

Honduras

The Development Challenge: October 2003 marked the fifth anniversary of Hurricane Mitch and its widespread devastation. Although most of the infrastructure has been rebuilt, a myriad of other challenges face the country. Honduras is suffering from a growing economic crisis, especially in the rural sector. Many farmers have been negatively impacted by recurring droughts, floods, and low commodity prices. These factors accelerate migration to urban areas, putting more pressure on limited municipal resources. Honduras' failure to attract the levels and quality of private investment that could provide employment to the burgeoning urban poor exacerbates the country's social problems. Efforts to attract sizable new investment in agriculture, manufacturing, and tourism are undermined by the high costs of security, telecommunications and electricity, bureaucratic obstacles, a weak legal system, low work force skill and productivity levels, and a lack of laws and enforcement to protect investor rights. The pace of reform within the Honduran justice system continues to be stymied by political in-fighting and protection of vested interests, representing a direct challenge to the rule of law and eroding public confidence in the democratic system. Conflicts over the use of natural resources, ineffective environmental management and controls, lack of economic alternatives, and rapid population growth threaten the natural resource base upon which Honduras' economy is largely dependent.

Provision of social services in Honduras remains weak, with centralized decision making and an administration ineffective and incapable of dealing with serious challenges. Honduras' social indicators are among the worst in the Western Hemisphere with 4.8 million people (72% of the population) living in poverty, an annual population growth rate of 2.6%, an infant mortality rate of 34 per thousand, a high prevalence of HIV/AIDS (1.9% of the population and 50% of the reported AIDS cases in Central America), chronic undernourishment (33% of children under 5 years), an average education level of 5.3 years, and continuous deterioration of water, coastal, and forestry resources.

The World Bank estimates that in 2003, Honduras' per capita gross national income was \$923 and its external debt reached \$4.6 billion (approximately 76% of GDP). The Government of Honduras (GOH) has failed to meet conditions to support a new three-year Poverty Reduction and Growth Facility (PRGF) Program with the International Monetary Fund (IMF). Negotiations are ongoing with the IMF, requiring the GOH to show greater restraint in government expenditures (primarily public wage increases), increased tax revenues, greater financial solvency, and prosecution of corrupt financial managers and government officials. The lack of an IMF program resulted in the loss of \$250 million in 2003 from donors who tie their balance of payments programs to an IMF program.

The GOH realizes that the country must increase exports and attract new investments in order to grow and generate revenue to provide quality public social services, such as schools, hospitals, clinics, water systems, electricity, roads, security, and a fair judicial system. In 2003 the GOH supported a number of programs to encourage greater private investment, competitiveness, tourism, and exports in the areas of agro-industry, forestry and wood products, light manufacturing, telecommunications, and energy. It is also making a significant effort to open its borders to free trade through the Central America Free Trade Agreement (CAFTA), the Free Trade Area of the Americas (FTAA), and agreements with other countries.

U.S. national interests in Honduras include: 1) export of U.S. goods and services to increase economic prosperity and jobs in the United States; 2) greater investment and economic growth in Honduras to increase the number of customers for U.S. businesses, reduce illegal immigration into the United States, lessen the need for U.S. border controls and law enforcement, and strengthen citizen support for democracy; and 3) consolidation of GOH civilian-controlled military, police, and legal institutions to protect U.S. investments and reduce international crime, terrorism, and illicit narcotics activities.

The USAID Program: The Central America and Mexico (CAM) Regional Strategy focuses bilateral and regional USAID investment on three performance "arenas," designed to closely align with the Millennium Challenge Account (MCA) goals. The three arenas are: 1) just and democratic governance, 2) economic freedom, and 3) investing in people. USAID/Honduras' new Country Plan mirrors the CAM Regional

Strategy with the intent of helping Honduras meet MCA criteria and move toward broad-based prosperity. The Data Sheets below describe further these three strategic objectives.

USAID will support the first objective, Ruling Justly, by increasing the responsiveness and accountability of public institutions, building on past successes with municipal development for better models of governance, transparency and participation, and addressing critical justice reforms. USAID will bolster Economic Freedom by focusing on trade policy and maximizing Honduras' trade opportunities through CAFTA, the FTAA, and the World Trade Organization (WTO). In addition, USAID programs will help increase productivity and create linkages between agricultural production in rural areas and relatively higher value processing and marketing enterprises in urban centers. The integrated natural resource management program will improve sustainable land and water use and biodiversity, and reduce disaster vulnerability. To support the Investing in People objective, the health program will focus on improved reproductive health and family planning, child survival, HIV/AIDS and other infectious diseases, and household food security. USAID will contribute to a better-educated Honduran work force by expanding access to education at the pre-school, middle school, and upper secondary levels using alternative delivery systems. USAID will also assist the GOH's efforts to develop quality education standards, testing, and evaluation.

Other Program Elements: The Central America Regional Program (G-CAP) funds training in trade, labor, and energy policies for officials to prepare for Honduran integration into free trade agreements. The regional environmental program focuses on border areas and supports implementation of the Central America - U.S. commitment to biodiversity conservation and environmental legislation. The regional HIV/AIDS program continues to mobilize communities and organizations to deliver HIV/AIDS services, fund AIDS prevention campaigns, and lobby for rights and access to services for people affected by AIDS. Honduras has also benefited from programs managed by USAID's Office of Regional Sustainable Development (LAC/RSD) to strengthen regional mechanisms to promote human rights, fortify government accountability, promote decentralization and local governance, and provide outreach to civil society on trade and economic issues. Through its farmer-to-farmer program, the Office of Private and Voluntary Cooperation (DCHA/PVC) funds short-term voluntary technical assistance to increase farm and agribusiness productivity and incomes. The USAID mission in Honduras serves as the regional coordinator for implementation of President Bush's Center of Excellence for Teacher Training (CETT) Initiative. CETT is designed to improve teacher training and address high rates of school underachievement and illiteracy in disadvantaged areas in Central America. The mission also participates in the Cooperative Association of States for Scholarships (CASS) program, managed regionally by LAC/RSD. CASS funds scholarships for students to study in the United States in programs tailored specifically to meet the development needs of students' respective countries. The program targets socioeconomically disadvantaged scholars, women, and other previously excluded groups who demonstrate leadership potential.

Other Donors: Development assistance to Honduras totaled \$386 million in 2003 (\$201 million in donations and \$185 million in loans). The United States, Japan, and Sweden are the largest bilateral donors, while Spain provides a large amount of bilateral loans. Bilateral donors and their principal areas of focus include: Japan (public infrastructure and agriculture); Sweden (statistics, justice and human rights, and social programs); Spain (judicial reform and decentralization); Germany (agriculture and education); Canada (forestry and rural development); United Kingdom (rural development); Italy (irrigation); Holland (rural development and housing); and Switzerland (rural water projects). Multilateral donors include: the Inter-American Development Bank with a very diversified portfolio of projects valued at \$460 million (2002 through 2005); the World Bank (education, land tenancy, and health); the IMF (currently negotiating a new three-year PRGF); the European Union (rural water infrastructure and food security); and the United Nations agencies (United Nations Development Program, Food and Agriculture Organization, World Food Program, United Nations Children's Fund, and International Fund for Agricultural Development). As a key player in the Group of 15 Donors, USAID will continue to strengthen donor coordination efforts in Honduras.

Honduras PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	13,177	13,400	12,777	10,777
Development Assistance	15,430	24,112	22,367	19,925
Development Credit Authority	298	162	0	0
Economic Support Fund	1,000	0	0	0
PL 480 Title II	6,436	10,479	2,406	11,916
Total Program Funds	36,341	48,153	37,550	42,618

STRATEGIC OBJECTIVE SUMMARY

522-001 Economic Reactivation Meeting Needs of the Poor				
DA	3,730	4,945	0	0
522-002 Effective and Sustainable Water Management				
DA	2,800	0	0	0
522-003 Sustainable Improvements in Family Health				
CSH	13,177	13,400	0	0
PL 480	6,436	10,479	0	0
522-004 Rule of Law & Respect for Human Rights				
DA	2,400	1,850	0	0
ESF	1,000	0	0	0
522-006 Basic Education and Skills Training				
DA	3,500	3,250	0	0
522-007 Municipal Development Project				
DA	3,000	1,000	0	0
DCA	298	0	0	0
522-021 Ruling Justly				
DA	0	3,250	5,710	3,992
522-022 Economic Freedom				
DA	0	6,067	10,857	10,916
DCA	0	162	0	0
522-023 Investing in People				
CSH	0	0	12,777	10,777
DA	0	3,750	5,800	5,017
PL 480	0	0	2,406	11,916

Mission Director,
Paul Tuebner

Data Sheet

USAID Mission:	Honduras
Program Title:	Ruling Justly
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	522-021
Proposed FY 2004 Obligation:	\$5,850,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$5,100,000 DA
Year of Initial Obligation:	FY 2003
Year of Final Obligation:	FY 2008

Summary: The Government of Honduras (GOH) and USAID have jointly agreed to place maximum emphasis on strengthening the responsiveness and transparency of governance in Honduras. USAID will focus on strengthening the rule of law by improving the legal framework, improving the quality and efficiency of the justice system, expanding access to justice, and strengthening advocacy and citizen participation. In concert with the GOH and other partners, USAID will help Honduras develop a more decentralized government and increase local government capacity to meet citizen needs. Finally, USAID will support the GOH at the central and local levels to ensure transparency, accountability, and oversight in the management of public funds.

Inputs, Outputs, Activities:

FY 2004 Program:

Rule of law (\$2,740,000 DA). Over the last two years, implementation of the Criminal Procedures Code (CPC) has introduced oral trial procedures and dramatically strengthened the transparency and equity of criminal processes. In FY 2004, USAID will initiate a new technical assistance and training activity to refine criminal procedures, improve systems and processes for case management and evidence handling, and train judges, prosecutors, defenders, and forensics experts. Technical assistance will help strengthen judicial independence by making improvements in the legal framework and working with the Constitutional Chamber of the Supreme Court. USAID will apply its successful experience with criminal justice reform to begin civil procedure reform, including the introduction of oral proceedings and greater transparency in civil courts. To improve access to justice for marginalized groups, including women and the poor, USAID will fund the design and implementation of alternative dispute resolution systems. To strengthen advocacy on justice sector reform and monitoring, human rights, transparency, anti-corruption, electoral reform, and immunity of public officials, USAID will provide small grants and technical assistance to nongovernmental justice sector organizations such as the Federation of Private Development Organizations of Honduras (FOPRIDEH) and other local professional associations of judges and lawyers that advocate for and sustain legal reforms. Contractors to be identified competitively.

Transparency and accountability (\$250,000 DA). To increase transparency and accountability, promote oversight in the management of public funds, and consolidate and support independent anti-corruption mechanisms, USAID will fund targeted technical assistance and training to the central government's auditor general in the areas of municipal budget and internationally-funded program audits. Contractors to be identified competitively.

Local governance (\$2,860,000 DA). USAID will target most of its government transparency and accountability efforts at the municipal level. USAID-funded technical assistance and training will help strengthen the effectiveness of citizen involvement in approximately ten municipalities. These activities will be aimed at: improving citizens' ability to participate productively in decision making with local governments; establishing oversight mechanisms for public investment; promoting public information and awareness programs; and supporting local coalitions focused on local economic development and transparency. To provide greater incentives for local governments to work collaboratively with citizen

groups, USAID will establish a small grants program that will provide seed money to improve participatory design and implementation of small activities that promote community and economic development. To build on the success of previous decentralization initiatives, USAID will fund technical assistance and training to strengthen the capacity of regional associations of municipalities to promote regional development initiatives, as well as the national association (Association of Municipalities of Honduras), to enhance its ability to effectively advocate on behalf of local government interests in public policy debates.

FY 2005 Program:

Rule of law (\$2,290,000 DA): USAID plans to continue to work toward increasing the fairness and efficiency of the legal system and improving the quality of judicial services by funding technical assistance to improve case tracking and management systems, as well as training and continuing education for legal professionals. Although USAID will continue to focus on the criminal justice system, momentum on civil procedure reform, including alternative dispute resolution, will increase. USAID expects to continue its technical assistance to help craft a sound constitutional and legal framework for an independent judiciary. Resources will be devoted to strengthening the capacity of selected professional associations and nongovernmental organizations to promote public awareness and influence legal reforms.

Transparency and accountability (\$250,000 DA): USAID plans to focus its assistance on improving mechanisms for implementing and tracking results of municipal audits, international program audits, and audits resulting from the USAID/Inter-American Development Bank-funded Project Oversight Program. USAID plans to replicate social auditing and public awareness models and support other emerging independent anti-corruption mechanisms.

Local governance (\$2,560,000 DA). USAID plans to place additional focus on promoting coordinated decentralization initiatives and increasing municipal capacity by strengthening nascent regional associations of municipalities and their relationship with the national municipal association. USAID plans on strengthening specific mechanisms, such as the community liaison with local governments and participatory budgeting processes, as a way to increase the effectiveness of citizen participation in promoting transparent practices and accountability in municipal finances. Assistance will be provided to both large and small municipalities to increase their capacity for transparent municipal management, participatory decision making, and effective delivery of basic services.

Performance and Results: Although this strategic objective began in late FY 2003 under the Central America and Mexico Regional Strategy, some components follow on to the previous strategy. In FY 2003, USAID's rule of law activities demonstrated that justice sector institutions have embraced the new CPC, with criminal trials and non-trial procedures taking place in key parts of the country. Case tracking and management systems designed with technical assistance from USAID have improved the transparency and effectiveness of the judicial system, and are being replicated in courts around the country. The Supreme Court has demonstrated leadership and independence in its decisions, and FOPRIDEH has successfully pushed forward legal reforms. Momentum for further legal reform is strong and growing, and successful criminal procedures models will serve as the basis for civil procedure reforms. Municipal development activities implemented during FY 2003 increased municipalities' capacity to manage resources, thereby enabling further decentralization of resources and responsibilities. Key legal reforms, such as the Water and Sanitation Law and the Land Use Planning Law, have advanced over the past year. The achievements of the past year have been critical in creating demands on the political system to reform national level governance institutions and practices.

By the end of the strategy period, USAID expects to see major reforms in the justice, civil, and political systems that will reduce corruption and ensure greater transparency and security, thus creating an environment more conducive to investment and economic growth. USAID expects the GOH to increasingly devolve authority to municipalities, who in turn will be better equipped to manage urban growth, generate and manage resources in a transparent and democratic manner, and provide public services to constituents.

US Financing in Thousands of Dollars

Honduras

522-021 Ruling Justly	DA
Through September 30, 2002	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2003	
Obligations	3,250
Expenditures	0
Through September 30, 2003	
Obligations	3,250
Expenditures	0
Unliquidated	3,250
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	5,710
Total Planned Fiscal Year 2004	
Obligations	5,710
Proposed Fiscal Year 2005 NOA	
Obligations	3,992
Future Obligations	15,300
Est. Total Cost	28,252

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

	DA	DCA
522-022 Economic Freedom		
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

Data Sheet

USAID Mission:	Honduras
Program Title:	Investing in People
Pillar:	Global Health
Strategic Objective:	522-023
Proposed FY 2004 Obligation:	\$8,301,000 CSH; \$4,800,000 DA; \$5,365,000 PL 480
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$8,310,000 CSH; \$5,500,000 DA; \$7,200,000 PL 480
Year of Initial Obligation:	FY 2003
Year of Final Obligation:	FY 2008

Summary: USAID's education program supports the Government of Honduras' Poverty Reduction Strategy and the Education for All - Fast Track Initiative (EFA-FTI) by improving the coverage and quality of pre-school and basic education and promoting key policy reforms, including decentralization. USAID's health program is: improving the availability and quality of maternal, child and reproductive health and family planning services; improving the quality and effectiveness of control over malaria, dengue, tuberculosis and other infectious diseases; and expanding HIV/AIDS prevention and treatment services. USAID is improving food security by increasing and diversifying food production, improving market infrastructure and practices, and promoting improved nutrition.

Inputs, Outputs, Activities:

FY 2004 Program:

Education policy reform (\$2,800,000 DA). USAID-funded technical assistance to the Ministry of Education (MOE) will help it to achieve its goal of universal pre-school education by developing a curriculum for a pre-school radio program and a three-year implementation plan to take it to national scale. It will also help the MOE implement decentralization in ways that improve quality and efficiency, train primary school supervisors to implement the EFA-FTI, and make vocational education more responsive to the private sector. Under the Center of Excellence for Teacher Training (CETT) Initiative, USAID will fund training programs for over 200 public school teachers and 400 university students who will enter the workforce in FY 2005.

Access to quality education (\$2,000,000 DA). USAID will continue and expand support for the highly successful EDUCATODOS program, a basic education program for children and adults not reached by the formal education system. USAID will fund development of a high school EDUCATODOS curriculum, as well as assistance to build a private foundation's capacity to work with the MOE to improve the program's management and outreach.

Maternal and child health (\$4,750,000 CSH). Support for the Honduras Family Planning Association and the Ministry of Health (MOH) will help these two organizations to continue expanding maternal health and family planning services in underserved areas. The majority of these funds will support MOH efforts in child survival, and a portion will help control infectious diseases and other environmental health problems. Funds will provide budget support, commodities, and technical assistance to formulate and implement policy reforms for decentralized, integrated planning and management of health services.

HIV/AIDS prevention and care (\$4,200,000 CSH). USAID-funded technical assistance to help the MOH and non-governmental organizations (NGOs) expand and improve surveillance to track new infections and behavior change, increase access to voluntary counseling and testing, and improve access to anti-retroviral drugs. Funds will also support NGOs serving groups most affected by AIDS, emphasizing prevention but also supporting community care, and will intensify ongoing behavior change activities focused on high-risk groups.

Food Security. P.L. 480 Title II resources will provide food to individuals and improve maternal and child nutrition and health in the poorest areas of the country. Approximately half of the value of these resources will be monetized to support programs designed to increase and diversify food production and improve market infrastructure and practices.

FY 2005 Program:

Education policy reform (\$3,500,000 DA). USAID plans to finalize the pre-school pilot program and support sector-wide policy reforms in the areas of decentralization, education standards, and better testing and evaluation systems.

Access to quality education (\$2,000,000 DA). USAID plans to continue its support for EDUCATODOS, including work with the foundation to help improve management and outreach.

Maternal and child health (\$4,750,000 CSH). USAID plans to continue its support for the Honduran Family Planning Association and the MOH for maternal health and family planning services, as well as MOH child survival and environmental health and tuberculosis detection and treatment.

HIV/AIDS prevention and care (\$4,200,000 CSH). USAID plans to support the continued, decentralized expansion of public and private sector activities to conduct surveillance, prevent HIV transmission among and from high-risk groups, improve access to anti-retroviral drugs, and provide community care and support access.

Food Security. P.L. 480 Title II resources will provide food to individuals and improve maternal and child nutrition and health in the poorest areas of the country. Monetized resources will support agricultural extension and rural infrastructure activities in extremely food insecure areas.

Performance and Results: This is a new program under the Central America and Mexico Regional Strategy. The education component began in late FY 2003 and the health component is beginning in FY 2004; however, many components follow on from the previous strategy. In FY 2003, EDUCATODOS achieved 98% of the target of 90,000 grade levels passed, the last of 30 vocational centers came on-line, and vocational center graduates employed exceeded the target by 23%. USAID's pilot program (Save the First Cycle), to reduce failure rates in grades 1 - 3 is on track to exceed its targets by the end of this school year. In 2004, this program will be replicated nationally under EFA-FTI. In 2003 contraceptive protection distributed through USAID-supported programs increased by 6.8%. USAID's condom marketing program accounts for an estimated 40% of all condoms sold. The national tuberculosis program exceeded targets and maintained the cure rate at 86% and the treatment abandonment rate at <5%. The percentage of rural water systems in full compliance with standards has increased from 7% to 33% since 1998. One hundred percent of planned Title II indicators were achieved or exceeded in the three program components - agriculture extension, institutional strengthening, and community health.

By the end of the strategy period, the Honduran basic education and workforce development systems will be more capable of meeting the country's needs for better educated and skilled workers that can meet evolving private sector demands, making Honduras more competitive and attractive to potential investors. Both traditional and alternative education programs, as well as workforce development programs, will be more efficient and financially sustainable. GOH contributions to EDUCATODOS will increase substantially in the coming years and USAID funding will phase out by 2009. The Honduran health system will be more efficient, with a more capable and decentralized administration. This will contribute to reduced infant mortality, reduced total fertility, and stabilization of the HIV infection rate.

US Financing in Thousands of Dollars

Honduras

	CSH	DA
522-023 Investing in People		
Through September 30, 2002		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2003		
Obligations	0	3,750
Expenditures	0	0
Through September 30, 2003		
Obligations	0	3,750
Expenditures	0	0
Unliquidated	0	3,750
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	12,777	5,800
Total Planned Fiscal Year 2004		
Obligations	12,777	5,800
Proposed Fiscal Year 2005 NOA		
Obligations	10,777	5,017
Future Obligations	49,189	18,950
Est. Total Cost	72,743	33,517