active in this field, supporting the existing internal and external (“Tribunal Superior de Cuentas”) audit systems, the Secretary of Finance and other key Ministries such as health and education. The EC participated actively in the international effort and coordination to support a plan for professionalising the public service and implementing a non-partisan meritocratic recruitment system.

Conclusion 6: FS, Education, NRM and Decentralisation

In food security and in education, satisfactory results were achieved. With respect to the management of natural resources, the programmes have not yet been completed but some observations on promising results can already be made. In decentralisation no results have been obtained through budget support because of the discontinuation of the decentralisation policy and the difficult macro-economic context, but local organisations were strengthened through support in the sectors of food security and natural resource management.

*Based on EQs 1, 2, 3, and 4
Basis for recommendations 1, 4, 5, and 7*

This conclusion is based on the following findings:

- **Food security** (PASAH, FAO Semilla): The sector budget support achieved impressive results and has fulfilled its objectives at a strategic level in terms of improving: i) policy design (new government strategy on food security), ii) policy instruments (supporting the design of a conditional cash transfer programme), iii) legal framework (amended law on food security), iv) coordination within the government and with non-state actors, v) the functioning, responsibilities and capacities of national institutions such as UTSAN (part of the Secretary of the Presidency) and vi) budget allocation. Only limited results have been obtained at a local level, mostly for lack of time, but these results strengthen municipal capacities..
- **Education** (PRAEMHO): It is not relevant to mention an impact at sector level due to the limited scope and size of the intervention. Nevertheless very satisfactory results were obtained in vocational training such as:
 - The development of curricula oriented towards the job market and adopted by national authorities as national curricula;

¹³⁶ PRAP (Apoyo a la Modernización de la Administración Pública en Honduras) and PAAPIR (Programa de Apoyo a la Administración Pública y a la Integración Regional) were not included in the sample of interventions analyzed during the evaluation. See section 3.2 and table 3.

- The exceeded targets in terms of teachers trained (3,171 instead of 1,500) and administrative staff trained (141 instead of 64); *and*
 - The significant support given to students from the most vulnerable groups through the scholarship and professional insertion programme
- **Natural Resource Management** (Bosques y Agua, FORCUENCAS, PROCORREDOR): The two bilateral projects are still ongoing and thus no final evaluation has yet been conducted. According to preliminary findings these projects should attain their objectives of strengthening: i) local actors' capacities: municipalities and local groups managing common resources; and ii) national institutions such as the "Agenda Forestal Hondureña" and the "Comisión Nacional de Derechos Humanos". Also, the Secretary of Natural Resources (SERNA) is so pleased with PROCORREDOR methods and first results that it wants to duplicate these in other regions. However, no policy dialogue has been conducted with respect to a national agenda on environmental issues.
 - **Decentralisation:** Four disbursements were made (51% of commitments) for the PROADES budget support and a strong ITA team was established and yet this sector budget support could not reach its objectives (*see also Conclusion 4*). The ITA arrived after three years and, most importantly, the decentralisation policy was progressively abandoned by the government from 2007 onwards, although interest picked up again in 2010. However, at the same time, capacities of local institutions were strengthened through the PROCORREDOR and FORCUENCAS programmes, and to a lesser extent through the PASAH. These were indirect achievements in terms of decentralisation as stronger municipal capacities are a condition to a successful decentralisation policy, although they cannot replace it.

Conclusion 7: Public security

The EC approach to public security was based on an overall well-designed programme promoting institutional reform, except that civil society was not involved from the start as an actor to promote reform and to monitor implementation, as recommended by OECD-DAC guidelines.

*Based on EQ 5
Basis for Recommendations 1, 2 and 3*

This conclusion is based on the following findings:

- The EC succeeded through intense policy dialogue to obtain that the government buy into a sectoral justice and security approach and that the key executive and judicial institutions work in a coordinated fashion.
- The EC took into consideration international good practices such as the recommendations of the OECD-DAC on Security Sector Reform (SSR) when it designed the PASS; the programme design can *globally* be considered as relevant. But there is a significant exception to this: there has been no involvement of the civil

society in the dialogue on security issues, which is also an OECD-DAC recommendation.

- The distrust and heavy criticisms from several national and international civil society organisations of the institutions involved in the PASS made the EC's position difficult. The EC has tried to address these concerns notably by establishing a dialogue with NGOs and human rights defenders.

Conclusion 8: LRRD

The differences in institutional set-up and dynamics between ECHO and PRRAC operations, combined with management difficulties relating to the then on-going devolution process within the EC, led to a delay of two years between the end of the ECHO operations and the beginning of the PRRAC activities. This hampered the linkage between relief operations and rehabilitation and development. But significant efforts have been made since the mid-2000s to increasingly strengthen this link.

Based on EQ 6

This conclusion is based on the following findings:

- Even though ECHO engaged in rehabilitation operations (approximately 20.4% of overall humanitarian aid) and withdrew late, there was still a gap of approximately two years (around 2001-2002) before the PRRAC was implemented in Honduras.
- This gap can be explained by (i) the difficulty of articulating relief, rehabilitation and development projects that do not have the same dynamics and timeline; (ii) the fact that ECHO and PRRAC operations were managed under different administrative umbrellas; and (iii) the management difficulties relating to the devolution process from EC's HQ to the Regional Delegation in Nicaragua that was then under way.
- Since the mid-2000s, ECHO has had focal points in all the Delegations in Central America. Furthermore, it submits the proposals it receives for disaster preparedness projects to the evaluation of the Delegations. According to members from both institutions, this collaboration on DIPECHO projects has been beneficial in terms of knowing who does what.
- LRRD is very much related to the issue of disaster preparedness which is meant to reduce the impact of natural disasters such as Hurricane Mitch. As mentioned in earlier evaluations, the PRRAC has failed to properly tackle this issue. By designing a regional follow-up programme on Reduction of Vulnerability and Environmental Degradation (PREVDA), the EC has clearly tried to remediate this missed opportunity.

5.2 Lessons learned

The following lessons learned, which are complementary to the conclusions, are based on punctual good and bad practices observed in EC cooperation with Honduras.

| | |
|-------------------------|---|
| Lesson Learned 1 | Serious sector analysis is a key to success for all interventions. PASAH and PRAEMHO offer two examples of interventions whose success is partly due to the EC response to a real State policy in one sector, and to clear State demand in the other sector. |
|-------------------------|---|

*Based on EQ 2, 3, 6
Basis for Recommendation 1*

The public food security strategy is a noteworthy example of continuity through four different governments. The EC took advantage of this continuity and of the support this strategy received from the Secretary of the Presidency to strengthen food security by a sector budget support including a very adequate ITA.

PRAEMHO responded to a need in the education sector which has been expressed for almost a decade: the necessity to adapt vocational training to the present demand for technicians. The EC responded to this with a project tailored to the features and needs of the sector. It was therefore well received by all stakeholders and exceeded some of its training objectives.

PROADES, until 2009, is a counter-example of an insufficient public commitment to a policy of decentralisation.

| | |
|-------------------------|---|
| Lesson Learned 2 | Lessons from the 2004 evaluation on EC cooperation with Honduras were learned in terms of prioritising aid in the sectors of vocational training and public security, and on ensuring permanent EC presence in the country, but were neglected with regard to the need of ensuring phasing out strategies for the projects and true policy dialogue in the field of natural resource management. |
|-------------------------|---|

*Based on EQs 1, 2, 3 and 4
Basis for Recommendations 4, 5 and 8*

The exercise here is to review important remarks and recommendations that were made in the 2004 evaluation of the EC cooperation strategy with Honduras and to determine the lessons that have been learned and those that have been neglected – *see the table below.*

Table 10: Have key lessons from the 2004 evaluation been learned?

| | | Issues during the 1992-2002 period | Responses during the 2002-2009 period |
|---|-------------------------|---|---|
| √ | Lesson learned | Approximately 100 EC staff members in Nicaragua but nobody in Honduras | In 2005, a Delegation was established in Tegucigalpa. |
| √ | Lesson learned | Problem of unemployment, education system not addressing the needs of the country | The design of a project such as PRAEMHO addressed this issue. |
| √ | Lesson learned | Rising insecurity and more precisely rising juvenile delinquency | The EC chose public security as a focal sector in its 2007-2013 strategy and designed the PASS programme for tackling root causes of insecurity |
| ∅ | Lesson neglected | Phasing-out must be considered as being part of the management cycle of projects | This has been taken into consideration in some programmes (PASAH) but not systematically (PRAEMHO). |
| ∅ | Lesson neglected | Need to engage in policy dialogue if the EC truly wishes to contribute to the protection of the environment and to reduce environmental vulnerability | The EC has dedicated a significant budget (at least €60m) to the management of natural resources but this financial support was not coupled with policy dialogue. |

| | |
|-------------------------|--|
| Lesson Learned 3 | <p>Small is beautiful (also):</p> <p>Significant results may be obtained with limited means: a cooperation responding adequately to a real demand at the right time and at strategic level can be much more effective and efficient than disbursing high amounts.</p> |
|-------------------------|--|

*Based on EQ 3
Basis for Recommendations 1 and 7*

PASAH was a sector budget support whose total commitment (excluding ATI) amounted to €12.4m but only €6.1m were disbursed. In financial terms, it is only the eighth most important intervention over the evaluation period. However, it is clearly the one that has obtained the best results in terms of strategy and impact.

6. Recommendations

This chapter presents the recommendations emerging from this evaluation. They aim at providing EC policy-makers and managers with advice based on the conclusions and lessons learned from the EC cooperation with Honduras during the 2002-2009 period, with the purpose of improving the programming, design and implementation of EC policies. They are presented in the figure below:

Figure 9: Recommendations

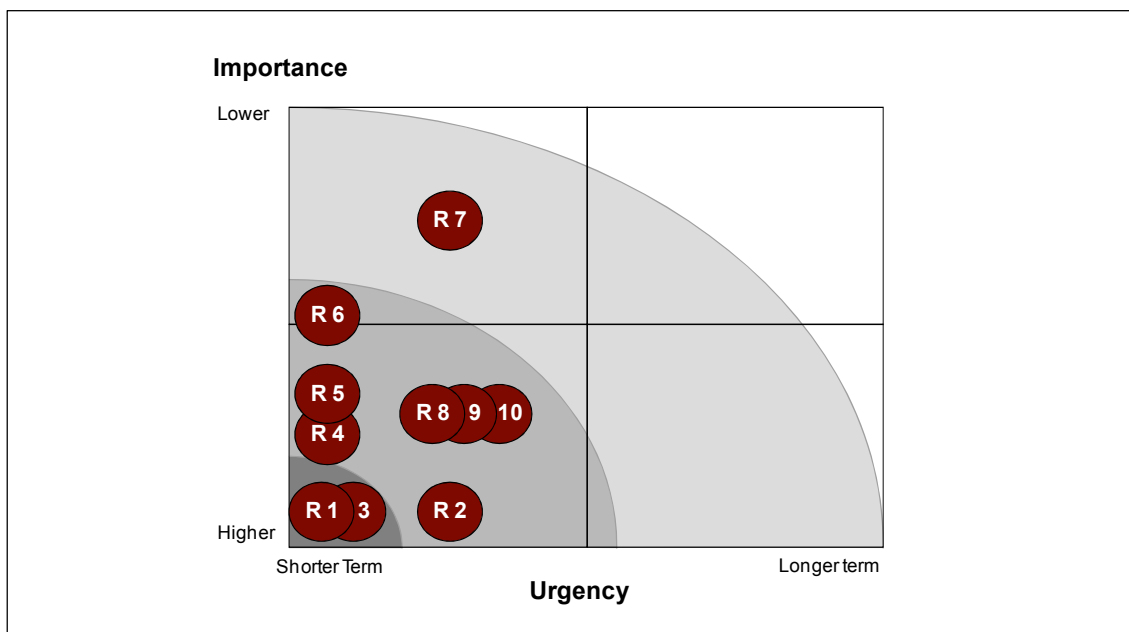


Cross-references to the supporting conclusions and lessons learned are annotated below each recommendation. Implementation responsibilities have been defined between EC Services at HQ and at Delegation levels. Conditions of implementation and expected consequences are also specified where relevant.

The levels of priority for each recommendation are presented in the figure on the next page. They are specified in terms of importance and urgency of the need to address them. The most urgent and important recommendation are R1 and R3 on the careful analysis of the adequacy of aid modalities and in particular the consideration of the political sensitivity of budget support in the security sector, given that a decision might soon be taken on the aid modality for future support in this sector (for the so-called PASS II). Another very important recommendation relates to the involvement of civil society (R2), which is also for the short term notably given upcoming EC decision-making on its public security approach and civil society expectations in this regard. Besides, an urgent recommendation is to ensure consistency over time in sectors of EC added-value (R4), given that short-term actions might possibly still be taken for the APERP/APN indicators and possibly on

actions for ensuring consolidation and continuity of achievements in vocational training and food security. Similarly, recommendations for the short term are also those on engaging in policy dialogue on environmental issues (R5) and linking decentralisation with food security and natural resources management (R6), with a view to take action before the PROCORREDOR and FORCUENCAS' closure planned in 2012 and before the signature of the financing agreement for the MOSEF – these are relatively important given the potential for policy dialogue and synergies in those areas. The recommendations relating to the EU Delegation's access to strong public financial management -PFM- expertise (R10) and PFM strengthening in budget support programmes (R8) are further also quite important and urgent given the beginning of a large general budget support programme in the country (APERP/APN). The recommendation on maintaining incentives of the BS conditionality system (R9), which is particularly important with regard to the specificities of this modality and in the context of Honduras as highlighted by senior officials, is not of the highest urgency in the sense that a decision has already been taken on the remnant fund, but is still applicable in the shorter term to the point that decisions will already have to be taken shortly on BS implementation, including on the disbursement of different tranches. There is also a case to tackle at this stage the recommendation on the timing and reporting of ITA attached to budget support (R7).

Figure 10: Prioritisation of recommendations



Recommendation 1 : Ensure aid modalities are adequate in the sector

Based on Conclusions 4,5 7 + lessons learned 1, 3

Implementation Responsibility: HQ + DEL

Conduct an in-depth analysis for every focal sector to determine the best aid modality for EC aid delivery in those sectors.

The choice of the aid modality for intervening in a specific sector should be the object of careful analysis. The Commission should in particular consider explicitly the following aspects:

- **Political consensus and commitment** on the public policy under consideration (“policy risk”);
- **Specific characteristics of the sector** (e.g. political sensibility - *see Recommendation 4*);
- **Possibilities of intervention through other donors**, in particular the UN, WB or EU Member States in the light of existing agreements. This is particularly recommended in cases where other donors are successfully intervening in a field where the EC is willing to support but has less added-value, in line with the division of labour principle laid down in the 2007 EC Code of Conduct and the 2008 Accra Agenda for Action. It could make all the more sense in cases where the current EC aid modality procedures might create serious implementation difficulties. This could arise for instance from the fact that ‘direct centralised management’ has become a modality which is difficult to manage (it can no longer be done through Project Management Units -PMUs- and has to be done directly by the Delegation) and that ‘decentralised management’ has now to apply the strict “devis-programme” procedures;
- **National and local capacity of implementation;**
- **Specific characteristics and implications of the possible aid modality**, in terms of the main objectives pursued and cross-cutting issues to be considered, such as degree of policy dialogue allowed, national ownership, PFM reform and strengthening of the budgetary framework, capacity building at central and decentralised levels, strengthening of **civil society** – *see Section 4.8.3*). Strengthening of civil society should be highlighted in particular, as financing through non-state actors is important in a country with a weak State; it should hence be actively pursued and strengthened. PFM and budgetary framework improvement are also particularly important when considering budget support;
- **Diversification of aid modalities**, taking into account **risk** considerations, such as the weight of budget support in the overall cooperation (what would happen if there were a macroeconomic crash?); *and*
- **Fiduciary risk and governance** of the beneficiary.

Recommendation 2 : Involve civil society more even in bilateral cooperation and in the security sector

Based on Conclusions 5 and 7

Implementation Responsibility: DEL

The involvement of civil society is essential. It may be a reliable partner in the efforts to bring about reforms and it can play a crucial role in terms of monitoring activities. Such involvement must be conducted while respecting the leadership of the government.

The involvement of non-state actors is essential, in particular in a country with a weak State like Honduras, but it raises at least two challenges: i) the multiplicity of actors with sometimes conflicting priorities is not easy to manage and may slow down the implementation process, and ii) such involvement may hamper the policy dialogue with the government.

Over the evaluation period, the EC has been able to constructively seek the support of civil society in the sectors of food security and decentralisation.

In the current political context, the involvement of non-state actors is not an easy task especially in sectors such as justice and security. But still the Delegation should take advantage of the intense relations it has built with civil society organisations to allow them to provide input on government justice and security issues, such as with analysis and watchdog reports.

Recommendation 3: Consider public sensitivity of aid modalities

Based on Conclusion 7

Implementation Responsibility: HQ and DEL

Support to certain sectors might be highly sensitive, such as in public security which is intrinsically linked to the respect of basic human rights. Being able to justify the use of EC funds is hence particularly important in those cases. This should be carefully taken into account when deciding on the aid modality.

This recommendation is of general extent but also relates specifically in the present case to the sector of public security. It is indeed a sensitive sector especially when the institutions responsible for providing these services lack trust of the population and have poor human rights record. In this context, it is important that the EC be able to justify good use of its funds.

When the political stability of Honduras unexpectedly ended with the June 2009 events, some civil society organisations criticised the EC for supporting institutions involved in those events. At the time, the EC could explain and prove that it had designed a programme to help reform these institutions (PASS) but that no disbursement had yet been made.

The EC emphasised in its 2007-2013 CSP that the possibility of a budget support approach “seems rather unlikely, due to the specific characteristics of the public security sector” and that “adequate formulae should be sought to promote the participation of the relevant administrations of Member states in the implementation of the programme/project [...]” Indeed, the specialised agencies and administrations of the Member states have the required expertise when it comes to justice and security sector reforms. Furthermore they can warrant confidentiality that is strongly needed in a country suffering from narco-traffick and organised crime. These two aspects of traceability and Member States participation are lost with the use of a Budget Support. On the other hand, budget support may be a strong tool to bring about reforms in the public security sector as it brings substantial funding, allows stronger policy dialogue and pays for results obtained. The EC should in that case make sure that it is totally in line with the supported GoH policy and that indicators are carefully chosen (including for example human rights criteria)¹³⁷. The EC should hence carefully balance the advantages of possible aid modalities against the disadvantages.

Recommendation 4 : Ensure consistency over time

Based on Conclusions 2, 6 and lesson learned 2

Implementation Responsibility: HQ and DEL

Ensure continuity over time and strengthen consolidation of achievements in cooperation fields with EC added-value, notably by considering carefully the possibility of further support in food security and by having indicators in the general budget support programme relating to consolidation of key achievements in vocational training.

The Commission proved to have added-value in the sectors of food security and secondary education, most specifically vocational training. Overall satisfactory results were also achieved in these two sectors. There is hence a rationale for carefully analysing the need for further EC support to those two sectors and to ensuring the consolidation of EC past efforts:

- **Food security** : there are strong indications that the Commission is withdrawing its support in Honduras in this sector. As mentioned above, food security is a rare example of State policy and it is a sector where the EC brought clearly value-added. We recommend considering carefully future EC support in this sector, taking also account of current needs of support in this sector.
- **Secondary education**: The Commission changed its strategic approach in the field of education from a support to secondary education (2002-2006 CSP, materialised in the PRAEMHO programme on vocational training) to a General Budget Support to the poverty reduction strategy with a focus on education and health (2007-2013 CSP). However, indicators agreed with the GoH do not relate to secondary education or vocational training, but to primary and basic education. We recommend encouraging consolidation of achievements in the field of vocational training, notably through

¹³⁷ A Government from another Latin American country refused for instance to have a sector budget support because it did not agree with committing to certain proposed justice and security indicators.

indicators in the APERP/APN general budget support relating to two main achievements of the vocational training programme PRAEMHO. Indeed:

- The buildings of the 17 Technical Centres need to be maintained;
- The small firms created by the students of the professional insertion programmes need to be monitored at least in the first year of their existence.

Recommendation 5 : Establish an agenda for a policy dialogue on natural resource issues

Based on Conclusion 6 and Lesson learned 2

Implementation Responsibility: DEL

Engage in a policy dialogue on natural resource management with the GoH as a whole (not restricted to the sector ministry). Link this dialogue to the execution of the future MOSEF programme.

This was already a recommendation in the 2004 evaluation. The EC has spent more than €60m on natural resource management (NRM) during the evaluation period with some undisputable successes at a micro level. However, these successes risk having little impact on the progressive disappearance of the Honduran forest and on the degradation of its water resources if they are not coupled with a national policy targeting the main causes of mismanagement of natural resources. The EC is carrying many useful sector dialogues at a local level (see sections 4.1/4.2) but until now Honduras has not put forward a global effective public policy in this sector. The recommendation consists of addressing this question also at a macro level and of taking advantage of the long EC experience in natural resource management, of the implementation of the MOSEF programme and of the significant budget it has invested to engage in policy dialogue.

Recommendation 6: Link decentralisation with food security and NRM

Based on Conclusions 1, 2 and 6

Implementation Responsibility: DEL

The Commission should conduct an appraisal (or capitalisation of experiences) on municipal management, thus establishing a link between its interventions in decentralisation, food security and natural resource management. This would permit using the important virtual synergies existing between these 3 sectors for the implementation of the next phase of the sector budget support on decentralisation.

Interventions in the fields of food security and natural resource management have accumulated an important experience on municipal management and local development activities including land planning and management of common goods. However these experiences have never been compared between these two sectors and exploited accordingly because no practical linkages existed. The PROADES budget support in the field of decentralisation, which will proximately start again, will benefit from the important work done by its international technical assistance between 2008 and 2010. However it should also rely on the experience previously accumulated on municipal management in

interventions on food security and natural resource management in order to improve policy proposals. Our recommendation is to conduct an appraisal (or capitalisation of experiences) on municipal management in order to benefit from the best practices in this field for the implementation of the second phase of PROADES.

Recommendation 7 : Rethink timing of ITA

Based on Conclusion 4 and Lesson learned 3

Implementation Responsibility: HQ and DEL

Improve the effectiveness of international technical assistance (ITA) attached to budget support by ensuring that they arrive at the beginning of the implementation.

Given a low level of public financial management (PFM), weak policy design, and scarce staff continuity at changes in governments, high level technical assistance is a felt necessity expressed by government's officials. This technical assistance should not only be of high quality (as it was in the cases of PASAH and PROADES), it should also be in place during the full implementation period.

Recommendation 8 : Continue strengthening directly public administration capacity

Based on Conclusions 4 and 5 and Lesson learned 2

Implementation Responsibility: HQ and DEL

The EC should continue to support the national institutions in charge of the control of public financial management (PFM), through training and technical assistance in key Ministries coordinated with multilateral donors active in this field.

Given the low level of public administrative capacity and the limited influence of Sector Budget Support on improvements in public financial management (PFM), direct interventions centred on technical assistance and training are greatly needed. Coordinated efforts for professionalising the public service (supported by the G16) must continue and be consolidated with two objectives: (i) improving PFM directly, and (ii) striving to establish a more permanent and well trained staff within the Secretary of Finance and other key Ministries. The EC should continue direct support in this field, in the same way that it does through its PRAP and PAAPIR programmes.

Recommendation 9 : Maintain incentives built into the BS conditionality system

Based on Conclusion 4

Implementation Responsibility: HQ

Maintain the useful incentives built into the BS conditionality system, by delivering consistent messages to the Government on the importance of reaching agreed targets.

Maintain as much as possible the incentives from the BS conditionality system. High government officials recognise indeed the weaknesses of the national administrative system and stress the usefulness of incentives and strict donor rules.

Recommendation 10 : Ensure that the Delegation has access to strong PFM expertise

Based on Conclusion 4, 5

Implementation Responsibility: Delegations in Honduras and Nicaragua

The EU Delegation in Honduras should have access to strong public financial management expertise for ensuring success of its budget support programmes.

Although it is difficult for each Delegation to dispose of an own autonomous service specialised in budget support, the EU Delegation in Honduras needs to have access to strong expertise in public financial management (PFM).

The Delegation in Honduras should indeed be able:

- to engage in a policy dialogue with the Government on PFM improvements;
- to react quickly to a rapidly changing macro situation: *and*
- not to depend exclusively on IMF analyses (as the EC may have different priorities).

It should therefore have close access to and interaction with both following types of expert pools:

- The ITA of the Global Budget Support programme should have a strong expertise and experience in PFM. The ITA of its Sector Budget Support programmes, apart from a sector expertise, should have a good knowledge of the budget support mechanism.
- The Commission must offer strong expertise and experience in PFM, at the headquarter and/or regional levels.