

MEMORANDUM TO THE DCI COMMITTEE CONCERNING THE

**Annual Action Programme 2014 in favour of Honduras to be financed from the general budget of the European Union**

**1. Identification**

Budget heading	21.02.12.00– Latin America – Poverty reduction and sustainable development
Total cost	EUR 51.600 million of EU contribution
Legal basis	Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020

**2. Country background**

Delinquency and violence, unemployment, poverty and social inequity remain crucial challenges faced by Honduran society. Honduras is still a young democracy that experienced several democratic elections until June 2009 when a deep institutional crisis led to the ousting of President Zelaya by the army. The unity government issued from the subsequent (and questioned) elections of November 2009 had to face, from 2010 onwards, a difficult situation due to the severe effects the coup had on the country. The first elections to be generally accepted as legitimate after the coup took place in 2013, amidst a deeply polarized political scenario and were observed by an EU Mission. The recently elected government has enjoyed until now a high level of acceptance of its platform called "*Everybody's Plan for a Better Life*", which has a strong focus on four issues that were identified as crucial by Honduran people in the 2012 *Latinobarometro*: delinquency and violence, unemployment, poverty and social inequity as well as the economy as a whole.

Poverty has been increasing in the past ten years with a slight improvement last year. Over the last five years, the average economic growth was 2.9%. The performance was lower in 2013 with a growth of 2.6%. 2014 shouldn't show a significant increase of this percentage. This modest growth hinders the reduction of poverty. Indeed, Honduras has one of the highest poverty rates in Latin America. Poverty in Honduras in 2013 affected 64.5% of households with 42.6% of the population in situation of extreme poverty. From 2006 to 2009, poverty rates diminished significantly (down 7.7 percentage points). However, from 2009 on, this trend was reverted due to the effects of the international economic crisis and governance problems linked to political crisis mentioned here above. The recent slight reduction in poverty that is claimed by the Government seems to come primarily from increased employment among the poor and increased remittances and, to a lesser extent, public transfer programs.

Inequality is on the rise. On the one hand, it is true that non-monetary indicators of poverty, such as child and infant mortality, improved substantially in the last decade. Poverty measured in terms of basic needs satisfaction also dropped. However,

opportunities remain unevenly distributed: the GINI coefficient in Honduras was at 0.525 in 2009 and 0.544 in 2013. This significant increase is the highest in Latin America.

### **3. Summary of the Action Programme**

The three actions proposed are consistent with the Multiannual Indicative Programme for Honduras (MIP) 2014-2020 and address two focal sectors (Food Security and Decent Work) as well as the support measures contained in the Multi-Annual Indicative Programme.

#### **1) Background:**

The entry into force of the Association Agreement between the European Union and the countries of Central America reinforces the ties that traditionally have existed between the EU and Honduras. This association is based on the principles of democracy and fundamental human rights, rule of law and good governance.

Honduras continues to face challenges in particular with respect to poverty eradication and equality, competitiveness, employment generation, human security and human rights, macroeconomic stability and public finance management, preservation of the environment and resilience to natural disasters.

In this context, the European Union and Honduras are committed to work jointly for the eradication of the poverty, job creation, fair and sustainable development, including aspects like the vulnerability to natural disasters, the conservation and protection of global public goods like the environment, climate and biodiversity, while assuring the participation of all stakeholders, including civil society and the private sector. Also, the association targets growing, sustainable economic relations between the European Union and Honduras, in particular in the areas of trade and investment, which are essential to deepening the regional integration process, fostering economic and social development, as well as modernization and technological innovation.

Similarly, the European Union and Honduras recognize the importance of promoting stability, security and justice, including by fighting drug trafficking, organised crime and corruption, as well as helping the country to build stronger and more independent institutions able to respond to these phenomena as well as increasing citizen's participation in the democratic processes, especially those of vulnerable groups (women, ethnic minorities, youth, rural population). In this context, the EU is particularly keen on contributing to the promotion of human rights, helping to put in place conditions for their effective protection.

EU's cooperation in Honduras is complemented by regional cooperation at Central American level. The latter addresses issues requiring regional approach, in particular as regards economic and social integration as well as the reduction of vulnerability to disasters and climate change. Honduras will thus benefit from coherently complementary assistance from both levels, particularly with respect to aid for trade and resilience.

Civil society is a key partner for the EU in the promotion of sustainable development. In this context, it is important to recognize that civil society organization in Honduras still face challenges to strengthen their role as development

actors and achieve an enhanced dialogue with government institutions. The EU is pursuing its political dialogue as part of a comprehensive approach when promoting a conducive environment for civil society and will seek complementarity between its cooperation instruments in order to promote an improved participation of civil society in development processes.

## 2) Cooperation related policy of beneficiary country

The National Plan 2010-2022 remains the long term strategic reference for the country. The conclusion of the analysis of the National Plan 2010-2022 (NP) and the Country Vision 2010-2038 (CV), that was carried out when drafting the EU's multiannual indicative program (MIP), is that it is comprehensive and specific enough to offer a basis for strategic planning. It does have thematic weaknesses, which need to be overcome by means of sector policies and plans, some of which have already been adopted or are under construction. Ownership by civil society can be improved, in particular in order to facilitate its sustainability. It is coherent with the priorities of the Agenda for Change.

The National Plan adopts the following eleven strategic guidelines:

1. Sustainable development of the population;
2. Democracy, citizenship and governance;
3. Poverty reduction, generation of assets and equity of opportunity;
4. Education and culture as means of social emancipation;
5. Health as a fundament for improved living conditions;
6. Citizen security as a requirement for development;
7. Regional development, natural resources and environment;
8. Productive infrastructure as a motor of economic activity;
9. Macroeconomic stability as a fundament of internal savings;
10. Competitiveness, country image and productive sector development;
11. Climate change adaptation and mitigation.

A matrix of fifty-eight indicators features quantitative targets to measure progress in 2013, 2017, 2022 and 2038.

The new administration's platform puts a special focus on growth and social inclusion. The government elected in 2013 reiterated its commitment to the NP and launched, for the period 2014-2018, the "*Everybody's Plan for a Better Life*" which articulates four purposes:

- Massive generation of employment through competitive development;
- Human development, reduction of inequities and social protection for all Hondurans;
- Search for peace and eradication of violence;
- Transparency, Reform and Modernization of the State.

Early May 2014, the draft government's Strategic Plan for 2014-2018 was presented. It includes a mid-term macroeconomic framework and a matrix of performance indicators. Its structure matches the new architecture of the government, thereby resulting promising as far as effective implementation is concerned. The continued reference to the Nation Plan as a long term framework is a première in Honduras. The emphasis put on macroeconomic stability is highly relevant.

The national development policy facilitates the alignment of donors. The National Plan's priorities represent an opportunity for the implementation of the EC's Multiannual Indicative Programme since its focal sectors are well aligned with the new government's strategy.

### 3) Coherence with the programming documents:

The Multiannual Indicative Programme (MIP) for Honduras 2014-2020 defines three focal areas: i) Food Security ii) Employment and iii) Rule of law. Additionally, a special provision is made for the support measures.

With regards to focal area 1, the MIP states that *"The EU's main objective in this area is to help reduce poverty by ensuring that more rural Honduran families can meet their basic food needs from sustainable and resilient family agriculture, with special emphasis on women, children and indigenous people. This includes strengthening the sector's institutions and policies at national, regional and local levels to support economic growth including civil society and training and education institutions."* In line with the orientations of the MIP, EU's support will take a comprehensive approach intervening with a special focus on empowerment at local level.

Concerning focal area 2 the MIP states that *"The EU's objective is to increase Honduras' capacity to generate and sustain decent employment and social protection. This requires a detailed and comprehensive policy on decent work and social security to be approved and implemented, on the basis of social dialogue. In addition, micro and small enterprises will have to build their productive and competitive capacity, and professional training will need to be improved"*. The entry point of this action is the institutional strengthening of the stakeholders at central level. This approach will pave the way for interventions of larger scale.

The MIP includes also a provision on the support measures stating that their main aim would be *"to build capacity and provide technical assistance in a more efficient and structured manner. These resources are expected to support communication activities and activities to increase visibility, to raise awareness of EU aid"*.

All three interventions included in the 2014 Annual Action Programme (AAP) were specifically foreseen in the 2014-2020 MIP.

### 4) Identified actions

The following four actions have been identified for the AAP 2014 in favour of Honduras under focal areas one and two of the MIP:

#### *1. Food Security, Nutrition and Resilience in the Dry Corridor (EUROSAN)*

The overall objective (based on the National Food Security and Nutrition Strategy) of the program is to improve food security and nutrition of 15,000 rural households by (i) building sustainable farming systems that will enable increasing food production, (ii) supporting education and nutrition, and (iii) strengthening national and local institutions in the regions with the highest poverty rates.

The specific objective is to build ten food secure and resilient grouping of municipalities ("*mancomunidades*") in the Dry Corridor.

The project intends to be as demand driven as possible, reflecting an understanding that development starts on the land with the farmers and is built through the community (farmers associations, savings and loans networks, women's and youth groups, indigenous movements) into the municipality, itself part of a regional and sub-regional framework ("*mancomunidades*") responding to a national policy (ENSAN). These links in the chain have to be articulated to maximise impact and sustainability. From a wider perspective, EUROSAN also contributes to easing national problems which find their origins in rural poverty, including internal and external migration, marginal urban dwellings and violence.

The project thus involves local governments, smallholder families including women and children, community organisations, local agro-industries, community leaders and technical specialists. As a rule, it will emphasize support to (and strengthening of) already existing structures.

## *2. Institutional Strengthening for Decent Work and Employment Opportunities for Young People in Honduras (Euro + Labor).*

The project's objective is to increase the capacity of the Honduran government to systematically promote decent employment, reducing underemployment and unemployment.

The project responds to a logic based on policy development, strengthening of capacities including information systems, and concrete actions at local level. The tripartite action framework, alongside the strengthening of the institutional framework and information system, will enable the provision of employment services and the promotion of decent work in the informal economy through decentralized institutions, preferably at local level.

The project will cover in particular the following: i) definition and implementation of a joint action framework between the Government and the social partners to promote decent employment based on social dialogue; ii) strengthening the capacity of the Government to address and solve the problems of employment, including job creation, maintenance of existing employment, improving the employability of Honduran workers, and promoting the conversion of employment in the informal economy into decent employment; iii) expanding the geographical coverage of employment services towards contributing to its decisive intervention in the promoting decent employment; iv) improving information systems to provide integrated and timely information for appropriate decision making on employment; v) support to returned migrant youth for attending targeted vocational training enabling their prompt reintegration into society.

Additionally, the AAP includes the following project covered under the support measures provision of the MIP for Honduras:

## *3. Support Measures to Institutional Development and Policy (MADIGEP)*

The project is designed to contribute to the third strategic focus of National Development Plan: Poverty Reduction, and Equal Opportunities focusing on social integration and realignment of fiscal and monetary policies.

This program will contribute to building capacity for a more effective and efficient implementation of public policies, ensuring that the focal sectors of the MIP reach maximum results, impact and visibility.

MADIGEP's implementation is solely based on the provision of services. This program should support the General Coordination of the Government (GCG) and in particular de Presidential Directorate for Planning, Budgeting and Public Investment (DPPPIP) by means of a strong technical assistance team common to all focal sectors of the MIP, in particular but not exclusively for budget supports. The provision of technical assistance will be demand-driven and concerted with the stakeholders and beneficiaries.

#### 5) Expected results:

In the area of **food security and nutrition**, the AAP will contribute to:

- Supporting 15 000 families in the Dry Corridor for improving their agricultural practices and increasing their food security, also by increasing strategic grain reserves;
- Improving their nutritional status and reducing malnutrition, in particular children malnutrition by means of establishing a nutrition and health extension system in each municipality;
- Support to existing and potential market linkages and agro-industries, with special emphasis on women's SMEs;
- Improved national policy development in food security and nutrition.

Concerning **decent work promotion**, the following results are expected:

- a joint action framework to address and resolve employment problems, on the basis of a strengthened and inclusive social dialogue;
- The Ministry of Labour and Social Security strengthens its capacities in order to expand its functions from labour intermediation and regulation to a specific role of promoting decent employment;
- Workers and employers in fourteen municipalities have access to the benefits of decent and productive employment through active labour market policies promoted by public and private actors, including civil society;
- Improved information and analysis on employment providing basis for an integrated –labour market, production and social security- information system;
- Returned migrant youth received proper assessment and support, attend targeted vocational training enabling their prompt reintegration into society.

Finally, it is expected that the proposed support measures project can achieve the following results:

- Strengthened government capacity to formulate, implement and monitor public policies while involving civil society in this process;
- Mechanisms, instruments and competencies of public institutions to ensure macroeconomic stability and sustainability, enhance the quality of the public finance management, and promote transparency;
- Strengthened capacity of the government and Honduran society to take advantage of the EU-CA Association Agreement and global initiatives.

## 6) Past EU assistance and lessons learnt

The proposed intervention builds on the lessons learnt from evaluating EU's cooperation with Honduras between 2002 and 2009. Serious sector analysis is key to success, and there is a particular need for real state policy and clear demand. Exit strategies for projects and a real policy dialogue are required, particularly regarding natural resources management.

The evaluation highlighted vocational training and the rule of law as priority sectors. Significant results may be obtained with limited cost: a joint project responding to demand at the right time and at the right level can be effective and efficient. During the consultation process, synergies were identified between sectors 1 (agriculture) and 2 (rural employment). The EU is working to ensure complementarity with previous actions financed by other EU programmes and implemented by non-state actors. This includes activities in previous MIPs, such as forestry and decentralisation. Human rights, with appropriate emphasis on economic, social and cultural rights and gender equality, as well as environment and disaster risk reduction are mainstreamed across all sectors.

Institution building has proven to be one of the key strategies to overcome the weak performance of development policies. This is particularly true in the case of employment policies when it comes to generating greater opportunities for decent employment. The EU's Backbone Strategy on Reforming Technical Cooperation (TC) and Project Implementation Units stipulates that the provision of TC must be based on the demand and requirements of the partner country. Costs and available options should be transparent. Dialogue and support is needed to enable clear formulation of the demand for TC.

Studies evidence the need of reliable and timely data to ensure a proper focalization and prioritization of public policies. In the context of the EU's external assistance programming for 2014-2020 in Honduras, it was shown that focusing is required because of (i) the limitation of resources available to satisfy the needs of the population and (ii) the need to maximize the impact providing services to the population most affected, in this case by underemployment. To ensure focalization and prioritization, the availability of reliable and up-to-date information and analysis is essential. This is true also for market labour data.

## 7) Donor coordination

Structured joint action plans agreed between Honduras and its donors have existed since the Stockholm Declaration of 1999, which covered reconstruction, governance, human rights and aid effectiveness. The G-16 group of donors originates from this. Since 2010, the 2010-22 National Plan (<http://www.plandenacion.hn/plandenacion>) provides an updated framework for coordinating action, including a National Plan Council, and constitutes the basis of the current Multiannual Indicative Programme. It is in this context that, in 2013, the Heads of Mission of the EU Member States represented in Honduras agreed on a roadmap to progressively implement joint programming. This is expected to be effective from 2018, following synchronisation of the relevant programming cycles.

#### **4. Communication and visibility**

A communication strategy, based on the Communication and Visibility Manual for European Union External Action will be designed for the whole scope of the MIP, which will possibly include specific activities for its different components.

Communication and visibility activities will, on the one hand, contribute to transparency and domestic accountability, by advertising the use of public funds and the results obtained. The activities will also present evidence on how the EU financing has generated substantial changes in the life of vulnerable groups while at the same time promoting EU's fundamental values.

Based on the previous positive experience of working on visibility with the Autonomous National University of Honduras, it might be considered to involve the academia in this component.

#### **5. Cost and financing**

Food Security, Nutrition and Resilience in the Dry Corridor (EUROSAN)	EUR 30 million
Strengthening for Decent Work and Employment Opportunities for young people in Honduras (Euro + Labor).	EUR 11.6 million
Support Measures to Institutional Development and Policy (MADIGEP)	EUR 10 million
Total EU contribution to the programme	EUR 51.6 million

**The Committee is invited to give its opinion on the attached 2014 Annual Action Programme in favour of Honduras.**



**ANNEX 1**  
of the Commission Implementing Decision on the  
**Action Document for 'Food Security, Nutrition and Resilience in the Dry Corridor'**  
**(EUROSAN)**

**1. IDENTIFICATION**

Title/Number	Food Security, Nutrition and Resilience in the Dry Corridor (EUROSAN) CRIS number: DCI-ALA/2014/26226		
Total cost	Total estimated cost: EUR 33 million  Total amount of EU budget contribution: EUR 30 million  Counterpart of the Government of Honduras: EUR 3 million		
Aid method / Management mode and type of financing	Project Approach <ul style="list-style-type: none"> <li>• Direct management: Services</li> <li>• Indirect management with FAO</li> <li>• Indirect management with Republic of Honduras</li> </ul>		
DAC-code	31120 43040 12240	Sector	Agricultural development  Rural development  Basic nutrition

**2. RATIONALE AND CONTEXT**

**2.1. Summary of the action and its objectives**

Much of Honduras' extreme poverty and chronic under nutrition is concentrated in the western, central and southern area called the Dry Corridor. Due to an extended dry season and increasingly unstable rainfall in the wet season, maize and bean yields there barely reach half the national average. Simultaneously, production costs rise faster than yields and sales prices, as more fertilizers are needed to compensate for soil degradation. As a result, poverty is pervasive, and half of the population suffer from stunting. Yet experience shows that the yields and production levels experienced by small farmers can be significantly increased with limited investment in agricultural inputs and technical assistance. Sustainability can then be achieved by strengthening institutional and human capital at local and regional levels. At the same time, tackling rural poverty has been identified by the government as essential to address the origins of other interlinked, pressing issues such as internal and external migration, urban marginal dwellings and violence.

As recognition of the special problems of the Dry Corridor, five donors teamed up into a strategic, government-led "Alianza para el Corredor Seco" (ACS), which was declared a national priority by the President in early 2014. ACS partners plan to jointly invest over USD 200 million. The ACS is part of the National Food Security and Nutrition Strategy (ENSAN), a roadmap towards greater food security and better nutrition for the extremely poor nation-wide. The Technical Unit for Food Security and Nutrition (UTSAN) was created in 2009 to monitor and evaluate ENSAN. Indeed, a wealth of small-scale best practices is available in Honduras to help subsistence farming households escape the poverty trap. Municipal governments are key players in this respect, and have increasingly associated into sub-regional structures formed by five or more municipalities which share common boundaries and identities: the *mancomunidades*.

The purpose of EuroSAN is to implement ENSAN at a large scale in a given territory of the Dry Corridor. It applies an intervention methodology that integrates all relevant private and public actors, in order to scale up technology changes and achieve rapid but sustainable improvements in the food security and nutrition of some 15,000 families. Activities include the establishment of agricultural and nutritional extension schemes owned and operated by the *mancomunidades*, the creation of market linkages in key supply chains (maize, beans, coffee, fruits and vegetables...), the development of strategic grain reserves and municipal markets, and the strengthening of the financial systems serving small producers. Local institutional and human capacities will also be strengthened to sustain the scheme, at the municipal and *mancomunidad* level, including by means of education and training, with a special emphasis of indigenous leaders. At central level, the project will support the role of UTSAN to monitor and evaluate food security and nutrition activities in the Dry Corridor, in the wider context of ENSAN.

The government of Honduras will implement most of the project, in particular by means of grants to the *mancomunidades* and academic institutions. FAO will provide technical support at local level to start and scale up the extension systems. A technical assistance under direct management will help to coordinate the whole project, as well as support the required institutional development at central level.

## **2.2. Context**

### **2.2.1. Honduras context**

#### **2.2.1.1. Economic and social situation and poverty analysis**

Poverty and food insecurity in Honduras are mostly rural based, reflecting a reality of exclusion. According to the 2012 household survey of the National Statistics Institute, the number of households in Honduras was 1,814,000 of which half were rural. Of the total households, 66.5% classify as poor and 46% as extremely poor. These percentages have changed little over the years, and even deteriorated since 2009. In absolute figures the number of impoverished urban and rural Hondurans keeps growing, even though poverty measures using the basic needs approach are somewhat more positive. Honduras is also one of the most extreme cases of inequality in Latin America, as measured by a Gini coefficient of 57.4.

The World Food Program (WFP) estimates that 60% of Hondurans are food insecure. Contributing factors to this high level of food insecurity include severe poverty, limited access to clean water, poor sanitation, insufficient breastfeeding, and a nutrient-deficient diet. The nutritional crisis of rural Honduras is not just linked to poverty but to a changing cultural context. The rural poor used to have access to the commons and a wide variety of food stuffs. That access

has collapsed and the diet has become reduced to seven basic products: maize (tortillas), beans sometimes, coffee, sugar, fat in some form, spaghetti or rice, and salt. On the other hand, modern packaged snacks and sugar drinks have penetrated the rural areas to such an extent that they have become an integral part of the rural diet.

Much of Honduras's extreme poverty and chronic under nutrition is concentrated in the western, central and southern areas, called the *Corredor Seco* (Dry Corridor<sup>i</sup>). It includes many of the poorest municipalities in the country<sup>ii</sup>. Nearly the whole of the rural population of this region has an income less than the national extreme poverty base line (USD 1.81 per person per day)<sup>iii</sup>. It is estimated that 55% suffer from stunting.

The livelihoods of the rural poor in Honduras largely consist of growing subsistence grains, farmed with centuries-old, low-productive practices. Production is low in the *Corredor Seco*, even by Honduras's standards. Maize yields are 14.8 *quintales* per *manzana* (qq/mz<sup>iv</sup>), compared to the national average of 26.6. Costs continue to rise faster than yields and prices, as more fertilizers are needed to compensate for soil degradation. The other important crop of the region is coffee.

Not just basic grains but agriculture in general remains the primary engine for rural incomes and employment, generating 38% of all employment and 60% of rural employment. Poor infrastructure (particularly secondary and tertiary roads), limited investment for irrigation, seeds, tools, and other basic inputs, antiquated practices, and low-value crops reinforce poor productivity, high rural poverty, and under-nutrition. In this context, experience shows that the yields and production of small farmers can be significantly increased (threefold, in some cases) with limited investment in agricultural inputs and technical support as well as organization. Sustainability can then be achieved by strengthening institutional and human capital at local and regional levels. The challenge facing Honduras is the incorporation of the rural poor into the market place as development actors who are involved in capital accumulation. At the same time, tackling rural poverty has been identified by the government as essential to address the origins of other interlinked, pressing issues such as internal and external migration, urban marginal dwellings and violence.

Honduras is recognized for having achieved the Millennium Development Goal of halving sub-nutrition – it has dropped from 21.4% in 1990 to 9.6% in 2011<sup>v</sup>. At the same time, poverty levels have kept high. Given the lack of specific studies, it can only be surmised that the existing social programs have improved the conditions of this growing number of poor. Not before poverty levels start to drop will under-nutrition and food insecurity stop to threaten the majority of Hondurans. EUROSAN means to help the poor build and sustain their livelihood assets base. This will, in the longer run, have more impact on poverty than social welfare handouts.

Within the population of rural poor, there is a sub group that is even more marginalized: the indigenous (Lenca and Chorti in the Dry Corridor). They have the most limited diets of all Hondurans and chronic malnutrition rates reach over 80% in many indigenous communities. Illiteracy is also high, as they have an average of four years of schooling. Their economies are predominantly subsistence. Their lands have very low agricultural productivity and little infrastructure. Their insertion in the market is precarious and they are socially marginalized.

### 2.2.1.2. National development policy

In 2010, the National Congress approved a long-term prospective document called the *Country Vision 2010-2038*. Concurrently, a twelve-year *National Development Plan 2010-2022* was prepared with a view to reaching the Country Vision's objectives. The two poverty targets are: 1) eradicating extreme poverty; 2) reducing the number of households in poverty to 15%.

The political platform of the current administration is called *Everybody's Plan for a Better Life* and focuses on four areas: i) peace and the eradication of violence, ii) the generation of employment including competitiveness and productivity, iii) human development, reduction of inequalities and social protection, and iv) transparency and modernization of the state.

EUROSAN is in line with the *Everybody's Plan for a Better Life* and will contribute to economic development and social inclusion by means of:

- increased availability of basic grains, thanks to the expansion of cultivated area and the use of better technologies.
- expansion of coverage of health services through more effective modalities including decentralization. The reduction of stunting among children under five is an indicator of both EUROSAN and the *Everybody's Plan*.

Decentralization is an integral part of both the Country Vision and the *Everybody's Plan for a Better Life*. Municipal authorities are meant to receive expanded responsibilities, as are *mancomunidades*. Associated with accelerated decentralization is a policy of targeted budgeting which ties specific municipal funding to specific policy areas, one of those being institutional development. It is within these budget lines that funding for the sustainability of the extension services set up by EUROSAN is to be found. The decentralization policy also recognises that the level of expertise required is not available to small (10,000 inhabitants) and remote municipalities. This is why *mancomunidades* were quickly endorsed by government: certain programs are being decentralised directly to the *mancomunidades*, health being an example.

The National Food Security and Nutrition Strategy (ENSAN) was defined following a participatory process in 2006 and updated in 2010. It is a road map for greater food security and better nutrition addressing food availability for the extremely poor. For the first time, it also addresses investment in nutrition for the poor. To support the implementation of this strategy, Congress passed the Food Security and Nutrition Law in 2011.

Nutrition is covered by the National Micronutrients Plan in 2007 and the National Breastfeeding and Complementary Feeding Plan in 2009, as well as a number of supporting policies such as the Maternal and Infant Health Policy, the National Women Policy, the National Gender Equity Policy and Equal Opportunities Law. The *Everybody's Plan for a Better Life* includes home garden as the most efficient way to ensure the micronutrients the family needs (fruit, vegetables, herbs and small animal species). The government is also reorienting the school feeding program to increase the share of local production, increasing the involvement of parents and offering opportunity for nutrition education and diversification.

The Technical Unit for Food Security and Nutrition (UTSAN) was created in 2009 for monitoring and evaluating the ENSAN as well as coordinating interventions in the sector. At municipal level, UTSAN has promoted Food Security Round Tables as a formal mechanism for local dialogue, consultation and actions.

### **2.2.2. Sector context: policies and challenges**

In the above context, UTSAN defined the Dry Corridor as a priority. A programme approved by the Global Agriculture and Food Security Program (GAFSP) has been the starting point of the Dry Corridor Alliance (ACS) which the European Union, USAID, Canada and the Central American Bank for Economic Integration (CABEI) joined. The € 150 million ACS was declared a national priority by the President in early 2014 (details in section 2.4).

In Honduras, food insecurity has traditionally been rooted in the absence of a development vision that recognizes the rural poor as the key players in changing the current vicious cycle of rural de-capitalization, a process that feeds into the governance problems of the country. In the 1990s, the Agricultural Modernization Law eliminated public agricultural extension services, reorienting the Direction of Agricultural Sciences and Technologies (DICTA) towards research and innovation to guide and support policy making. Through the ACS, however, the current administration is willing to reinstate agricultural extension services for small producers operated by the *mancomunidades* and municipal governments. It is recognition of the economic profitability of small-scale rural investment. The government pledged € 7.5 million a year to the ACS.

The ACS is made up of government institutions, donor agencies and enterprises that actively work in food security development. Strategic in nature, the ACS is responsible for proposing the goals and rules by which these stakeholders interact. The general focus is not limited to agriculture, but covers the whole food and nutrition process. The major objectives of the alliance are to lift 50,000 families out of extreme poverty before 2019, to reduce under nutrition by 20% in target communities, and to lay the foundations for continued rural growth by means of investment in agriculture, nutrition and infrastructure.

The ACS' development strategy builds upon:

- building the critical capacity of the various government levels as agents for change;
- improving the food and nutrition security of rural people through technology-led innovation systems encompassing the social and economic change of all stakeholders;
- enhancing productivity, nutrition, profitability, income and employment;
- building the monitoring and evaluation capacity of central government.

Admittedly, rural poverty reduction requires local empowerment and bottom-up investment strategies. This reflects a complex geography and the resultant wide variations in culture (and diet) between regions. This is why this strategy requires a high level of coordination and steering, which is the role of UTSAN (monitoring and evaluation, facilitation, advise, scientific and technical “peer reviews”, quality control of investment, etc.).

### **2.3. Lessons learnt**

The EU has been supporting food security and in particular UTSAN since 2006 by means of a food security sector budget support programme (PASAH) and the corresponding capacity development project (PAAPIR). This support has been focused on the institutionalization of the food security policy and strategy, including the support to UTSAN. Since then, a national consensus has been growing not just on the need to deal with rural poverty but on a shared vision on poverty and food security.

In order to tap into this vision and experience, the EU developed the first focal sector of its 2014-2020 programme (food security) together with UTSAN and the regional food security roundtables. Subsequently, EUROSAN's identification and formulation were carried out jointly with UTSAN and in line with the ENSAN and the ACS. EUROSAN has been reviewed in workshops both in Tegucigalpa and in several regions of the country by civil society, indigenous communities, NGOs, the private sector and universities.

Lessons have been synthesized from a series of experiences that have been evaluated and studied, in particular the following EU projects: FORCUENCAS, PROCORREDOR, PASAH, PRESANCA<sup>vi</sup>. This all evidenced a growing consensus around the best practices for helping subsistence farming families escape the poverty trap. Lessons can be summarized as follows:

- The most effective way of integrating different development and social programs and projects is at the municipal level, and this applies to all actors (the different government ministries, donors' projects and NGO initiatives).
- The participation of beneficiaries in local decision-making (including adequate social auditing) contributes to greater impact, reduced cost and higher quality of investment.
- Collaboration with local governments facilitates the participation of beneficiaries, the creation of strategic alliances, the construction of local capacities and the reduction of conflicts. For this reason, local institutional building is critical.
- There is a direct relationship between achievements, technology change and ownership by the main beneficiaries. Any project has to start from their priorities and demands.
- Small farmers ('campesinos') have the potential to become economic actors and development agents in their own right. Investing in small farmers has more impact on poverty reduction than many other type of development investment.
- The positive impacts of agroforestry and silvo-pastoral practices are well documented. They are able to turn around whole landscapes, increase yields and greatly reduce the vulnerability of farmers especially to climate variability.
- These new practices should be applied with the right methodologies, which involve investing in human capital (training, education and awareness) and social capital (organization, networks and partnerships).
- Women's participation in development processes is not hindered by any underlying cultural or religious objection, but rather by a series of traditional practices. Using the right methodological approach from the beginning can bring women into development transformation alongside men as equal partners. As such, they can articulate their needs and ensure their rights to natural resources (including land) and other assets. UTSAN has identified the importance of having a woman's office and officer in each municipality.
- Good practices on past experiences with the Drought Resilience Initiative in the Dry Corridor<sup>1</sup> will be built in order to link better relief to development.

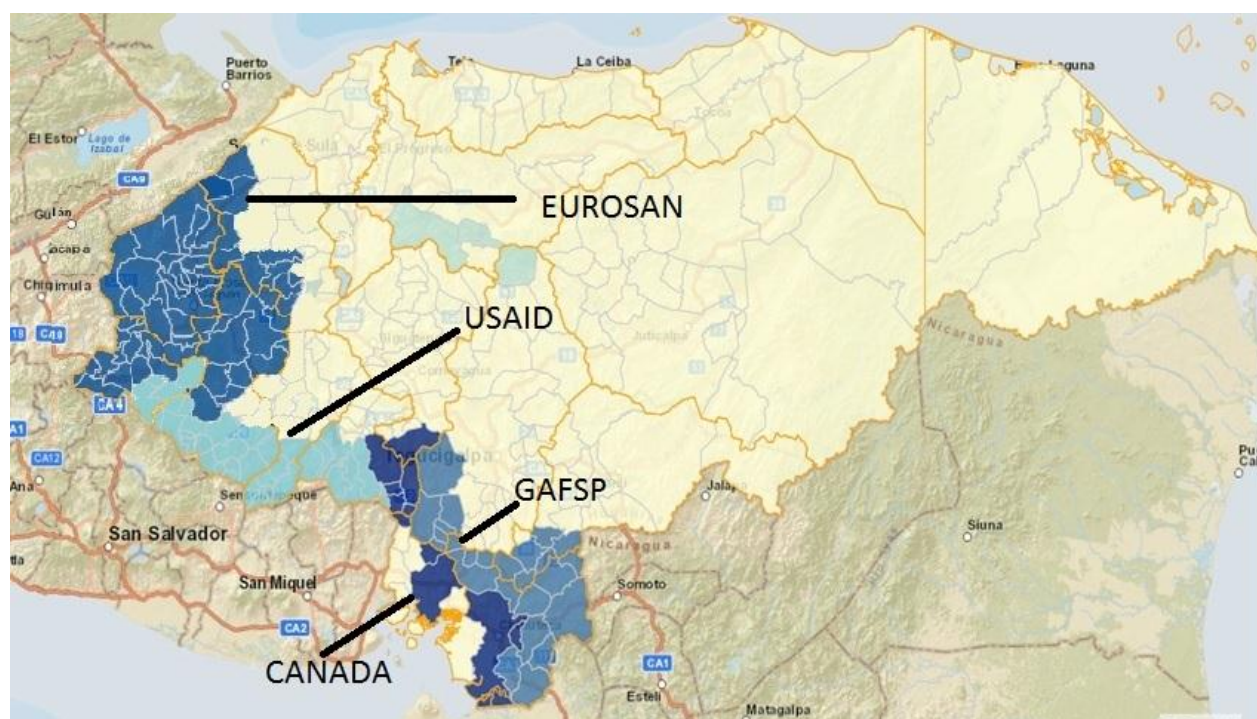
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<sup>1</sup> Drought Resilience Initiative in the Dry Corridor funded by DG ECHO (targeting communities exposed to frequent droughts in the Dry Corridor with the aim to strengthen the community based management of natural resources, the information management and the early warnings on droughts during 2013 and 2014).

## 2.4. Complementary actions

EUROSAN builds upon the European Commission's experience in Honduras and Central America with major bilateral projects on food security, emergency responses and natural resources management (cf. supra). Also, there are currently twelve ongoing small-scale projects with local and international NGOs in the Dry Corridor. They have been consulted as part of the formulation process since early 2013.

EUROSAN is part of a major, coordinated government-led initiative in the Dry Corridor (ACS). The following map and table detail intervention areas and commitments by partners.



PARTNER	FUNDING (in Euros)	AREA OF ACTIVITY
Government of Honduras	€29 million	National activities of ACS: <ul style="list-style-type: none"> <li>• information, communication and dissemination, program planning and implementation</li> <li>• skill development in generation and dissemination of knowledge</li> <li>• policy analysis</li> <li>• market intelligence</li> <li>• Remodelling of financial and procurement systems.</li> </ul> Support access to rural credit
Government of Honduras / Global Agriculture and Food Security Program	€22 million	Development and implementation of ACS in Choluteca, el Paraiso, Valle, South of Francisco Morazan and North of Intibuca and La Paz. Monitoring and evaluation of the overall ACS. The World Bank was selected by the GoH as the GAFSP Supervising

(GAFSP).		Entity.
USAID	€17.5 million	Development and implementation of ACS in South of Intibucá, Lempira and La Paz, building on current project that focuses on strengthening market options. The goal is incorporating 12,000 small farm households into the market and reduction in under nutrition.
Central American Bank of Economic Integration (CABEI)	Aiming for €66 million	Development and implementation of rural infrastructure improvements in all the ACS area The aim is connecting beneficiaries to markets and public services.
CIDA CANADA	1. €12 million 2. €25.5 million	Development and implementation of ACS in the south part of Dry Corridor through: <ul style="list-style-type: none"> <li>• Improvement of Ministry of Health information system.</li> <li>• Rural economic development via NGOs and international agencies.</li> </ul>
European Commission	€30 million	Development and implementation of ACS activities in departments of Copan, Lempira, Santa Barbara and Ocotepeque. The overall objective is to improve food security and nutrition of 15,000 rural households by (i) building sustainable farming systems, (ii) supporting education and nutrition, and (iii) strengthening national and local institutions in the project region.

## 2.5. Donor coordination

Since 1999 donors have organized in a consultative group called the G16. This group relies upon a dozen sector-specific working groups, of which the agroforestry roundtable. The latter is the forum where relevant government ministries, international actors such as the World Bank, IADB, FAO, WFP, UNDP and civil society organizations share information on their rural sector initiatives. The group meets monthly and is currently chaired by the EU Delegation.

More specifically, the members of this group which have projects in the Dry Corridor have been meeting monthly with the government under the aegis of the ACS under the coordination of UTSAN. At municipal level, food security roundtables are active coordination space where stakeholders share analysis and plan investments.

## 3. DETAILED DESCRIPTION

### 3.1. Objectives

The overall objective (based on the National FSN Strategy) is to improve food security and nutrition of 15,000 rural households by (i) building sustainable farming systems that will enable increasing food production, (ii) supporting education and nutrition, and (iii) strengthening national and local institutions in the regions with the highest poverty rates.

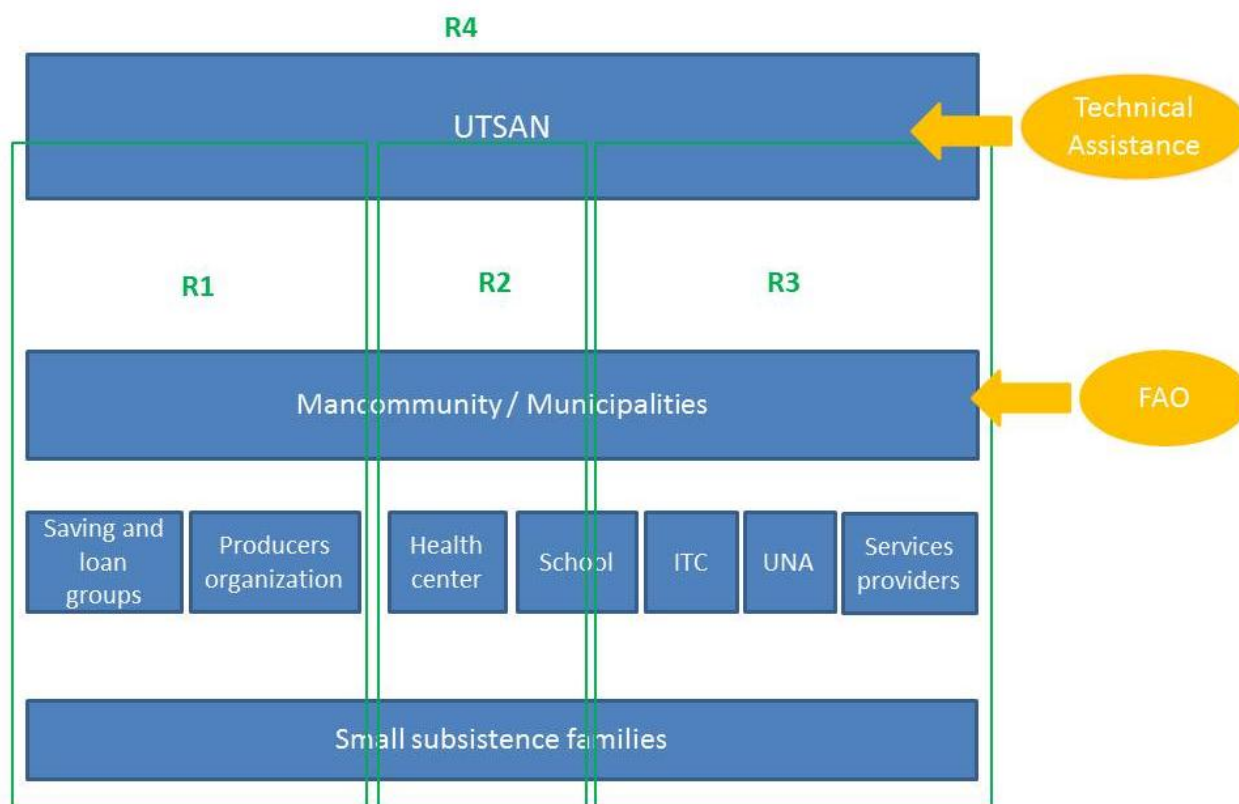
The specific objective is to build ten food secure and resilient mancommunities in the Dry Corridor.



### 3.2. Expected results and associated main activities

The project intends to be as demand driven as possible, reflecting an understanding that development starts on the land with the farmers and is built through the community (farmers associations, savings and loans networks, women's and youth groups, indigenous movements) into the municipality, itself part of a regional and sub-regional framework (*mancomunidad*) responding to a national policy (ENSAN). These links in the chain have to be articulated to maximise impact and sustainability. From a wider perspective, EuroSAN also contributes to easing national problems which find their origins in rural poverty, including internal and external migration, marginal urban dwellings and violence. In order to ensure a better preparedness to future droughts, actions such as the establishment of strategic barns, the protection and strategic use of water sources are to be sought.

The project thus involves local governments, smallholder families including women and children, community organisations, local agro-industries, community leaders and technical specialists. As a rule, it will emphasize support to (and strengthening of) what already exists, not starting up new constructs. A cross-cutting component covers monitoring, evaluation and lesson learning at the level of UTSAN.



#### Result 1: Increased Rural Food security

The aim is to help subsistence farmers to adopt a sustainable agroforestry hillside system that can produce enough basic grains to feed a family of 6 from one manzana of land (0.7 ha.). Once this

is achieved, farmers themselves engage into farm planning and natural resource management (especially land and water) on a wider scale, thereby diversifying and entering the market. In the process, municipal resources and land use planning are developed, contributing to the emergence of greener municipalities.

The methodology to make production systems more productive and profitable is focused on the introduction of alternative sustainable land use practices called agro-forestry and semi-intensive silvo-pastoralism, which can lead to new agro-ecological dynamics in the watershed. The dynamics of change is based on the mechanism called "campesino a campesino", which is a new extension system in the field with a close involvement of local institutions. This system turns all external investments into working capital for campesino groupings, thereby avoiding subsidies. By recognizing the costs of transition from one agricultural system to another, it encourages the adoption of practices that are economically viable but cannot pay for themselves in a time span compatible with the subsistence capacity of the dominant mini-fundio production system. Agro-forestry and semi-intensive silvo-pastoralism as a production system have been adopted by over 20,000 small farmers in Honduras; the target is an additional 15,000 households. The system has been studied and validated by the International Agricultural Research Centre at Cali Colombia (CIAT). FAO has developed the methodology for its large scale adoption, in which asset building plays a key role (see methodological annex).

#### Activity 1.1: Establishment of the agricultural extension system (first two years):

- Recruit the extension management and specialists.
- Recruit and prepare agricultural extensionists trained in core common curricula.
- Carry out participatory diagnosis and initial planning at community level. This involves a "learning by doing" methodology for both the extensionists and the communities, from where future leadership is identified.
- Consolidate plans for municipalities and *mancomunidades* on the basis of community-level priority agreements for the first agricultural cycle.
- Establish an annual participatory evaluation and planning system of the project.

FAO will be in charge of setting this up. Farm level inputs will be channelled via the grants to *mancomunidades* as soon as possible.

#### Activity 1.2: Institutionalization of the extension system (following three years):

Municipalities will take responsibility for the extension system including the salaries of the technical personnel and *mancomunidades* will take on the role of coordination of systems as developed by their municipal members.

- Accompany and support farmers and communities on the basis of strategy for innovation and technology adoption.
- Implement evaluation and planning at both the community and municipal levels. It takes an estimated four agricultural cycles for new farming systems to become sustainable.
- Consolidate the extension system at the level of municipalities and *mancomunidades*.
- Training leaders at all levels: community volunteers, municipal staff, extension teams, municipal leaders and staff of *mancomunidades*, with emphasis on the promotion of women.

*Mancomunidades* will institutionalize the extension system, with the support of FAO and under the overall monitoring of UTSAN.

### 1.3 Support and promotion of existing and potential market linkages and agro-industries, with special emphasis on women's SMEs.

- Training in gender sensitivity of project participants starting with property and natural resource rights.
- Diagnosis of existing SMEs, market linkages and agro-industries in the project region.
- Negotiation with key actors for the materialization of market opportunities. Priority to be given to existing chains such as coffee, wood, basic grains and vegetables.
- Support to the market linkages successfully negotiated by means of technical assistance, investment and grants.
- Monitoring of activities by UTSAN with an annual evaluation and report.

UTSAN's technical assistance will be in charge of the initial diagnosis. Inputs will be channelled via the *mancomunidades* to the actors of the private and social sectors (cooperatives, small farmer associations, women's groups and municipal level networks of SMEs), with FAO's technical support and supervision.

### 1.4 Support for the development of strategic grain reserves and municipal markets.

- Initial surveys of markets and basic grain flows at municipal level of each participating *mancomunidad*.
- Support to market strengthening and market information systems.
- Support to strategic grain reserves (grain banks that allow farmers to keep control and reap the benefits of grain flows).

This activity will be carry out by *mancomunidades*.

### 1.5 Strengthening of financial system serving small producers

- Initial survey of existing financial structures, prioritising the self-managed saving and loan groups (*Caja Rural<sup>vii</sup>*), carried out by UTSAN.
- Program of input support (fertilizer, seeds, silos...), under agreement with the *mancomunidades*, to subsistence farming families channelled through the *Cajas Rurales*, alongside technical and institutional support and training.
- Support the linkages of *Caja Rurales* to micro-finance institution and the private sector.

This activity will be carry out by *mancomunidades*. FAO will provide them with technical support and training.

## **Result 2: Improved Nutritional Status**

### 2.1 Establishment of nutrition and health extension system in each municipality covering 15,000 families (first two years).

- Recruit the extension management and specialists.

- Recruit and prepare nutrition and health extensionists trained in core common curricula.
- Carry out a participatory diagnosis and initial planning at community level. This involves a “learning by doing” methodology for both the extensionists and the communities from where future leadership is identified.
- Involvement of the Ministry of Health since the beginning of the action, to detect and refer undernourished persons or children in order to tackle the causes of under-nutrition based on evidence.
- Involvement of a partner expert on nutrition issues ensuring adequate messages following protocols are passed.
- Support to nutrition information system with the institutions.

Consolidate plan at the level of municipalities and *mancomunidades* on the basis of a priority agreement established at community level as regards household initiatives (home gardens, eco-stoves, house improvements, silos, mother and child programs, nutrition and food preparation). FAO will be in charge of setting this up. Inputs will be channelled via the grants to *mancomunidades* as soon as possible.

#### 2.2 Institutionalization of the nutrition and health system to municipality and/or other local organization (following three years).

- Institutionalization of the community level nutrition and preventative health priorities at both the community and municipal levels.
- Transfer of the system to the municipalities and *mancomunidades* in close coordination with the Ministry of Health.
- Program of formation of leaders at all levels: community volunteers, municipal staff, extension teams, municipal leaders and *mancomunidad* staff with emphasis on the promotion of women.

*Mancomunidades* will institutionalize the extension system, with the support of FAO and under the overall monitoring of UTSAN.

#### 2.3 Support for the conversion of the school feeding program as an instrument of local development buying from the parents of the students and providing nutrition education.

- Identification of priority municipalities and schools.
- Program design at community and municipal level, carried out by stakeholders (community, school, municipality, ministry of education and school feeding program).
- Institutionalization of the initiative through the establishment of school management structures that involve all actors, duly trained and supervised. Within two to three years this structure will be sufficiently consolidated to become autonomous within the school feeding program framework.

Based on its experiences, FAO will provide specialised technical support to the ministry of education and municipalities, as well as training to schools. The National School Feeding Program will provide financial and other inputs.

### **Result 3: Strengthened institutional and human capacities**

The sustainability of the processes initiated in results 1 and 2 can only be guaranteed by their institutionalization, which implies the construction of participatory, demand-driven processes that involves hillside families and indigenous communities as well as municipalities and *mancomunidades*. Result 3 therefore reflects the need to prepare local and national institutions to support such processes. An integral part of this approach is to lead education to serve local development needs and enhance the skills and knowledge base of rural dwellers.

### 3.1 Support to the consolidation of the rural development role of the *mancomunidades* and their members.

- Diagnosis of current strengths and weaknesses of the *mancomunidades* and their members, carried out by UTSAN.
- Identification of support program.
- Planning and operation of support activities by *mancomunidades*, municipalities and partner NGOs.
- Annual evaluation and fine-tuning by all associated partners, led by UTSAN.

This activity will be implemented by the *mancomunidades* and their partners (through grants), with FAO's assistance.

### 3.2 Consolidating a network of small craftsmen specialised in services to the community throughout the rural areas served by the project.

- Identification of demand and supply.
- Prioritization of training program through the aggregation of demand as prioritized by the communities participating in the project.
- Running of training programs under the supervision of UTSAN, which will also be responsible for conducting the annual planning cycle.

UTSAN will lead the process of identification of needs and priorities which will lead to the design of service contracts.

### 3.3 Facilitate an integrated rural education strategy at municipal level by expanding the network of Rural Technical Institutes (RTI).

- Design of model for the transition of secondary schools to RTIs, involving schools, municipalities, ministry of education and UTSAN.
- Support to the transition of targeted schools (the municipalities will cover the specific costs of conversion).

The *mancomunidades* will support the costs of transition of existing and new secondary schools to rural technical institute. The major partner will be the ministry of education and the network of Rural Technical Institutes.

### 3.4 Support to the training of indigenous leaders.

- Grant program to support the participation of indigenous youth of Chorti and Lenca origin from the municipalities of the project area.
- Ensure professional training in those technical skills that are required to support the priorities as identified by the communities and municipalities participating in the project.
- Monitoring of activities by UTSAN.

This activity will be implemented by the National Agricultural University (UNA) which has a program for selecting and training indigenous youth who follow normal university curricula plus one specifically designed for each ethnic group. This program has the full support of the ministry of education.

#### **Result 4: Improved national policy development in food security and nutrition**

This project is also an opportunity to validate approaches and methodologies that can be adopted at national level, so as to ultimately incorporate most subsistence hillside farmers into development as actors in their own right. UTSAN is by mandate responsible for monitoring all food security initiatives and promoting the government's policy of prioritising the reduction of food insecurity. The government recognises the importance of having a strong monitoring and evaluation capacity to evaluate and hence maximise the impacts of all investments in rural development and poverty reduction.

##### 4.1 Support UTSAN's capacity to monitor, evaluate and update the national food security situation and advise on policy adjustments with specific emphasis on the Dry Corridor.

- Establish an ACS participatory monitoring and evaluation system (including the continuous environmental evaluation), allowing annual readjustment of the program.
- Facilitate the integration of the ACS monitoring capacity into the national food security monitoring system, along the lines of the Integrated Food Security Phase Classification (IPC).

##### 4.2 Support the institutionalization of food and nutritional security within Honduran society.

- Support the institutionalization of the roles of UTSAN and the national food security structures (CONASAN at ministers' level and COTISAN at technical level).
- Help UTSAN to consolidate the existing Food Security Round Tables and their expansion into the departments and regions where the project operates.
- Support the design and execution by UTSAN of a program to deepen and expand the participation of civil society and the private sector in local food security initiatives alongside the *mancomunidades* and their municipalities.

### **3.3. Risks and assumptions**

Risks type and level	Justification of risk level	Mitigating Measures
Faltering government commitment (LOW)	Food security is one of the priorities of the government that took office in January 2014. The ACS was officially launched that same month. The UTSAN team was retained but transferred from the President's Office to the ministry of social development, the minister of which is one of the	Continued donor support for ACS and UTSAN and dialogue with the government about poverty. Support for updating data bases (agricultural survey for example) and monitoring and evaluating investments in rural poverty.

	eight members of the inner cabinet of the President.	
Social and economic instability at local level (MEDIUM)	Most rural families face economic decline and narco dollars are infiltrating many rural areas. Without positive development alternatives, rural tension and conflict may continue to rise.	Where similar family agriculture initiatives have been successful, a new culture has developed that benefits the majority of the rural poor and shields them against social anomy and the associated violence.
Institutional instability (MEDIUM)	Many new mayors <sup>viii</sup> have come to power through clientele mechanisms. It might take them time to understand how local development works and by then new elections might throw up new mayors. Decentralisation requires coordinated action, allocation of funds according to local priorities, and improving the availability and use of public finance, which cannot be taken for granted. Also, the model of decentralization that the new administration wants to apply remains uncertain at this stage.	The project will have a special component for municipal authorities. It may support some of the mayors' key priorities and provide development training for them and their staff. It will promote professional staff continuity.  The Delegation will maintain high level policy dialogue on decentralisation issues with the government and all other stakeholders.
Difficult donor coordination (MEDIUM)	The ACS has various donors yet different donors have different interpretations of the reasons behind rural poverty, and hence different strategies of intervention.	The project will promote interchanges, workshops and other forms of collaboration that seek to generate, monitor and evaluate lessons, especially from the methodologies and conceptual frameworks used by the various field initiatives.
Persistent environmental degradation linked to climate variability (HIGH)	An El Niño event is predicted for 2014 and at least one drought and one flood will affect the area of EU operations during the project's five years. New production systems are expected to have a stabilizing impact on the environment in the medium term. Meanwhile, the region remains highly vulnerable to extreme weather events. Such events could complicate and delay project implementation, but are not expected to put it at risk.	From the beginning the focus of the project is building resilience to climate variability. Preparations for dealing with drought and flooding are part of the project design and implementation will be carried out in consultation with ECHO. Increased resilience will be incorporated in result 1.

### 3.4. Cross-cutting issues

Environmental sustainability and climate change: Over 80% of Honduras' agricultural land has been affected by human induced soil degradation. Maize yields may drop 30% due to climate change if grown under the current model, but only 1-2% with the adoption of agroforestry practices. The proposed project prioritizes the adoption of agroforestry systems that will reduce this threat and stabilise the environment.

Disaster Risk Reduction: Droughts are affecting Honduras on a regular basis. The proposed project should consider preparedness actions in order to better face future droughts and thus build resilience.

Gender equality: In the Dry Corridor, women traditionally focus on issues of reproduction and men on issues of production. Yet women have shown aptitude for money management, commerce and other activities, as men increasingly recognize. For instance, women often take on the role of treasurer in all types of organizations. Based on lessons learned and specialized expertise, the project will adopt methodological approaches whereby women can be brought into the transformation process alongside men as equal partners, articulate their need and secure their rights to resources and assets.

Rights of the child and youth: The current rural economy is pushing the youth out of farming, generating large scale emigration. The lack of options and skills of the uneducated, recently urbanised youth provides a breeding ground for gang growth and youth violence. These phenomena, in turn, negatively affect the family and social environment in which children grow. The proposed project incorporates responses to four problems facing the rural youth: the lack of appropriate educational opportunities; the lack of access to land; the negative status of farming; and the lack of off-farm employment options. Mother and child nutrition and health will also be specifically addressed.

Indigenous people: On top of the above, indigenous peoples have lost access to the land (both through destruction and deprivation), and especially that where they can hunt and harvest. Land is an integral part of their identity. Their nutritional vulnerability and dietary degradation is a reflection of this loss of access to the food gathered from the forests. Until recently, traditional indigenous cultural practices have been despised and marginalised, to the extent that their survival as separate identities is in peril. In this framework, the proposed project will focus on municipalities of the Dry Corridor inhabited by the Lenca and Maya-Chorti people.

Democracy, good governance and human rights: The whole methodological focus of the proposed project is to strengthen participation in decision making by hillside subsistence farmers, and thus the exercise of their human rights. The first step is organization at community level and increased participation in representative and economic bodies such as *Cajas Rurales*, cooperatives, as well as farmers and women's associations. Good governance at local level will also be fostered. The municipality is the lowest level of governance in Honduras and an increasingly important forum where communities can express and negotiate their development needs. As such, municipalities and *mancomunidades* are priorities of EUROSAN. The government is promoting much greater integration of public services and government initiatives



at municipal level, which is fundamental to guarantee the human rights of the rural poor and viable good governance. EUROSAN contributes to it.

### 3.5. Stakeholders

#### Target group:

**Subsistence hillside farming families.** They predominate in the Dry Corridor, and are either landless, minifundistas<sup>ix</sup> or small farmers, and daily laborers, often of indigenous origin. They produce, primarily for family consumption, basic grains, small animals and garden produce. Even those who are landless hire land each year to plant their maize and beans.

**Rural women, youth and indigenous people.** Women will be involved as such from the beginning of the community development process. Support will be given to indigenous organizations and programs for training a new generation of indigenous youth. Support will also be given to initiatives aiming to prepare the region's youth for future labour opportunities as farmers, employees in the agro-industries or support technicians.

#### Key stakeholders:

**Producer's organizations.** The self-managed savings and loan groups (*Cajas Rurales*) support a local accumulation that reflects the change in farming practices. They are an integral part of the change of system at community level, and an indicator of new community development dynamic.

**Mancomunidades and their municipalities.** *Mancomunidades* have emerged from the needs of the municipalities to have development agents that can operate at levels not reachable by small, financially weak local governments. As such, they are recognized by the government, have been legalized and even sub contracted for government health programs. The municipality is the smallest unit of governance in Honduras and is assuming an increasingly important role as decentralization moves forward. The project will work with the mayors and their teams as well as the technical teams in *mancomunidades* in constructing the whole participatory development process.

**Local branches of government institutions.** Those involved in delivering services to the rural population (e.g. ministries in charge social inclusion, health, education, economic development and agriculture) will be included. Their field staff tends to operate at municipal level and will be an integral part of the intervention strategy of the project.

## 4. IMPLEMENTATION ISSUES

### 4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

## 4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. And 4.3. will be carried out, is 72 months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

## 4.3. Implementation components and modules

### 4.3.1. Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
International Technical Assistance	services	1	1
Audit	services	1	4
Mid and final evaluation	services	2	12 and 24

The Technical Assistance (TA) will be contracted by the EU. The services provided under this contract will cover advice to the Government of Honduras in terms of strategic planning, monitoring and reporting of the action as well as a specific technical assistance. The TA will work in close collaboration with the coordinator of the actions implemented by UTSAN under the lead of the National Director. The amount foreseen for contracting the TA is € 5.0 million.

The option of launching the tender with suspension clause should be considered.

### 4.3.2. Indirect management with FAO

Part of this action may be implemented in indirect management with FAO in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012, with the objective of establishing of an agricultural extension system for 15,000 families and transferring it to municipalities and/or other local organizations. This involves in particular:

- Advising *mancomunidades* and municipalities on the development of the agricultural and nutritional extension systems;
- Building capacity in local institutions to sustain the implementation of food security and nutrition policies and programmes;
- Support *mancomunidades* in the implementation of the grants awarded towards achieving results 1, 2 and 3.

This role is justified as FAO is an organization with considerable knowledge to transfer, due to more than thirty years of experience in Honduras, developing and applying strategies and methodologies for helping small farmers adopt more sustainable agroforestry practices, in close collaboration with central government. In addition, FAO in Honduras has proved to be an organization with good technical and administrative capacities for the management of projects in food security and nutrition, also recognized by the government, local authorities, civil society and the donor community.

The budget implementation tasks of the Delegatee include the administrative, contractual and financial management of services, supplies and minor works awarded on the basis of tenders. Contractual management also includes the monitoring, supervision and quality control of activities.

#### **4.3.3. Indirect management with the partner country**

Part of this action may be implemented in indirect management with Honduras Government in accordance with Article 58(1)(c)(i) of the Regulation (EU, Euratom) No 966/2012, according to the following modalities:

The Honduras Government will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 50,000 and may apply ex post control for procurement contracts up to EUR 50,000. The Commission will control ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts up to the ceilings indicated in the table below.

<b>Works</b>	<b>Supplies</b>	<b>Services</b>	<b>Grants</b>
< EUR 300,000	< EUR 300,000	< EUR 300,000	≤ EUR 100,000

The financial contribution covers, for an amount of EUR 3,000,000 the ordinary operating costs incurred under the programme estimates.

The change of management mode from indirect to direct management, whether partially or entirely is not considered a substantial change.

In accordance with Article 262(3) of Delegated Regulation (EU) No 1268/2012, the Government of Honduras shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, will be laid down in the financing agreement concluded with the Honduras Government.

In the light of the aid effectiveness agenda (in particular ownership, alignment and project implementation issue), the government of Honduras will entrust project management to UTSAN, which will be responsible for contracts management (supplies, services, works and grants, except FAO). Advantage may be taken of the possibility to directly award grants to targeted *mancomunidades*. Also, UTSAN will be responsible for the monitoring and evaluation of

EUROSAN and all ACS activities. To this end, the international technical assistance will provide support to UTSAN and local governments involved in the implementation of EUROSAN.

#### **4.4. Scope of geographical eligibility for procurement and grants**

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

#### **4.5. Indicative budget**

<b>Module</b>	<b>Amount in EUR</b>	<b>Third party contribution</b>
4.3.1. – Procurement (direct management)	5,000,000	N.A.
4.3.2. – Indirect management with FAO	7,200,000	N.A.
4.3.3. – Indirect management with the Government of Honduras	16,800,000	3,000,000
4.7. – Evaluation and audit	500,000	N.A.
Contingencies	500,000	N.A.
Total	30,000,000	3,000,000

#### **4.6. Performance monitoring**

The monitoring of performance indicators will be led by UTSAN as part of its responsibilities in food security. These responsibilities include a national food security oversight and the setting up and running of the monitoring instruments of the ACS including EUROSAN. The performance indicators of EUROSAN have been agreed upon jointly with UTSAN.

Main indicators are:

- 75% of the farms participating in the extension program apply three or more sustainable and climate resilient agricultural practices.
- In the communities assisted by the project, the number of under-fives with a low height-for-age ratio is reduced by 20%.
- Yields of basic grains experienced by farmers supported by the project increase at least 30% on average.
- All the teachers of the schools participating in the school feeding component have received nutrition training.
- 100% of the farming families that participated in the project are receiving extension services with a focus on sustainable farming at the end of the project.

#### **4.7. Evaluation and audit**

EU evaluation and audits procedures will apply. These include both Result-Oriented Monitoring and evaluations, all carried out by external experts. Certified auditors will carry out annual audits, based on the Practical guide to contract procedures for EU external actions. The Commission may also send its own staff for inspecting technical and financial activities.

#### 4.8. Communication and visibility

The global common visibility of all EU actions will be granted through MADIGEP<sup>2</sup>. The TA will contribute to the drafting of the communication plan.

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<sup>i</sup> The *Corredor Seco* runs along El Salvador and to the border with Nicaragua. It includes the departments of Lempira, Intibuca, and La Paz, and much of Valle, Choluteca, the Southern half of Francisco Morazan and El Paraiso. It is characterized by over six months dry season and a variable rainfall pattern during the wet season, high levels of poverty and under-nutrition.

<sup>ii</sup> See UNDP Report for 2006 “Informe sobre Desarrollo Humano”, details of which are found in the map in annex.

<sup>iii</sup> UTSAN estimates, 2011.

<sup>iv</sup> A *quintal* is a unit of weight equal to 100 pounds. A *manzana* is equal to 0.7 hectares.

<sup>v</sup> See [www.fao.org/hn/I/noticias](http://www.fao.org/hn/I/noticias).

<sup>vi</sup> Respectively: ALA/2001/005-827, ALA/2006/018-324, DCI-FOOD/2009/021-376 and DCI-FOOD/2009/020-559.

<sup>vii</sup> The Caja Rural is a self-managed savings and loans mechanism that represents an important instrument of rural capitalization in Honduras. It is a tool that teaches savings and it is a mechanism for monetising external resources channelled to the communities in which payment is made for the inputs but to the Caja Rural and not the project. As Cajas Rurales grow they affiliate to cooperatives in the main and being a savings mechanisms act as guarantors for external funding that is normally very difficult for small farmers to access at reasonable interest rates.

<sup>viii</sup> Following the general elections (including municipal) of November 2013.

<sup>ix</sup> The word Minifundista will be used frequently throughout this document as it has no English translation. It means a farm so small it is unable to generate a commercial surplus. An exact size cannot be given as the size varies greatly: a 2 hectare farm in the dry tropics with year round irrigation can be very commercial and profitable while a 10 hectare farm without irrigation in the same area cannot.

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<sup>2</sup> MADIGEP - *Support Measures to Institutional Development and Policy Management* - has been identified under the 2014-2020 multiannual indicative programme (MIP) for Honduras in order to provide technical cooperation relevant to all sectors of intervention of the MIP, independently of the aid modality, as well as crosscutting issues. It will facilitate a well-structured and strategic capacity building process, providing long-term and short-term technical assistance, specific studies, opportunities for knowledge sharing and transfer, peer-to-peer training as well as communication and visibility, in order to achieve the results and impact of the programme as a whole.

## ANNEX 2

### of the Commission Implementing Decision on the **Action Document for Institutional strengthening for decent work and employment opportunities for young people in Honduras (Euro +Labor)**

#### 1. IDENTIFICATION

Title/Number	Institutional strengthening for decent work and employment opportunities for young people in Honduras <sup>[1]</sup> (Euro + Labor) CRIS number: DCI-ALA/2014/26851		
Total cost	Total estimated cost: EUR 11.6 million  Total amount of EU budget contribution: EUR 11.6 million  Counterpart of the Government of Honduras: EUR 1 million		
Aid method / Management mode and type of financing	Project Approach Management Mode: <ul style="list-style-type: none"><li>• Direct management: Services</li><li>• Indirect management with AECID</li><li>• Indirect management with the partner country: Honduras</li></ul>		
DAC-code	16020	Sector	Employment policy and administrative management

#### 2. RATIONALE AND CONTEXT

##### 2.1. Summary of the action and its objectives

**Modest economic growth has failed to generate enough jobs.** The Honduran economy in the last five years has grown an average of 2.88% per year. This has been insufficient to address and solve employment problems, characterized by low productivity jobs primarily within the informal economy. Honduras has one of the

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<sup>[1]</sup> The Decent Work concept used in this document corresponds to the one formulated by the ILO's constituents – governments, employers and workers – which encloses four strategic objectives, with gender equality as a crosscutting objective: i) creating jobs in order to generate opportunities for investment, entrepreneurship, skills development and sustainable livelihoods; ii) guaranteeing rights at work in particular of disadvantaged or poor workers; iii) extending social protection to promote both inclusion and productivity by ensuring that women and men enjoy working conditions that are safe, allow adequate free time and rest, take into account family and social values, provide for adequate compensation in case of lost or reduced income, and permit access to adequate healthcare; iv) promoting social dialogue involving strong and independent workers' and employers' organizations in order to increase productivity, avoid disputes at work, and build cohesive societies.

<http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang--en/index.htm>

lowest per capita income in Central America (USD 2,315), which evidences a limited capacity to generate productive development and decent employment. In this sense, the central problem of employment in Honduras is invisible underemployment, which affects more than 1.7 million Hondurans. 64.5% of Honduran households are poor and 42.6% extremely poor.

**Much of the existing employment is informal and lacks social security coverage.**

Out of 100 persons employed, only 42 are paid for their activity or have an employer while 45 are own account workers; the remaining 13 are unpaid workers<sup>1</sup>. The majority of self-employment jobs are informal with no access to social security, in the worst working conditions and with income below the minimum wage. Therefore, it is important to contribute to the maintenance and creation of decent jobs with fair income, security in the workplace, social protection for their families, better prospects for personal development and social integration, freedom to express their concerns, ability to organize and participate in decisions that affect their lives, and equality of opportunity and treatment between women and men.

**In this context, the multiannual indicative programme (MIP) 2014-2020 for Honduras provides for a total financial envelope of € 85 million to promote decent employment.** As a stepping stone, EuroLabor aims to establish the bases for the creation of decent employment through capacity building of the government and social actors, especially at local level, in order to help them address employment problems. The assumption - validated in other countries - is that Honduras requires articulated entities responsible for promoting jobs, with a strong ability to address and solve employment problems.

**EuroLabor will strengthen the capacity of Honduras to systematically promote decent employment,** mainly by: i) defining and implementing a joint action framework between the Government and the social partners to promote decent employment based on social dialogue; ii) strengthening the capacity of the Government to address and solve the problems of employment, including job creation, maintenance of existing employment, improving the employability of Honduran workers, and promoting the conversion of employment in the informal economy into decent employment; iii) expanding the geographical coverage of employment services towards contributing to its decisive intervention in the promoting decent employment; iv) improving information systems to provide integrated and timely information for appropriate decision making on employment and v) support to returned migrant youth for attending targeted vocational training enabling their prompt reintegration into society.

## **2.2. CONTEXT**

### **2.2.1. Context**

#### **2.2.1.1. Economic and social situation and poverty analysis**

**The growth of the Honduran economy has traditionally been modest.** It has been recovering with difficulty from the recessionary cycle suffered in 2008 and 2009 due to the international financial crisis and the domestic political instability. Both events

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<sup>1</sup> Central American Bank for Economic Integration (CABEI): <http://www.bcie.org>, May 2014. This source has been consulted since it has the most complete and up to date (2013) information on employment.

affected production and employment through exports reduction (including the "maquila"<sup>2</sup>), the unavailability of credit and the decreasing flow of private investment. In the last five years, the country grew an average of 2.9% annually. For 2014 a 2.8% growth is projected. The balance of payments deficit reached 8.6% of the gross domestic product (GDP) (2012). The public debt grew rapidly, generating a debt service that crowded out key social expenditures from the Government's budget, possibly affecting poverty reduction.

**Largely as a result, poverty and inequality are among the highest in Latin America.** Measured by income, poverty reached 64.5% of its population in 2013, while 42.6% are in extreme poverty. This percentage, which had been reduced by 7.7 points between, 2006 and 2009, reversed its trend in 2009 due to the crisis. Between 2010 and 2012 poverty grew 13.2 points and extreme poverty 26.3 points. The Gini coefficient in 2009 was 0.525; by 2013, this ratio had risen to 0.544, the highest increase in Central America. If measured according to the unmet basic, however, poverty seems to be lower (50% of households) and less sensitive to the country's economic conditions.

**Poverty is closely related to the size and shape of the productive base of the country.** An analysis of the trends of Honduras's economic growth during the last decade reveals that while the rate of GDP growth has fluctuated, it has been, on the whole, positive. This is true even when considering the negative impact that the international financial crisis and the Honduran national political crisis had on the country's economy. The engines of this growth are found in the financial services, transport and communication sectors. Yet, the rate of increase of the minimum wage has generally been inferior to that of inflation, with the exception of 2009, when the government decreed a substantial raise in the minimum wage. Despite this, wage inequality has increased, as the share of low-wage earners among all earners has grown and the gap between low wages and high wages widened.

**This sketch of the general employment situation allows us to understand the difficulties faced in poverty reduction.** Honduras is one of the few Latin American countries in which more than half of the occupied workers are in the rural, mostly agriculture and livestock, sector. The rural sector is the main source of employment generation in the country, but at the same time, the sector with the lowest incomes, as is also observed at the Central American level. In fact, in the last decade, more jobs were created in the rural than in the urban areas. The labour force participation of women increased in rural areas, especially in those activities that generate higher incomes. Disaggregating poverty statistics reveals that poverty is concentrated in rural areas and among agricultural workers, and that there is a higher incidence of poverty in the urban and rural informal economies<sup>3</sup>.

#### **2.2.1.2. Development policy**

**Employment is a top priority of the new administration.** Since January 2014, Honduras has a new government that has included among its priorities massive

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<sup>2</sup> Maquila is understood as a manufacturing operation in a free trade zone where factories import material and equipment on a duty-free and tariff-free basis for assembly, processing, or manufacturing and then export the assembled, processed and/or manufactured products, sometimes back to the raw materials' country of origin.

<sup>3</sup> Reflections on the Construction of an Anti-Poverty Employment Policy for Honduras, ILO 2011



employment generation through the competitive development and democratization of the country's productivity. The three other priorities are:

- Human development, reduction of inequalities, and social protection for all.
- Search for peace and eradication of violence.
- Transparency, reform and modernization of the public administration.

**The new government plan envisages the creation of 800,000 new jobs.** The government's strategic plan entitled "Everyone's Plan for a Better Life" aims to achieve this target by (i) prioritizing youth and female heads of households in the agricultural, industrial, tourism and energy sectors, (ii) promoting micro, small and medium entrepreneurship, (iii) enabling access to credit for entrepreneurs, and (iv) promoting business development. The employment potential to be tapped into includes maquila, agroforestry, food and agriculture, energy generation, and tourism. This will be complemented by actions oriented to improve the public and legal security environment for investment so as to generate confidence in national and international investors. For this purpose, the Government has launched ambitious programs among such as '*Con chamba vivis mejor*', literally translated: Employment gives you a better life and '*Empleate*'<sup>4</sup>.

### **2.2.2. Sector context: policies and challenges**

**Underemployment in Honduras, especially in the informal economy, has grown significantly in recent years and represents one of the most crucial employment structural challenges of the country.** This, among other reasons, is due to the failure of the country's efforts to expand its production base. Government interventions in employment were implemented without a reference framework that could integrate them into the country's efforts to promote investment and production<sup>5</sup>. As a consequence, the informal economy results from the lack of job opportunities: the poor generate income by creating their own "sources" of employment outside the formal economy<sup>6</sup>. 76% of those employed in the informal economy belong to a household below the poverty line (vs. a 69% national average).

**Seven out of ten jobs can be considered informal.** The economically active population (EAP) in Honduras represents 42.1% of total. Of the people making up the EAP, 42% are employed, 6.4% unemployed, and 51.6% underemployed. Underemployed thus constitutes the vast informal sector of the economy characterized

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<sup>4</sup> See <http://juanorlando.com/?tag=con-chamba-vivis-mejor> and <http://201.220.138.34/Default2.aspx>

<sup>5</sup> Examples of this are the various SME promotion programs implemented by the Honduran Social Investment Fund (FHIS); the Informal Sector Support Programme (PASI) carried out from 1988 to 1994; the Promotion of Micro, Small and Medium Enterprises Programme (PROMYPE) implemented in the 90s. Since 2000, several job creation projects under different modalities such as PROEMPLOEO, My First Employment, the Hourly Employment Program and the Alternate Conflict Resolution Program, were carried out with foreign funds. Recently, the National Employment Service of Honduras (SENAEH) sought to integrate these efforts as well as the National Decent Work Agenda defined with the International Labour Organization (ILO) in an electronic labour intermediation platform. In all of these cases, the above mentioned programs or projects have been disarticulated from an employment policy framework that could give them consistency.

<sup>6</sup> The concept of informal economy usually includes small enterprises, since an important part of these have become precarious and been displaced into informality following the successive economic crises. SMEs in Honduras include: i) own-account, 1 worker and possibly 1-3 non-paid family workers; ii) microenterprise, 2-5 employees; and iii) small business, 6-20 workers.

by self-employment and micro-enterprises. However, informal employment is *also* composed of those employees in formal enterprises that do not enjoy social security or the basic conditions of decent employment (i.e. wages below and/or working hours above the legal limits). Summing up employment in informal economic units (45%), non-paid workers - mainly family self-employment (13%), and informal employment in the formal economy (12%), the total proportion of informal employment reaches 70%. In rural areas, it is estimated that informal employment rises up to 95%. However, official figures that confirm this are unavailable.

**Training the predominantly young Honduran population is a challenge.** 44% of the population is under 19 years old. Unemployment and underemployment particularly affect young people who generally have very limited or no training at all. In this context, the average monthly income of an employee without formal education is approximately €97, compared to €132 earned by a person with primary education and € 486 a person with higher education might earn. This reflects the excess demand for skilled workers in a context of relative stagnation in education and training.

**Institutional weaknesses hamper an adequate policy making aiming to address these deficiencies. These weaknesses are the entry point of this action in the framework of Decent Work focal sector of the MIP:**

- The lack of a policy, agreement or national employment pact and a medium and long term strategic framework to guide the government's actions to promote employment on the basis of a broad and fluent social dialogue, ideally under the structure of the Economic and Social Council (ESC).
- The weakness and disarticulation of institutions dealing with employment promotion, including: job creation, the sustainability of existing employment, the employability of Honduran workers, and the conversion of employment in the informal economy into decent employment.

The Ministry of Labour and Social Security (STSS) is the government's institution responsible for implementing labour market policies and strategies; promote a culture of dialogue and consultation on labour relations; promote decent work and sustainable skills training; and promote social protection in particular pensions and social security for all Hondurans.

When it comes to fulfilling its mandate, the institutional limitations of the STSS include: limited budget, insufficiently trained staff, lack of methodologies for employment promotion, lack of leadership in the sector and of strategic alliances with sector stakeholders, insufficiently coordinated programmes.

- The limited scope and low coverage (in terms of population and territory) of services provided by the National Employment Service of Honduras (SENAEH).

Currently, the Ministry of Labour provides the following services through its six nationwide SENAHE offices: i) occupational guidance and information such as aptitude, personality and knowledge tests, basic tools for job search and preparation for job interviews; and ii) labour intermediation such as registration of job seekers and vacancies, selective placement of people with disabilities, attention to labour migration (inbound and outbound) and regulation of private employment agencies.

However, these services are limited and uncoordinated due to the lack of a strategy that would allow the Ministry of Labour to: i) increase the presence of SENAEH in specific sectors of the economy in order to meet the demand with a territorial expansion of its services; ii) foster local-level dialogue between stakeholders involved in employment generation for the monitoring of SENAEH services; iii) improve the skills and knowledge of SENAEH staff in order to better address the needs of the private sector; iv) strengthen the coordination with the National Vocational Training Institute (INFOP); and v) generate coordination and permanent communication with employers in order to improve their confidence in SENAEH.

- The dispersion of information on employment, which limits analysis and knowledge on employment and its relation to production.
- The lack of conditions (especially at local level) for the sustained growth of SMEs and their proper integration into the formal economy.
- The inadequacy of education at most levels, particularly vocational training in relation to the needs of the private productive sector.

**EuroLabor is meant to establish the bases for Honduras to gradually address the above employment challenges.** The underemployment predominant in the informal economy will be a permanent concern of the program.

### **2.3. Lessons learnt**

**The Honduran 'Nationwide Agreement' of 2012 has proved effective in promoting dialogue.** It heightened the profile of the Economic and Social Council and enhanced civil society participation towards the sustainability of social policies and institutions. Similar experiences in Argentina, Brazil, Chile and Colombia enabled governments to implement a national employment policy under a broad consensus with social actors and municipalities.

**Institution building has proven to be one of the key strategies to overcome the weak performance of development policies.** This is particularly true in the case of employment policies when it comes to generating greater opportunities for decent employment. The EU's Backbone Strategy on Reforming Technical Cooperation (TC) and Project Implementation Units stipulates that the provision of TC must be based on the demand and requirements of the partner country. Costs and available options should be transparent. Dialogue and support is needed to enable clear formulation of the demand for TC.

**Studies evidence the need of reliable and timely data to ensure a proper focalization and prioritization of public policies.** In the context of the EU's external assistance programming for 2014-2020 in Honduras, it was shown that focusing is required because of (i) the limitation of resources available to satisfy the needs of the population and (ii) the need to maximize the impact providing services to the population most affected, in this case by underemployment. To ensure focalization and

prioritization, the availability of reliable and up-to-date information and analysis is essential. This is true also for market labour data.

**As far as social security is concerned, different coverage policies are required for different target groups** (such as small & medium enterprises, independent workers, rural workers, employees of large, formal corporations including the State). The study commissioned by the EC to the ILO in 2013 concluded that successful experiences in countries such as El Salvador, Brazil and Costa Rica can be encouraged in Honduras order to implement "ad hoc" social security mechanisms for certain organized independent workers. Currently, Honduran seamen have adopted a collective insurance with the Honduran Social Security Institute (IHSS) allowing them to pay a lower fee for their insurance.

**There are successful employment promotion experiences in Honduras to be taken into account.** One of them is the EU-funded initiative implemented in Danli which aims at promoting employment in micro and small enterprises by developing a series of tools to improve the competitiveness of local production, promotion of SMEs and labour intermediation. This experience has demonstrated the feasibility of participation of municipalities (together with other stakeholders such as Chambers of Commerce, SENAETH and NGOs) in the generation of decent employment.

#### **2.4. Complementary actions**

**EuroLabor will serve as a stepping stone for all interventions in the second focal sector.** Four projects totaling € 85 million are proposed in the MIP 2014-2020 to attend the second focal sector "Employment, decent work and social protection policy". EuroLabor is the first to be launched and is meant to create the conditions for the other three.

**Our experience with the ILO in Honduras can be considered an asset for EuroLabor.** The ILO-implemented project "*Improving social protection and promoting employment*" was explained in Section 2.1. The project "*Improving safety and health at work through a decent work agenda*", which concluded in October 2012, revived the National Commission on Safety at Work (CONASATH) through social dialogue, and contributed to the adoption of a National Safety at Work Plan. Lastly, the project "*Actuarial, Legal and Governance Support to the System of Social Security of Honduras*" provides technical support aiming at coverage expansion and the application the ILO Convention 102 on social security minimum standards.

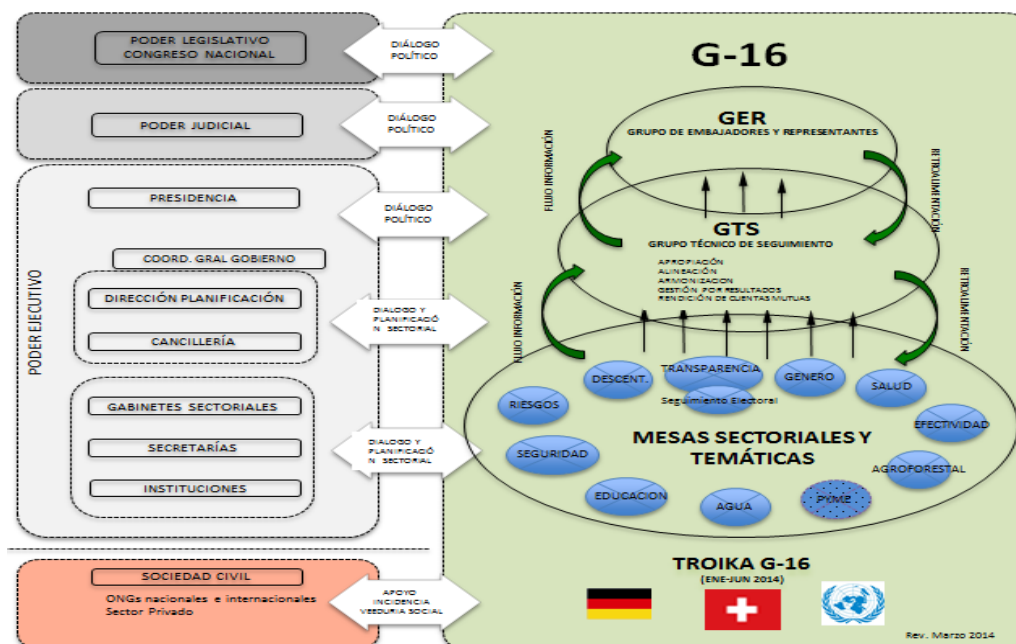
**EuroLabor will also create synergies with *Investing in People*,** in particular the multi-regional initiative addressing the low institutional capacity that hinders inclusive national employment policies and programmes in partner countries.

**EUROSociAL also achieved important results as regards tripartite social dialogue.** Since 2012, it has assisted the Economic and Social Council (ESC) in (i) drafting a law to ensure its institutional and legal stability; (ii) designing a 2013-2017 strategic plan for institutional strengthening; and (iii) carrying out consensus building workshops on key issues such as technical and vocational training and social security and pension schemes. The economic and social councils of Spain, France and Brazil visited Honduras. EUROSociAL's action plan for 2014 foresees to support public policies oriented to employment generation and the promotion of productive opportunities.

**The G16 will be the forum to coordinate with the several other donors that have interventions in employment.** These include Germany, the Inter-American Development Bank (IADB), the World Bank, the Central American Economic Integration Bank (CABEI) and UN organisations (ILO, WFP).

## 2.5. Donor coordination

**Donor coordination is ensured through the G16 donor group.** The G-16 has a dozen active roundtables in all key sectors (see graphic here under). Coordination and harmonization can certainly be further improved, but very little overlapping could be observed in the past.



**Although there is no sector table specifically addressing employment and social security issue, the SME table includes these matters in its agenda.** There is a consensus among some international cooperation agencies (IADB, WB, and USAID) to coordinate efforts in this area. EuroLabor might serve to impulse the intervention of other donors in employment. For example, an institutional strengthening fund for municipalities was created by the Central American Bank for Economic Integration (CABEI) which could be used to promote employment. Besides, EU donors with multiannual programmes in Honduras (Spain, Germany, EC) have adopted a roadmap to progressively develop joint programming.

## 3. DETAILED DESCRIPTION

**EuroLabor responds to a logic based on policy development, strengthening of capacities including information systems, and concrete actions at local level.** The tripartite action framework, alongside the strengthening of the institutional framework and information system, will enable the provision of employment services and the promotion of decent work in the informal economy through decentralized institutions, preferably at local level.

### 3.1. Objectives

The overall objective, linked to the key priorities of the Honduran Government and based on the National Development Plan is: "A country with decent employment opportunities for the Honduran population,..."

The specific objective is: "Increase the capacity of the Honduran government to systematically promote decent employment (reducing underemployment and unemployment)."

### 3.2. Expected results and main activities

**Result 1:** The Government under the lead of the Ministry of Labour and Social Security (STSS) and the social partners (employers and workers' organisations) define a joint action framework to address and resolve employment problems, on the basis of a strengthened and inclusive social dialogue, particularly under the Social and Economic Council (ESC).

What is at stake is the formulation of a joint employment strategy, ideally under a nation-wide employment pact or agreement of which the ESC would be the main promoter.

Coordination with other key ministries (finance, industry, trade, education, etc.) is a key issue to build a comprehensive approach on the government side.

#### **Main activities:**

- Mapping of public and private actors, as well as available direct resources for the promotion of decent employment.
- Analysis of employment promotion policies, strategies and success stories in the country and in Latin America.
- Creation and implementation of a sector working group for the promotion of decent work<sup>7</sup> covering a broader scope of discussion within the ESC.
- Preparation of a joint action framework proposal by the social partners (employers and workers' organisations) and the government, to be approved by the ESC.
- Creation of a plan to monitor and evaluate the implementation of the joint action framework.
- Document, publish and disseminate the experience at national and regional level promoting its replication at micro and macro level.

**Result 2:** The Ministry of Labour and Social Security (STSS) strengthens its capacities in order to expand its functions from labour intermediation and regulation to a specific role of promoting decent employment.

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<sup>7</sup> This "mesa sectorial" would be a "think tank" supporting the ESC, allowing to discuss the national strategy for the promotion of decent work by means of: macroeconomic, industrial, economic and trade policies; PSD and entrepreneurship; sectorial policies including agriculture (demand side) and education and VET (supply side); labour market policies including active and passive intermediation, etc.

This new mandate represents a change of paradigm regarding the vision and mission of this institution identified by the new authorities as a major challenge during the identification and formulation process.

**Main activities:**

Diagnosis on the STSS's organizational, functional, technical, and management capacities, in particular the Directorate General of Employment (DGE) and its relationship with other State agencies, with a view to improving their performance in promoting decent work<sup>8</sup>

- Twenty training programs focused on improving the technical and management skills of at least 400 technical staff of government institutions having responsibilities in the promotion of decent employment (especially the STSS and DGE)<sup>9</sup>.
- Conduction of a preliminary study to set the basis of the curricular reform of the National Professional Training Institute (INFOP) in four areas prioritized by the Government and the private enterprise<sup>10</sup>.
- Promotion of cooperation agreements between the STSS and other government agencies and/or the private sector (public-private partnerships) to promote decent employment under the joint action framework.

**Result 3:** Workers and employers of formal and informal economic units in fourteen municipalities have access to the benefits of decent and productive employment through active labour market policies promoted by public and private actors, including civil society<sup>11</sup>.

This result should be achieved through a call for Proposal aiming at improving the service delivery capacities and participation in economic and employment development of local entities of different nature such as local authorities, NGOs, Chamber of Commerce, Association of Entrepreneurs.

The generation of multi-stakeholders alliances, the sustainability of actions and the potential for replication will be among the key criteria for the assessment of the proposals. The inclusion of the academic sector will be considered an asset.

In general terms, the proposals should contribute to: (i) raise awareness among authorities, municipal officials, the Municipalities Association of Honduras (AMHON), Chambers of Commerce and Regional Development Councils towards development of active labour market policies at local level (ii) provide technical support and training to the Local Economic Development Units (UDEL) or similar structures towards the implementation of initiatives with aims such creation of a favourable business environment for local investment; development of markets in pro of local economic

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<sup>8</sup> This activity to be implemented in the early phase of this program includes the definition of an action plan aiming at upgrading the DGE's organizational and functional structure

<sup>9</sup> See first paragraph of stakeholders section

<sup>10</sup> This activity must be considered as an initial step that will paved the way for the support to TVET foreseen under MIP 2014-2020. It responds to an expression of interest formulated by government and social partners.

<sup>11</sup> Currently, an employment promotion unit is functioning in six main “municipio” or cities. EuroLabor will contribute to implementing eight more units, making a total of fourteen at national level.

development; association of productive units and initiatives; business development and improvement of competitiveness.

**Result 4:** Integration and interconnection of the currently dispersed sources of information and analysis on employment, in order to set the basis for an integrated – labour market, production and social security- information system that provides adequate information for decision-making

For the implementation of this result, equipment for data collection and processing will be provided to the Observatory of the Labour Market and might benefit also other statistical offices.

**Main activities:**

- Elaboration of a concept for redefining and expanding the scope of activities of Observatory of the Labour Market (OML<sup>12</sup>) enhancing its capacity of data collection and analysis.
- Development of cooperation agreements between the entities involved in the interconnection of information systems on employment, production and social security.
- Interconnection of the OML's platform to the information systems of the national statistics institute (INE), central bank (BCH), tax administration (DEI), INFOP, IHSS, municipalities and other public and private entities, as required.
- Technical support for the operation of the information system to address the information needs for decision-making with regards to decent employment.

**Result 5:** Returned migrant youth, having received proper assessment and support, attend targeted vocational training enabling their prompt reintegration into society

**Indicative activities:**

- Psychological and educational assessment of the returned migrant youth
- Design of specific vocational training modules combined with modules of increasing of the basic skills
- Remodelling or construction of classrooms in training centres where needed
- Equipment of the training centres
- Targeted training with motivational support
- Continuous follow up and support of the trainees to ensure their permanence in the system.

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<sup>12</sup> The STSS' *Observatory of the Labour Market* (OML) was created in 2006 with the support of the German technical cooperation (GIZ), the Inter-American Development Bank (IDB), the Spanish Agency for International Cooperation (AECID), the International Labour Organization (ILO), the World Bank (WB) and the Organization of Ibero-American States (OEI). Its purpose is to centralise and exchange reliable and timely information for decision-making regarding the labour market, employment issues, social welfare, social security, labour inspection and conflict resolution. Since its establishment, the OML joined the Network of Labour Market Observatories of Central America and the Dominican Republic, in order to take advantage of lessons learnt and complementarity information from other observatories in the region.



In a first stage, the trainings would be prioritized for this target group (returned migrant youth). In a further phase, training would be extended to other vulnerable groups contributing to discourage illegal immigration through an attractive educational offer and fostering resilience of individuals as well as their communities.

The training facilities should be ideally located as close as possible to the place of origin of the youth. Innovative partnerships with private sector should be sought.

### 3.3 RISKS AND ASSUMPTIONS

**In recent years, the government has demonstrated commitment to the sector.** Evidences are: a steady (though limited) allocation of budget resources to the STSS; the ratification of ILO Convention 102; and other significant achievements such as the establishment of a tripartite agreement fixing the minimum wage for two years. The main assumption is that the Government of Honduras will continue to be committed to the design and adoption of a Decent Work and Social Security Policy. This will be seen from its readiness to strengthen the legal and institutional framework of the sector, to allocate the required human and financial resources, and to ensure the continuity of social tripartite dialogue based on a consistent national policy for decent employment.

<i><b>Risks type and level</b></i>	<i><b>Justification of risk level</b></i>	<i><b>Mitigating Measures</b></i>
Prioritization by the government of short term over medium and long term issues. (LOW)	Even though the new government has decided to keep the long-term priorities established in the National Plan, there might be pressure to prioritize short-term interventions and programs that may achieve immediate results, but with limited sustainability.	Continue to support strategies to ensure the necessary consciousness of medium and long term issues, given the structural nature of employment problems.
Difficult integration of the different sectors in social dialogue and consensus. (LOW)	Although the Honduran society emerged divided and polarized from the political unrest of 2009, a much more peaceful dialogue has since then emerged that is expected to continue consolidating.	Keep promoting consultation and joint planning between key stakeholders of employment and social security, in particular in the framework of the ESC.
Insufficient economic growth and stability to create jobs (MEDIUM)	The long term performance of the Honduran economy has been hardly favourable to job creation. So has the instability experienced in recent years. However, the new authorities seem to be conscious of the necessity to stabilize the economy and lead discussions with the IMF.	Maintain a high-profile policy dialogue on macroeconomic stability and public finance management, on the basis of the dialogue strategies developed for this purpose.
Lack of awareness of the private sector about the importance of decent work for competitiveness (MEDIUM)	Labour relations in Honduras are largely based on corporatism and have seldom demonstrated a capacity to make win-win deals. However, there have been encouraging examples of such deals over the last months (e.g. negotiation on minimum wage).	Develop a strategy to explain the concept of decent work and promote the awareness of corporations and businesses about its potential. Support tripartite dialogue.
Weak governance and insufficient financial and technical resources	Most indicators point to a weak governance and transparency in Honduras. Also, the fiscal situation in 2014 is serious. However, the new	Reinforce policy dialogue in the sector and in public financial management. Establish strategic partnerships with national

available for the implementation of sector policy. (MEDIUM)	Honduran government has given indications that transparency and macroeconomic stability are high on its agenda.	institutions and other donors to support increased transparency and the allocation of sufficient resources to the sector.
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### 3.4 CROSS-CUTTING ISSUES

**Gender equality:** Honduran women are more likely to be affected than men by underemployment and unemployment. In particular, female heads of household are unlikely to find employment conditions compatible with their responsibilities. All project results will contribute to give stakeholders the capacity to redress this situation: the employment and social security policy will take account of gender issues (R1), as will the services related to employment, labour qualification and business development (R2 and R3); the information system will be gender sensitive (R4).

**Environmental sustainability:** Where appropriate (in particular, in the area of labour qualification and business development), the program will support the application of the Honduran National Cleaner Production Policy of 2009, the promotion of a green economy, and the mainstreaming of climate change mitigation.

**Good governance and human rights:** The project will contribute to building the capacity of the Honduran State to protect and promote human rights, in particular those highlighted in articles 23 and 24 of the Universal Declaration of Human Rights. It will also contribute to foster social dialogue and ease tensions on the labour market, thereby contributing to a more peaceful governance.

**Social inclusion:** Promoting decent employment and, consequently, the effective enforcement of labour standards, will especially address vulnerable groups with employment problems such as indigenous people, migrants, people with disabilities and people with HIV-AIDS.

### 3.5 STAKEHOLDERS

**The main beneficiary and contracting authority of this program will be the Ministry of Labour and Social Security (STSS), which has been empowered by the new administration and played a proactive role in the process of identification of needs of intervention<sup>13</sup> in the framework of this action.** In the new structure of the Government, STSS falls under the Sectorial Coordinator for Economic Development which should facilitate its interaction with economic actors. It will coordinate the action with other key players such as the ESC, the Presidential Directorate for Strategic Planning, Budget and Public Investment (DPPPIP), the Ministry of Economic Development, the National Professional Training Institute (INFOP), the Honduran Social Security Institute (IHSS) and the National Statistics Institute (INE).

**There is a well-defined organizational structure for sector policy dialogue.** It is led by the Ministry of Labour and Social Security (STSS) and includes a number of committees responsible for specific sector plans and programs. Regarding tripartite social dialogue, the Economic and Social Council (ESC) is a key forum. Its involvement in the programming process of the EU's 2014-2020 programme has yielded early

<sup>13</sup> From the formulation workshops, specific requests of more comprehensive analysis of labour market emerged as well as of developing the interconnection of labour market information systems.

ownership. Therefore, there is a solid platform to promote new actions and carry out effective policy dialogue, as evidenced by previous experience in the sector. **Such a structure as well as the increasing leadership of STSS should be seen as key factors of success for the implementation of expected result 1.**

**Other local and national key actors will also benefit from the programme**, such as municipalities, chambers of commerce and business groups, NGOs and universities. Municipalities have an important role<sup>14</sup>, since they will enable the decentralized intervention of the DGE/STSS in promoting employment and labour intermediation. Likewise, other beneficiary institutions from the private sector will be crucial in the implementation of the program. Therefore, their capacities will also be strengthened. Several actors likely to be involved in the program's implementation were consulted during the formulation phase in order to promote their "early ownership" and to ensure their strong involvement in its future implementation.

#### **4. IMPLEMENTATION ISSUES**

##### **4.1. FINANCING AGREEMENT**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

##### **4.2. INDICATIVE OPERATIONAL IMPLEMENTATION PERIOD**

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is **60 months** from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

The 60 months foreseen for program implementation take into account the transition to the next administration in 2018 and the need to pursue the approach adopted and preserve institutional memory.

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<sup>14</sup> The ROM Learning Study in Latin America and Cuba 2002-2012 identifies the following lesson learnt: "*Findings point again to the positive influence of experience of working with local authorities. The level of ownership and involvement of key local actors, essential for continuity of projects, has its origin during identification and/or design phases. Institutional capacity of the organizations that present projects or those that have been chosen to participate can be considered a key sustainability factor in itself when they are also interested in the initiative. As is noted in a number of the projects included in the sample, this capacity allows the action to incorporate local capacities and resources that will be needed for maintenance and a view towards the future. Just as in other cases, this facilitates the mobilisation of formal institutional commitments aimed at ensuring its sustainability*".

### 4.3. Implementation components and modules

#### 4.3.1. Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance to support program management	Services	1	T2
Evaluation and audit	Services	3	T11 and T18

Technical Assistance (TA) will be contracted by the EU. The services provided under this contract will cover among others:

- counselling the Ministry of Labour in terms of strategy and activity planning at senior level;
- supporting the Ministry of Labour in elaborating program estimates, contracting specific IT services, contracting supplies, launching and awarding grants;
- monitoring the implementation of the grants, reporting on good practices evidenced in this process (see section 4.6) and facilitating their dissemination;
- supporting the generation of consensus on the joint action framework with a role of mediator (recurrent short missions);
- drafting a plan for the interconnection of information systems related to employment, including a draft memorandum of understanding between the involved parties;
- drafting of a communication plan on decent employment and launching of awareness campaigns;
- short term technical assistance with high level of specialization.

The TA will have to perform their work in close collaboration with the coordinator of the actions implemented through a Member State institution and the TA provided by AECID.

The option of launching the tender with suspension clause should be considered.

#### 4.3.2. Indirect management with AECID

Part of this action may be implemented in indirect management with AECID in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012, with the objective of implementing the expected result 5: "Returned migrant youth, having received proper assessment and support, attend targeted vocational training enabling their prompt resumption into society"

This role is justified as AECID has proven to have a large and diversified experience in this field in this area acquired through the "*Escuelas taller*" program. This program aims to facilitate the integration of youth of families with low incomes and exposed to marginalization in the labour market. The *Juvenile development program through employment aiming to overcome the challenges of migration in Honduras*, (6.4 M

USD), implemented with AECID funding provides also valuable lessons learned for the implementation of result 5.

Furthermore, it should be noted that AECID has included the attention to young migrants as a priority action in their Association Framework 2014-2017.

The budget implementation tasks of the Delegatee include the administrative, contractual and financial management of services, supplies and minor works awarded on the basis of tenders. Contractual management also includes the monitoring, supervision and quality control of activities.

#### **4.3.3 Indirect management with the partner country**

Part of this action, with the objective of implementing the Expected Result 3, may be implemented in indirect management with the Government of Honduras in accordance with Article 58(1)(c)(i) of the Regulation (EU, Euratom) No 966/2012 according to the following modalities.

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 50,000 and may apply ex post control for procurement contracts up to EUR 50,000. The Commission will control ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts up to the ceilings indicated in the table below.

<b>Works</b>	<b>Supplies</b>	<b>Services</b>	<b>Grants</b>
< EUR 300,000	< EUR 300,000	< EUR 300,000	≤ EUR 100,000

The financial contribution partially covers, for an amount of EUR 500,000 the ordinary operating costs incurred under the programme estimates.

The change of management mode from indirect to direct management, whether partially or entirely is not considered a substantial change.

In accordance with Article 262(3) of Delegated Regulation (EU) No 1268/2012, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, will be laid down in the financing agreement concluded with the partner country.

Contracts to be awarded:

### **(1) Grants "Promotion of employment"**

These grants relative to Expected Result 3 aim at active labour market policies developed through a dynamic partnership between public and private organizations in eight municipalities of medium and large size<sup>15</sup>. Priority should be given to municipalities with:

- Local authorities committed with economic development,
- Alliances with other municipalities (in the framework of a *mancomunidades*) and with the private sector (chambers of commerce).
- High level of informal economy and employment issues.

The potential of replication and scaling up as well as promising multistakeholders partnerships will be key criteria in the assessment of the proposals.

An amount of approximately EUR 0.40 million is foreseen for each of the municipalities.

**(2) A specialized service contract<sup>16</sup> awarded to a member State institution** to take advantage of the experience of the EU in decent employment and thereby contribute to disseminating the EU's commitment to this matter. Due to the specificity of the activities and nature of the contractors, a negotiated procedure will be launched. Member State institutions will be invited to present proposals for peer-to-peer policy advice and training, to be implemented by a consortium. This consortium would associate labour-related institutions of member States (one of them operating at local level, preferably) and public institutions from Latin American countries where successful reforms have been implemented (e.g. Argentina, Brazil, Colombia, Ecuador...), applying south-south cooperation as recommended in the Busan HLF.

The contract will cover policy advice, training and exchange of experiences, as well as logistics. The role of the coordinator of this component goes beyond the mere mobilization of experts: a strong expertise in employment will enhance the coherence and synergies with the actions implemented under the TA described above. The maximum amount foreseen for this specialized technical assistance amounts to EUR 1.25 million.

**(3) The Government will also contract the acquisition of IT supplies (including software)** for the expected operations under result 4.

**(4) A specific contract service for the interconnection of information systems** will be awarded separately for the level of technological knowledge and skills it requires.

**(5) For the cost of operations**, an amount of EUR 0.5 million is foreseen. This includes monitoring actions of the project in the selected municipalities of the intervention.

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<sup>15</sup> These range between 20,000 and 80,000 inhabitants. EuroLabor pretends to contribute to the implementation of eight new units, making a total of fourteen municipalities covered at national level. "Mancomunidades" (grouping of municipalities) could be considered as eligible for this call for proposals.

<sup>16</sup> The same logic will be applied as for the specialized TA mobilized under PASS program

#### 4.4 Scope of geographical eligibility for procurement and grants

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

#### 4.5 Indicative budget

Module	Amount in EUR (EU contribution)	Indicative third party contribution
<b>4.3.1. – Procurement (direct management)</b> <b>Technical Assistance</b>	<b>2,700,000</b>	<b>N.A.</b>
<b>4.3.2. – Indirect management with AECID</b>	<b>2,000,000</b>	<b>To be defined</b>
<b>4.3.3. – Indirect management with the Government of Honduras</b>	<b>6.450,000</b>	<b>1,000,000</b>
<b>4.7. – Evaluation and audit</b>	<b>350,000</b>	<b>N.A.</b>
<b>Contingencies</b>	<b>100,000</b>	<b>N.A.</b>
<b>Total</b>	<b>11,600,000</b>	<b>1,000,000</b>

#### 4.6 Performance Monitoring

The technical assistance will contribute to the monitoring of the action. To achieve this, it will develop a monitoring and evaluation system to ensure the technical and financial follow-up of the action's implementation. The monitoring of the 8 local level grants will be performed by the TA who will present the case studies and lessons learnt to the government and civil society, thereby enhancing opportunities for replication. The future "MADIGEP" project<sup>17</sup> is meant to embed this type of studies in a platform of knowledge management.

In addition, the program will have a Steering Committee that will be responsible for reviewing and approving the annual work plans; monitoring the proper implementation; and defining the terms and persons responsible of the conducted evaluations.

The general and specific objectives indicators of EuroLabor are those proposed under the Multiannual Indicative Programme 2014-2020:

- Employment rates: invisible underemployment and unemployment, disaggregated by gender and age.
- Social security coverage.
- Employment rates in informal economy.
- Annual number of jobseekers placed by the National Employment Service, disaggregated by gender and age.
- Percentage of employees registered in a social security scheme, disaggregated by gender and age.

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<sup>17</sup> See footnote 19

- Annual number of jobs created and formally registered with basic social security coverage.
- Employees with recent job training (in the past 12 months), disaggregated by gender and age.

The indicators related to processes will consider (among others) the level of involvement of stakeholders; the agreements being generated; the level of capacity building; the expansion of the coverage of employment promotion services; and the level of satisfaction in relation with the provided services.

#### **4.7 Evaluation and audit**

EU evaluation and audits procedures will apply. These include both Result-Oriented Monitoring and evaluations, all carried out by external experts. Certified auditors will carry out annual audits, based on the Practical guide to contract procedures for EU external actions. The Commission may also send its own staff for inspecting technical and financial activities.

#### **4.8 Communication and visibility**

The global common visibility of all EU actions will be granted through MADIGEP<sup>18</sup>.

The TA will contribute to the drafting of the communication plan.

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<sup>18</sup> MADIGEP - *Support Measures to Institutional Development and Policy Management* - has been identified under the 2014-2020 MIP for Honduras in order to provide technical cooperation relevant to all sectors of intervention of the MIP, independently of the aid modality, as well as crosscutting issues. It will facilitate a well-structured and strategic capacity building process, providing long-term and short-term technical assistance, specific studies, opportunities for knowledge sharing and transfer, peer-to-peer training as well as communication and visibility, in order to achieve the results and impact of the programme as a whole.



### ANNEX 3

#### of the Commission Implementing Decision on the **Action Document for "Support Measures to Institutional Development and Policy Management" (MADIGEP)**

#### **1. IDENTIFICATION**

Title/Number	Support Measures to Institutional Development and Policy Management (MADIGEP <sup>1</sup> ) CRIS number: DCI-ALA/2014/26524		
Total cost	Total estimated cost: EUR 11 million Total amount of EU budget contribution: EUR 10 million Counterpart of the Government of Honduras: EUR 1 million		
Aid method / Management mode and type of financing	Project Approach Management Mode: <ul style="list-style-type: none"><li>• Direct management: Services</li><li>• Indirect management with the Government of Honduras</li></ul>		
DAC-code	1510	Sector	Public sector policy and administrative management

#### **2. RATIONALE AND CONTEXT**

##### **2.1. Summary of the action and its objectives**

**This action takes full advantage of the lessons learned from the program PAAPIR<sup>2</sup>.** The country programme 2014-2020 for Honduras foresees an indicative financial envelope of € 235 million with three focal sectors: Food Security and Nutrition; Decent Work and Social Protection; and Rule of Law. In the first two focal sectors, it is envisaged that a significant share of the portfolio could resort to budget support. The successful experience of PAAPIR demonstrates that a strategically positioned and organised technical assistance scheme is paramount to ensure a swift programme implementation and the attainment of results and impact.

**MADIGEP is meant to advise and assist the General Coordinator of the Government on public policy management and crosscutting issues relevant for the multiannual indicative programme (MIP).** The support measures foreseen aim to provide a strong unified technical

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<sup>1</sup> Medidas de Apoyo al Desarrollo Institucional y la Gestión de Políticas Públicas

<sup>2</sup> Programa de Apoyo a la Administración Pública y a la Integración Regional DCI-ALA/2008/019-897

assistance for a smooth implementation of the MIP 2014-2020. The fact that our counterpart is the basically the same as for PAAPIR<sup>3</sup> (and for the moment with the same team) should enable a prompt ownership. This project aims to support all sectors of intervention (independently of the aid modality) as well as crosscutting issues. The provision of TC will be demand-driven and concerted between the stakeholders and beneficiaries through an ad-hoc committee where the Delegation will be represented as observer<sup>4</sup>.

**This technical cooperation will facilitate a well-structured and strategic capacity building,** providing long-term and short-term technical assistance, specific studies, opportunities for knowledge sharing and transfer, peer-to-peer training as well as communication and visibility common for all interventions, in order to achieve the results and impact of the programme as a whole. MADIGEP is the instrument that will optimize the effectiveness and efficiency of our interventions, contributing to mitigating the risks and drawing the lessons from the EU's previous experience of cooperation in Honduras.

## **2.2. Context**

### **2.2.1. Country context**

#### **2.2.1.1. Economic and social situation and poverty analysis**

**Delinquency and violence, unemployment and social inequity remain crucial challenges faced by Honduran society.** Honduras is still a young democracy that experienced several democratic elections until June 2009 when a deep institutional crisis led to the ousting of President Zelaya by the army. The unity government issued from the subsequent (and questioned) elections of November 2009 had to face, from 2010 onwards, a difficult situation due to the severe effects the coup had on the country. The first elections to be generally accepted as legitimate after the coup took place in 2013, amidst a deeply polarized political scenario. The recently elected government has enjoyed until now a high level of acceptance of its platform called "*Everybody's Plan for a Better Life*", which has a strong focus on four issues that were identified as crucial by Honduran people in the 2012 *Latinobarometro*: delinquency and violence, unemployment, poverty and social inequity as well as the economy as a whole.

**Poverty has been increasing in the past ten years with a slight improvement last year.** Over the last five years, the average economic growth was 2.9%. The performance was lower in 2013 with a growth of 2.6%. 2014 shouldn't show a significant increase of this percentage. This modest growth hinders the reduction of poverty. Indeed, Honduras has one of the highest poverty rates in Latin America<sup>5</sup>. Poverty in Honduras in 2013 affected 64.5% of households with 42.6% of the population in situation of extreme poverty. From 2006 to 2009, poverty rates diminished significantly (down 7.7 percentage points). However, from 2009 on, this trend was reverted due

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<sup>3</sup> In the previous administration, this would have been the ministry of the presidency which had a similar mandate of coordination

<sup>4</sup> in PAAPIR, the Delegation neither initiates nor conducts the identification and prioritization of assistance needs, but does endorse the terms of reference and the selection process of consultants before actual contracting.

<sup>5</sup> Comparisons of poverty rates across countries are problematic, as both the welfare measures and the poverty lines vary. Yet comparisons based on similar welfare measures and poverty lines (see <http://www.cedlas.org/sedlac>) show Honduras with the highest poverty rates among the six countries studied. Honduras ranks 125<sup>th</sup> in the world in terms of per capita GDP, in purchasing power parity. Only Nicaragua ranks lower in Central America (IMF, World Economic Outlook Data Base, 2012).

to the effects of the international economic crisis and governance problems linked to political crisis mentioned here above. The recent slight reduction in poverty that is claimed by the Government seems to come primarily from increased employment among the poor and increased remittances and, to a lesser extent, public transfer programs.

**Inequality is on the rise.** On the one hand, it is true that non-monetary indicators of poverty, such as child and infant mortality, improved substantially in the last decade. Poverty measured in terms of basic needs satisfaction also dropped. However, opportunities remain unevenly distributed: the GINI coefficient in Honduras was at 0.525 in 2009 and 0.544 in 2013. This increase is the highest in Latin America.

#### 2.2.1.2. National development policy

**The National Plan 2010-2022 remains the long term strategic reference for the new administration.** The conclusion of the analysis of the National Plan 2010-2022 (NP) and the Country Vision 2010-2038 (CV), that was carried out when drafting the EU's multiannual indicative program (MIP), is that it is comprehensive and specific enough to offer a basis for strategic planning. It does have thematic weaknesses, which need to be overcome by means of sector policies and plans, some of which have already been adopted or are under construction. Ownership by civil society can be improved, in particular in order to facilitate its sustainability. It is coherent with the priorities of the Agenda for Change.

The National Plan adopts the following eleven strategic guidelines:

1. Sustainable development of the population
2. Democracy, citizenship and governance
3. Poverty reduction, generation of assets and equity of opportunity
4. Education and culture as means of social emancipation
5. Health as a fundament for improved living conditions
6. Citizen security as a requirement for development
7. Regional development, natural resources and environment
8. Productive infrastructure as a motor of economic activity
9. Macroeconomic stability as a fundament of internal savings
10. Competitiveness, country image and productive sector development
11. Climate change adaptation and mitigation

A matrix of fifty-eight indicators features quantitative targets to measure progress in 2013, 2017, 2022 and 2038.

**The new administration's platform puts a special focus on growth and social inclusion.** The new government elected in 2013 reiterated its commitment to the NP and launched, for the period 2014-2018, the *"Everybody's Plan for a Better Life"* which articulates four purposes:

- Massive generation of employment through competitive development;
- Human development, reduction of inequities and social protection for all Honduran;
- Search for peace and eradication of violence;
- Transparency, Reform and Modernization of the State.

Early May 2014, the draft government's Strategic Plan for 2014-2018 was presented to the donors. It includes a mid-term macroeconomic framework and a matrix of performance indicators. Its structure matches the new architecture of the government, thereby resulting promising as far as effective implementation is concerned. The continued reference to the Nation Plan as a long term framework is a première in Honduras. The emphasis put on macroeconomic stability is highly relevant.

**The national development policy facilitates the alignment of donors.** The plan's priorities represent an opportunity for the implementation of the EC's Multiannual Indicative Programme since our focal sectors are well aligned with the new government's strategy. The first hundred days of the new administration, a strong symbolic milestone in Honduras, have been the occasion for the government to demonstrate the seriousness of its commitment and the credibility of its strategy.

### **2.2.2. Sector context: policies and challenges**

Honduras is facing multiple challenges at political, economic and social level. These were identified during the programming process:

- at political level, the main challenges include the control of pressure groups, transparency of political parties, clarification of parliamentary constituencies, and guaranteeing fundamental freedoms.
- at economic level, instability is pointed at as a factor for low growth and insufficient poverty reduction. Key challenges include the absence of medium-term financial planning, off-budget expenditures and lack of priority setting for investments. Honduras hasn't taken yet sufficient advantage of the Association Agreement and Central America could gain from a deeper regional integration.
- at social level, Honduras records high levels of poverty and is the only country in Latin America (with Mexico) where poverty has not decreased in the last years. Also, high levels of inequality and underemployment, even by Latin American standards, are evidenced by the highest Gini coefficient at continental level.

**These challenges call for in-depth reforms where country capacity will be a key issue.** The ability of public institutions to coordinate and to produce tangible results is low. The current poor performance derives mainly from:

- Insufficient capacity of the technical teams supposed to support decision making at political level, as well as insufficient availability of up-to-date and policy-oriented data in most sectors. A systemic capacity building policy (in particular in the field of results-based planning) should be put in place and information tools developed that allow to rapidly analyse the situation of key sectors.
- Dispersion of sector responsibilities between several ministries. Coordination has proven difficult and relied at times on the intermediation of donors. The new authorities are engineering a wide-ranging reform of the state that takes time to be set in place and may, in the interim, generate some confusion on the role of institutions.

- Public policies not properly implemented. The government of Honduras has in recent years launched public policies which are in several cases not followed upon by proper regulation or strategic plans. This makes them ineffective, though generally well-focused. More leadership by the government with respect to international aid would further facilitate the alignment of donors. This government seems to be more proactive in this regard.
- Political polarization of civil society, including universities, foundations, the press and NGOs. As a consequence, they experience difficulties in making their voice heard and influencing policy making and implementation. This also hinders their capacity to scrutinize public expenditures (social audit role).

Altogether, the success of the different public policies in Honduras in the coming years will depend on the capacity to reform the State for global strategic conduction and monitoring.

### 2.3. Lessons learnt

**TC provision must derive from government demand.** The Backbone Strategy on Reforming Technical Cooperation (TC) and Project Implementation Units clearly indicates that the provision of TC must be based on the demand and requirements of the partner country. Costs and available alternatives should be transparent. Appropriate dialogue and support may be needed in order to enable a clear formulation of the demand for TC.

**Common technical assistance for all budget support is a good practice.** PAAPIR (*Programa de Apoyo a la Administración Pública y a la Integración Regional*<sup>6</sup>) has been providing since 2011 a sector-specific and cross-cutting technical assistance to four sector budget supports (APN, PASAH, PROADES and PAPSAC<sup>7</sup>). According to the ROM carried out in 2013, the complementarity of PAAPIR, as a provider of technical assistance allowing capacity development, with budget support is a good practice.

**Flexibility in the provision of technical assistance is a key for success.** According to the mid-term evaluation of October 2013, PAAPIR has shown a high flexibility to align its strategy on the policies of the Government of Honduras without losing the perspective of poverty reduction. This dynamic of flexibility and alignment is patent in the steering committee and the two technical committees (Budget Support and Regional Integration). All three resulted very efficient to come to rapid agreement on the mobilization of resources and/or the orientation of activities.

**Common technical assistance contributes to greater effectiveness in implementation.** Such an approach contributes to reducing the transaction costs associated with a multiplicity of smaller TA contracts. This is true both for the government (which sees the number of interlocutors and approaches to capacity building reduced) and for the Delegation (which needs to procure and manage fewer contracts, making time available for policy dialogue and other value-added tasks). Before PAAPIR, there were also a number of non-management functions (e.g. accounting, administration, office rent, logistics) that were duplicated in several contracts.

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<sup>6</sup> DCI-ALA72008/019897

<sup>7</sup> respectively DCI-ALA/2008/019-893, FOOD/2004/017-003, ALA/2004/016-807 and DCI-ALA/2011/022-863.

Complementary actions

**The cross-cutting approach to capacity building, until now, has been assumed by PAAPIR: MADIGEP will somehow grant continuity of this approach, with a broader perspective, mainly as of 2015<sup>8</sup>.** The implementation of five programmes of the 2007-2013 MIP will still be ongoing when the proposed project starts: MOSEF, EUROFOR, EUROJUSTICIA, PADH<sup>9</sup>, and PAPSAC - a mix of budget support and project approach. Two projects of the new MIP (EuroLabor and EuroSAN) will start simultaneously with MADIGEP. In this context, MADIGEP will concentrate most of the technical capacity development needed to make the whole of the MIP successful in terms of absorption, results, impact and visibility. This is particularly important for the possible future budget supports (food security and nutrition, employment and social protection).

Promising synergies were developed with World Bank and Inter- American Development Bank (IADB) during the transition process to the new administration. This common effort contributed to producing a comprehensive analysis of and prospective insight into each key policy sector, thereby avoiding any loss of institutional memory and accelerating the start-up of the new administration.

Interesting strategic coordination initiatives are emerging like the "Dry Corridor Alliance" (ACS) which is an outcome of our long-standing commitment to food security in Honduras. It is the food security law, policy, strategy and institutional framework that enabled Honduras to be assigned 30 M\$ by the GAFSP, which in turn triggered the ACS.

## **2.4. Donor coordination**

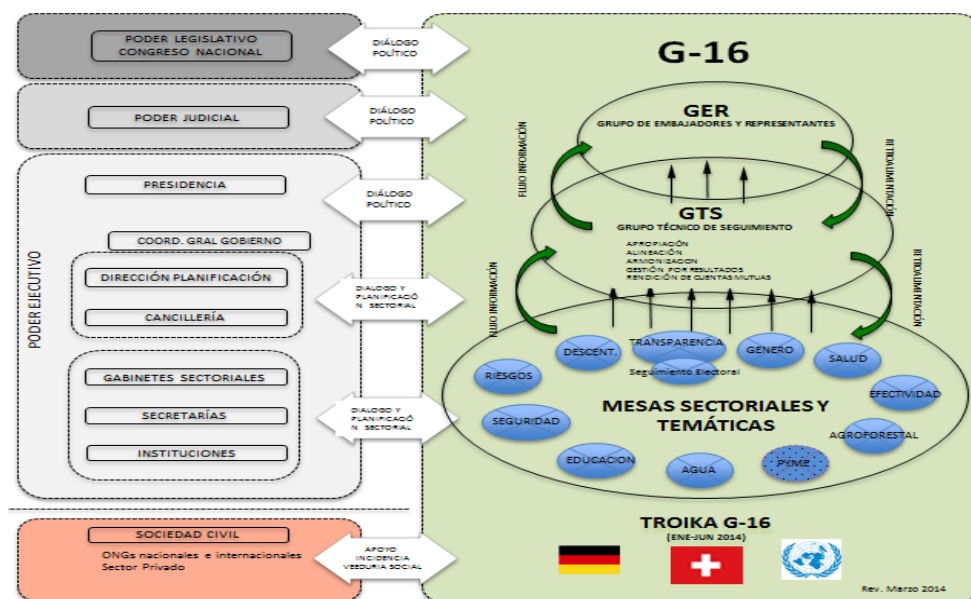
**Donor coordination is conducted mainly through the G16 donor group,** which has active roundtables in all key sectors (see graphic here under). The aid effectiveness group (GEA) is the forum where donors meet to exchange views and information about the follow up of the Busan High Level Forum, macroeconomic situation and the improvement of public finance management. The EU is currently chairing the GEA and supports stronger donor coordination and government leadership. Although there is still room for improvement in the coordination and harmonization of instruments between donors, little overlapping could be observed in the past.

EU donors with multiannual programmes in Honduras (Germany and Spain) have committed to progressively develop joint programming until 2018, and adopted a roadmap to this end. In the framework of the joint programing, a common revision of the Risk Assessment Framework took place in June 2014.

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<sup>8</sup> PAAPIR closes operations in July 2015.

<sup>9</sup> respectively DCI-ALA/2010/021-598, DCI-ALA/2012/023-510, DCI-ALA/2013/023-720 and DCI-ALA/2011/022-857.



### 3. DETAILED DESCRIPTION

#### 3.1. Objectives

The project is designed to contribute to the national objective of achieving an educated and healthy country, free of extreme poverty, displaying consolidated social welfare systems (as defined in National Development Plan).

The project's specific objective is to contribute to building capacity for a more effective and efficient implementation of public policies, ensuring that the focal sectors of the MIP reach maximum results, impact and visibility.

#### 3.2. Expected results and main activities

Strictly in the context of the specific objective, the expected results are:

- 1: Strengthening of Government of Honduras' capacity to formulate, implement and monitor public policies while involving civil society in this process.
- 2: Mechanisms, instruments and competencies of public institutions to ensure macroeconomic stability and sustainability, enhance the quality of the public finance management, and promote transparency.
- 3: Strengthening of the capacity of the GoH and Honduran society to take advantage of the EU-Central America Association Agreement and global initiatives.
- 4: Strengthening of the ownership and leadership of the Government of Honduras in aid management to fulfil the commitments it acquired in the High Level Forum of Busan (including mutual accounting).

**MADIGEP's implementation is solely based on the provision of services.** This program should support the General Coordination of the Government (GCG) and in particular de

Presidential Direction for Planning, Budgeting and Public Investment (DPPPIP) by means of a strong technical assistance team common to all focal sectors of the MIP, in particular but not exclusively for budget supports. The provision of TA will be demand-driven and concerted with the stakeholders and beneficiaries through an ad-hoc committee where the Delegation will have the status of observer<sup>10</sup>.

**Having DPPPIP as a single, high-level interlocutor will facilitate a well-structured and strategic capacity building process**, as well as decrease transaction costs. Innovative ways of capacity building will include the development of learning platforms and peer-to-peer training. The TA should also contribute to a more unified, professional and effective government communication on the EU's interventions of Honduras, thereby increasing the visibility of the EU's cooperation achievements, and the awareness of its instruments. MADIGEP will not give rise to any specific project implementation unit. It is an instrument managed by the GCG to promptly and efficiently meet the specific capacity building and policy management needs linked to the EU's MIP.

For illustrative purposes only, a list of possible **cross-cutting areas** in which MADIGEP could support capacity development and policy management includes: public finance management, transparency, result-oriented planning, support to regional integration and the Association Agreement, macroeconomic policy, competitiveness, decentralization, evaluation of public policies, information systems, aid effectiveness, civil society participation, etc.

An indicative list of the **main activities** to be developed on a demand driven base is:

- Support to the process of reform and modernization of the State;
- Support to the capacity of DPPPIP to analyse public policies and monitor decision making;
- Drafting of technical documents (reports...) for the ministerial cabinets;
- Standing advice to the GCG on public policies (macro and sectoral);
- Support to the quality of statistical information and the capacity of analysis.
- Support to the drafting of budget support files on general and specific conditions;

To this end, the TA team will contribute to delivering the following main products:

- Manuals, guidelines;
- Facilitation of peer-to-peer trainings;
- Organization of workshops, seminars, conferences;
- Publication and dissemination of documents;
- Drafting of visibility strategies;
- Production of visibility material;
- Follow-up reports on the implementation of the EU-CA Association Agreement.

To complement the technical assistance, the following services will be provided through specialized institutions:

- Trainings and courses through face-to-face and online modalities for line ministries
- Wide-scope studies linked to issues such as governance and poverty reduction.

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<sup>10</sup> see footnote 3 on page 2.



### 3.3. Risks and assumptions

**MADIGEP in itself is a key instrument to mitigate the risks affecting the implementation of the MIP as a whole.** The main assumption is that the government of Honduras continues its efforts to strengthen the governance of its institutions and moves towards a medium or long-term planning with a result-based approach in the management of public policies. The new architecture of the government reflects this willingness.

<i>Risks type and level</i>	<i>Justification of risk level</i>	<i>Mitigating Measures</i>
Changes in strategic priorities of the GoH following political changes. (LOW)	Even though the new government has decided to keep the long-term priorities established in the National Plan, there might be pressure to prioritize short-term interventions and programs that may achieve immediate results, but with limited sustainability.	Continue to support strategies to ensure the necessary consciousness of medium and long term issues, given the structural nature of employment problems.
Difficult integration of the different sectors in social dialogue and consensus. (LOW)	Although the Honduran society emerged divided and polarized from the political unrest of 2009, a much more peaceful dialogue has since then emerged that is expected to continue consolidating.	Keep promoting consultation and joint planning between key stakeholders of the focal sectors taking advantage of the existing fora.
Insufficient economic growth and macroeconomic stability. (MEDIUM)	The long term performance of the Honduran economy has been hardly favourable to job creation. So has the instability experienced in recent years. However, the new authorities seem to be conscious of the necessity to stabilize the economy and engage in discussions with the IMF.	Maintain a high-profile policy dialogue on macroeconomic stability and public finance management, on the basis of the dialogue strategies developed for this purpose.
Weak governance and insufficient financial and technical resources for implementation of sector policy. (MEDIUM)	Most indicators point to a weak governance and transparency in Honduras. Also, the fiscal situation in 2014 is serious. However, the new Honduran government has given indications that transparency and macro and fiscal stability are high on its agenda.	Reinforce policy dialogue in the sector and in public financial management. Establish strategic partnerships with national institutions and other donors to support increased transparency and the allocation of sufficient resources to the sector.

There are two key success factors for the implementation of MIP 2014-2020 in general, and MADIGEP in particular: the continuity of the long term priorities established in the Nation Plan and the readiness of the Government to maintain a high level of policy dialogue. Both are currently satisfied. Besides, the implementation of MADIGEP can rely on the strong basis set up by PAAPIR, in particular efficient mechanisms of prioritization of interventions and spaces for policy dialogue. The fact that our interlocutors remained the same to a large extent, though under another government, will allow a prompt ownership of the objectives of this action.

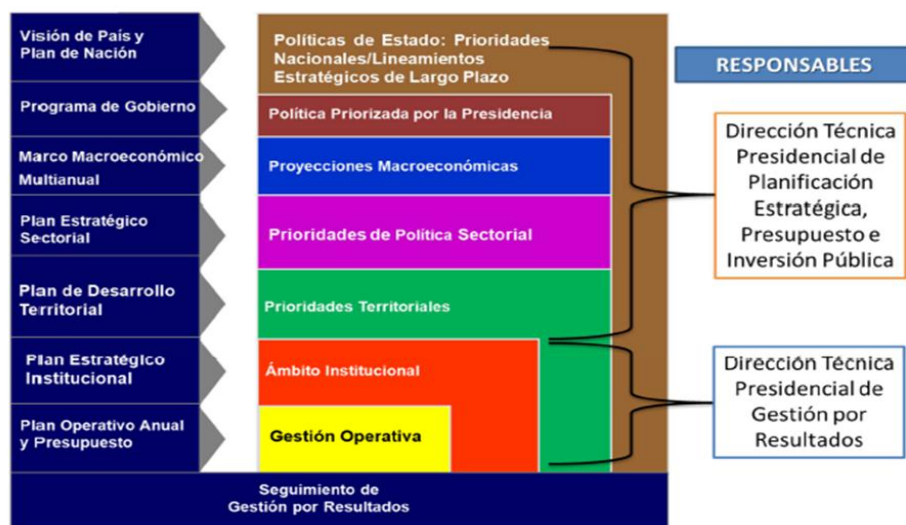
### **3.4. Cross-cutting issues**

**One of the very purposes of MADIGEP is to facilitate the inclusion of cross-cutting issues in public policies relevant to the MIP.** The technical assistance, studies, training activities and seminars undertaken under MADIGEP will cover cross-cutting issues including (where relevant and appropriate): environmental sustainability, good governance and human rights, as well as gender equality, in line with the EU's commitment on mainstreaming cross-cutting issues in development programmes. Support will be included in order to foster and facilitate the proactive participation of Honduras in global initiatives such as FLEGT and EITI.

### **3.5. Stakeholders**

**MADIGEP may target all government entities relevant for the implementation of the MIP, under the leadership of the GCG.** The Delegation is closely following up on the ongoing reform of the government structure, in which PAAPIR is playing a key advisory role. The Presidential Direction for Planning, Budget and Public Investment (DPPPIP) will assume the lead of the implementation of MADIGEP, as it does for PAAPIR, in a logic of demand driven support. The prioritization of TA will be made effective through committees involving all stakeholders and beneficiaries. In this respect, the new structure of the Government should make the implementation of this action smoother as it reflects the willingness of this administration to strengthen the coherence of public policies through a more managerial approach of public administration.

**DPPPIP is the ideal counterpart for MADIGEP.** Its strategic role in planning and directing public investment is depicted below. Its director is at the same time vice-minister of finance.



**There is a well-defined and functioning structure for sector policy dialogue in each of our three focal sectors:** the National Food Security and Nutrition Council, the Economic and Social Council, and the Inter-institutional Commission on Criminal Justice, respectively. They contributed to the validation of the MIP 2014-2020, involving multiple actors, including private sector and civil society. The involvement of these key stakeholders in the programming process has fostered an early ownership and offers a platform to promote and launch new actions. This will allow effective policy dialogue, as evidenced by the EU's previous experiences with these institutions. The academic sector also contributed actively to the formulation of the MIP 2014-2020. Partnership between Honduran universities and academic institutions from the EU and Latin America will be promoted to support institutional strengthening.

## 4. IMPLEMENTATION ISSUES

### 4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Budget, Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

### 4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2., 4.3., 4.7. and 4.8. will be carried out, is **72** months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

The duration of the action corresponds to the whole duration of the MIP, covering the present government mandate and half of the following one.

### **4.3. Implementation components and modules**

#### **4.3.1. Procurement (direct management)**

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance to the DPPPIP aiming at capacity development of GoH policy making institutions.	Services	1	T1
Final and mid-term evaluations	Services	2	T12 + T22
Communication and visibility	Services	1	T3

The first contract in the table above refers to long term experts that will provide advice to the DPPPIP and the other presidential directions for the whole duration of the action. They will accompany the reform of the State and modernization of its administration. This involves key governance issues as increased efficiency of public investment, improvement of public finance management and transparency. The TA will also contribute to macroeconomic analysis, enabling relevant decision making in sector public policies and investments. Another function of the TA is to support the evidences required for the eligibility to budget support (macroeconomic stability, public finance management and transparency).

A number of short and medium term TA missions will provide skills and experience in these fields, as well as in the focal sectors of the MIP. The same procedure as in PAAPIR will be used for prioritizing technical assistance: an ad-hoc technical committee chaired by DPPPIP and integrated by all key stakeholders will hold quarterly meetings (at least) with a view to determining the areas and issues that would need specific expertise. The Delegation will sit in the technical committee as an observer. The terms of reference of the service contract will specify the percentage of national experts, in order to keep an appropriate balance between these and international experts whose experience in multiple countries must be considered an added value.

The amount foreseen for this technical assistance is 6 M €, similar to the TA under PAAPIR. The mid-term evaluation of this action shall confirm whether the allocation for short-term missions is sufficient.

Other service contracts should be awarded for the evaluations (see section 4.7) and for the communication and visibility component described in section 4.8.

The option of launching the tender with suspension clause should be considered.

#### **4.3.2. *Indirect management with the partner country***

Part of this action may be implemented in indirect management with Honduras Government in accordance with Article 58(1)(c)(i) of the Regulation (EU, Euratom) No 966/2012, according to the following modalities:

The Honduras Government will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 50,000 and may apply ex post control for procurement contracts up to EUR 50,000. The Commission will control ex ante the contracting procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts up to the ceilings indicated in the table below.

<b>Works</b>	<b>Supplies</b>	<b>Services</b>	<b>Grants</b>
< EUR 300,000	< EUR 300,000	< EUR 300,000	≤ EUR 100,000

The financial contribution does not cover the ordinary operating costs incurred under the programme estimates.

The change of management mode from indirect to direct management, whether partially or entirely is not considered a substantial change.

In accordance with Article 262(3) of Delegated Regulation (EU) No 1268/2012, the Government of Honduras shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, will be laid down in the financing agreement concluded with the Honduras Government.

The financing agreement will be signed by the General Coordinator of the Government (GCG). DPPPIP will be responsible for the implementation of this action due to its specific mandate of directing the sector policies and its capacity of coordinate ministries actions. DPPPIP is the interface of international cooperation when it comes to launching new programs of aid to the development.

The strategic management of the action will be assumed by a project steering committee in which the CGC would have the presidency, the DPPPIP the executive Secretariat and each presidential direction will have a seat and vote, while the EU Delegation will assist as observer. The director of the DPPPIP will be de facto the director of the project and will be assisted by an administrator.

The portion of provision of services managed through indirect management amounts to € 2.5 million for the implementation of the components to be awarded to specialized institutions due to their specificity and coverage consisting of € 1.2 million dedicated to wide-scope studies focused on poverty reduction and/or improvement of governance; and € 1.3 million for trainings destined to the line ministries aiming to foster the capacities of the public administration. For both components, Honduran Universities have been pre-identified as key partners, as mentioned in section 3.5.

Strategic alliance between Honduran universities and external institutions such as universities and foundations of Latin America and Europe will be promoted, thereby strengthening the institutional capacity of higher education institutions in Honduras.

#### **4.4. Scope of geographical eligibility for procurement and grants**

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

#### **4.5. Indicative budget**

<i>Module</i>	<i>Amount in EUR</i>	<i>Indicative third party contribution</i>
4.3.1. – Procurement (direct management)	7,350,000	N.A.
Technical assistance	6,000,000	
Communication and visibility	1,200,000	
Evaluation	150,000	
4.3.2. – Indirect management with the Government of Honduras (trainings and studies)	2,500,000	1,000,000
Contingencies	150,000	N.A.
Total	10,000,000	1,000,000

#### **4.6. Performance monitoring**

**Indicators relative to the objectives of the action have been selected amongst those used by Honduras to monitor its development plan.** The general objective indicators directly stem from the National Development Plan, while those of the specific objective are the same as in the MIP (i.e. a combination of national and international indicators). The indicator relative to the visibility of EU interventions requires a specific survey.

The expected results indicators measure the capacity of the government to generate and disseminate information, create dialogue spaces with stakeholders, build consensus, disseminate information among stakeholders, and improve its scoring in international performance assessments.

The indicators to measure progress and results could include the following:

- Sectorial cabinets receive periodical substantive reports on the key sectors, consolidated into annual reports
- Formal meetings are held periodically to discuss public policies with civil society in each of the three focal sectors of the MIP
- PEFA score and OBI classification remain at the same levels or improve.
- A credible plan for the improvement of public finance management is implemented and monitored.
- Number of SME satisfied with the information at their disposal on the export conditions to the EU
- Level of fulfilment of Honduras commitments in EITI and FLEGT initiatives
- Number of visits to the web-based Cooperation Management Platform of the Government of Honduras
- Number of sector tables of the G16 in which the Government of Honduras assists on a regular basis (at least half of the meetings).
- Agreements on a common agenda subscribed with the donors community

The steering committee described in section 4.3.2 will be involved in performance monitoring and enabled to give insights for redirecting the action if needed. Taking into account the particularly to the long duration of the action, maximum benefit shall be taken from the mid-term evaluation to adjust the programme. Ad hoc revisions may be made if significant problems are detected.

#### **4.7. Evaluation and audit**

EU evaluation and audit procedures will apply. These include both Result-Oriented Monitoring and evaluations, all carried out by external experts. The Commission may send its own staff for inspecting technical and financial audit.

#### **4.8. Communication and visibility**

A communication strategy, based on the Communication and Visibility Manual for European Union External Action will be designed for the whole scope of the MIP, which will possibly include specific activities for its different components.

Communication and visibility activities will, on the one hand, contribute to transparency and domestic accountability, by advertising the use of public funds and the results obtained. On the other hand, it will present evidences and hints on how the EU financing has generated substantial changes in the life of vulnerable groups while at the same time promoting the EU's fundamental values.

Communication and visibility activities will be performed under a single service contract under direct management. Based on the previous positive experience of working on visibility with the Autonomous National University of Honduras, it might be considered to involve the academia in this component.