

Data Sheet

USAID Mission:	Honduras
Program Title:	Economic Freedom
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	522-022
Proposed FY 2004 Obligation:	\$11,576,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$12,899,000 DA
Year of Initial Obligation:	FY 2003
Year of Final Obligation:	FY 2008

Summary: USAID is working to improve Honduras' competitiveness in global markets by: upgrading laws, policies and regulations that promote trade and investment; creating more competitive, market-oriented private enterprise; and improving natural resource management. This program will enhance Honduras' ability to participate more effectively in the processes that determine the world's trade rules and take full advantage of trade opportunities made available by more open global markets. Trade capacity building activities will strengthen Honduras' ability to conduct and implement trade agreements, including the Central America Free Trade Agreement (CAFTA), and to advance completion of the Free Trade Area of the Americas (FTAA) and the World Trade Organization's Doha Development Round. USAID will accelerate agricultural diversification, increase crop productivity and quality, and create links between rural producers and higher value processing and marketing enterprises in urban centers. USAID's integrated watershed resources management activities will focus on: improving end-use management of critical watersheds; increasing market access to environmentally-friendly products and services; improving harmonization and enforcement of environmental laws and regulations; and increasing use of clean production technologies that reduce threats to watershed health.

Inputs, Outputs, Activities:

FY 2004 Program:

Trade and investment policy (\$3,500,000 DA). USAID will provide support to the Government of Honduras (GOH) and the private sector for information dissemination on the context and process of trade negotiations. Technical assistance to the public and private sectors will analyze the economic impact of free trade agreements, build domestic support for free trade commitments, and upgrade regulatory standards and practices related to trade commitments (such as intellectual property rights and dispute resolution). USAID will coordinate with other U.S. government agencies on export rules, regulations and export certifications for client firms, and will provide resources to improve sanitary and phytosanitary standards (SPS). In coordination with USAID's Central America Regional office, this program will fund technical assistance to streamline customs procedures and strengthen regional SPS measures. The regional program's technical support to existing Centers for Conciliation and Arbitration within the Chambers of Commerce and Industry will better enable Honduras to fulfill its obligations under the existing legal framework.

Competitive, market-oriented private enterprise (\$5,480,000 DA). Expansion and diversification into nontraditional agriculture are crucial for small farmers and processors to remain viable as domestic tariffs for traditional agricultural products are phased down under CAFTA and other trade agreements. USAID will support economic diversification, especially in rural areas, by promoting structural changes in productivity and marketing in strategic industrial and agricultural sectors. USAID will focus on product sectors that offer the opportunity for substantial expansion of production through modern, cost-saving technology and market "clustering" channels. Accordingly, USAID will target business development services to micro-, small-, and medium-sized entrepreneurs in key sectors such as nontraditional agriculture, agro-industry, wood products, and light manufacturing. USAID will continue providing assistance to producers and exporters to implement systems to meet more robust government and

market standards in worker safety, bio-terrorism protection, food safety and traceability, and agricultural practices. Production and post harvesting technologies that respond to environmental concerns and extensive regional and international links with state-of-the-art centers, particularly in post harvest and food safety, will also be promoted. USAID will facilitate training and advisory services to microfinance lenders to alleviate the most extreme cases of rural poverty. Resources will also be allocated to help establish a regional food security early warning and vulnerability network.

Management and conservation of critical watersheds (\$2,600,000 DA): USAID's work will complement economic opportunities while addressing the pressing need for intervention in very poor communities occupying and surrounding critical watersheds. Activities will include agro-business market surveys, eco-tourism site identification, planning for sustainable tourism growth, coastal zone management, building alliances between the hotel and agriculture industries, and environmental audits of key water consumers.

Development of public-private alliances will focus on building alliances with Honduran companies with the highest potential to expand trade while maintaining environmentally sound production practices and addressing equitable labor issues.

FY 2005 Program:

Trade and investment policy (\$3,500,000 DA). USAID expects to continue to support implementation of CAFTA as well as activities that increase Honduras' capacity to benefit from more open markets. USAID plans to assist businesses to promote and implement ethical standards and anti-corruption integrity pacts.

Competitive, market-oriented private enterprise (\$5,940,000 DA). USAID plans to continue to fund activities that increase economic diversification and competitiveness in rural areas.

Management and conservation of critical watersheds (\$3,460,000 DA). Decisions to diversify crops in critical watershed areas will be addressed while meeting the welfare needs of the affected communities as well as the growing tourism industry downstream. Site identification activities for eco-tourism will move into the development stage. In key areas of critical watersheds, USAID plans to help strengthen enforcement of environmental laws by Honduran authorities. USAID plans to accelerate clean production activities with local organizations and client businesses participating in audits.

The public-private alliance development program will move beyond alliance building to capacity building of certain Honduran industries with the goal of certifying those companies to meet U.S. import standards.

Performance and Results: Although this is a new strategic objective that began in late FY 2003 under the Central America and Mexico Regional Strategy, some components follow on to the previous strategy. In 2003, USAID quickly mobilized critical trade capacity building support, enabling the GOH to effectively participate in CAFTA negotiations while increasing awareness and support for CAFTA among business groups and civil society. In 2003, more than 6,000 small farmers and microentrepreneurs participating in USAID activities increased their incomes by an average of 177%, and in some cases by up to 400%. Major gains were achieved in increasing and improving the quality of milk production and expanding participating farmers' exports of high-value crops, such as cucumber, peppers, sweet potatoes, and melons. USAID-supported agricultural and rural diversification efforts led to an increase in sales and exports of more than \$23 million, and employment increased by 2,200 jobs (50%) on participating farms. USAID support contributed to a 10% rise in nontraditional exports and a greater percent of micro and small enterprises with access to financial and business services (87% of active clients are women). Accelerated expansion of this program will help some of Honduras' most vulnerable groups take better advantage of increased trade opportunities resulting from free trade agreements. By the end of the strategy period, USAID expects to see increased trade, greater diversity of private investment, and increased employment, all of which will contribute to poverty reduction. Honduras will be better able to manage its natural resources, particularly water, to sustain long-term growth while protecting the environment and conserving Honduras' rich biological diversity.

US Financing in Thousands of Dollars

Honduras

522-022 Economic Freedom	DA	DCA
Through September 30, 2002		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2003		
Obligations	6,167	162
Expenditures	0	0
Through September 30, 2003		
Obligations	6,167	162
Expenditures	0	0
Unliquidated	6,167	162
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	10,857	0
Total Planned Fiscal Year 2004		
Obligations	10,857	0
Proposed Fiscal Year 2005 NOA		
Obligations	10,916	0
Future Obligations	37,858	0
Est. Total Cost	65,798	162