

Data Sheet

USAID Mission:	Honduras
Program Title:	Economic Freedom
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	522-022
Status:	Continuing
Planned FY 2005 Obligation:	\$10,469,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$10,641,000 DA
Year of Initial Obligation:	2003
Estimated Year of Final Obligation:	2008

Summary: USAID supports Honduras' competitiveness in global markets through improving trade policy analysis and the legal and regulatory framework for trade, investment, and competitiveness; creating more competitive market-oriented private enterprise; and improving the management of critical watersheds. The program will enhance Honduras' ability to both participate more effectively in free trade agreements and to take full advantage of greater trade opportunities made available by more open global markets. USAID will provide technical support to improve the competitiveness of micro-, small, and medium-sized rural enterprises with the ultimate objective of creating economic opportunities in rural areas and assisting small producers to fully reap the benefits of freer trade through agricultural diversification. USAID's integrated watershed resources management activities will focus on conservation of natural resources, including biodiversity; disaster preparedness; and building a strong foundation for ratification and implementation of the Environmental Cooperation Agreement (ECA) under the U.S.-Central America Free Trade Agreement (CAFTA).

Inputs, Outputs, Activities:

FY 2005 Program: Increase Participation in Global Trade and Investment (\$3,064,000 DA). USAID's Trade, Investment, and Competitiveness (TIC) program will encourage broad collaboration in the public and private sectors to facilitate implementation of Honduras' commitments under free trade agreements such as CAFTA. In conjunction with key Honduran private sector institutions, USAID will also support Honduran efforts to enhance the quality of independent TIC policy research, analysis, and formulation. This collaboration will improve the management skills of the technical staffs in the Honduran public and private sectors; enhance coordination and communication on TIC policies and programs within the Government of Honduras (GOH) and between the GOH and Honduran civil society; improve Hondurans' understanding and awareness of the impacts on the local economy of global, regional, and national TIC policy issues and developments; support TIC policy reforms required to improve the overall investment climate in Honduras and reduce specific barriers to business expansion and sustainable natural resource management; and reinforce Honduras' efforts to accelerate its participation in the Central American economic integration process, the Free Trade Area of the Americas, and the World Trade Organization Doha Development Round of multilateral trade negotiations. USAID will assist in streamlining customs procedures and supporting regional sanitary and phytosanitary initiatives. USAID will support private sector conciliation and arbitration initiatives, and governance, ethical standards, and anticorruption practices. USAID will also engage in a crosscutting activity to promote private sector participation in initiatives to advance transparency, corporate social responsibility, and ethical conduct through joint efforts such as Global Development Alliances. Principal contractors, grantees, and local partners include Management Systems International, the Honduran Business Council, the Ministries of Trade and Agriculture, the Honduran Agricultural Research Foundation, Zamorano University, other local universities, and civil society organizations.

Increase Private Sector Growth (\$4,900,000 DA). To alleviate poverty in rural areas, USAID will provide assistance to enhance income-generating capacity of small farmers and micro, small and medium-sized enterprises (MSMEs); expand local sales and export market opportunities by linking rural producers to local and international markets; and promote value-added production and private investment in rural areas. USAID will continue to fund assistance to producers and exporters to implement systems to meet increasingly strict government export and market standards in worker safety, bio-terrorism protection, food safety, labor, product traceability, and good agricultural and manufacturing practices. USAID will also fund training and advisory services to microfinance institutions and commercial banks to expand financial services to MSMEs. Principal contractors, grantees, and local partners include a U.S. institutional contractor (prime contract to be awarded in February 2005), the Ministry of Agriculture, Zamorano University, the Honduran Agricultural Research Foundation, microfinance organizations, local universities, and farmer organizations.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$2,505,000 DA). USAID will implement a package of initiatives to improve the management of critical watersheds in Honduras, including protection of critical biodiversity habitats, comprised of technical assistance, training, and commodities to municipalities, communities, traditional and nontraditional academic institutions, private organizations, and environmental institutions. This support will improve participants' preparedness to combat natural disasters; increase awareness of key environmental issues; and improve income generation activities while conserving the natural resources base through environmentally sound, legal practices. Principal contractors, grantees, and local partners include International Resources Group (prime), Winrock International, Development Associates, Inc., Zamorano University, the Honduran Agricultural Research Foundation, VIDA Foundation, Madera Verde, RARE Conservation, Amagavi, and AGA & Associates.

FY 2006 Program: Increase Participation in Global Trade and Investment (\$1,741,000 DA). USAID plans to continue supporting CAFTA implementation and enhancing local capacity to research, analyze, and formulate TIC policy. USAID may also continue assisting private businesses to promote and implement ethical standards and anticorruption practices. Same implementers as above.

Increase Private Sector Growth (\$4,800,000 DA). USAID plans to continue supporting economic diversification and assisting producers to fully reap the benefits of freer trade by improving micro, small, and medium-sized firms' access to markets, new appropriate technologies, and innovative business and financial services. Same implementers as above.

Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$4,100,000 DA). USAID expects to continue the activities of FY 2005 and expand to additional targeted geographic areas. Planned activities include improved protected area management (to conserve biodiversity); disaster preparedness; increased market access for green products and services; clean production; and strengthened environmental policies and regulations. Same implementers as above.

Performance and Results: USAID mobilized critical trade capacity building support in FY 2004 on behalf of the GOH program for ratification and implementation of CAFTA. More than 11,662 small farmers and microentrepreneurs increased average annual sales by 71% and, in some cases, by up to 400%. New sales of nontraditional agricultural exports over the last 12 months reached \$18.14 million and generated 5,530 new jobs (40.7% women, 59.3% men) among participating farms. Private sector investments leveraged by USAID contributions reached \$3.5 million. In the environmental sector, 12 watershed management plans covering more than 40,000 hectares were implemented, and a comprehensive environmental law and regulation analysis is being used to address potential CAFTA-ECA vulnerabilities. In addition to strengthening radio communication capacity within the GOH Emergency Commission, USAID trained over 500 volunteers from 57 communities and municipalities to react more effectively to

natural disasters. Three regional and three municipal level emergency preparedness centers were activated, as well as 23 flood monitoring telemetric stations.

By program completion, USAID expects to see increased trade, private investment, and employment, leading to poverty reduction and a healthier environment. Honduras will be better able to manage its natural resources, particularly water, to sustain long-term growth while conserving habitat for biological diversity.

US Financing in Thousands of Dollars

Honduras

522-022 Economic Freedom	DA	DCA
Through September 30, 2003		
Obligations	6,166	162
Expenditures	0	0
Unliquidated	6,166	162
Fiscal Year 2004		
Obligations	11,327	0
Expenditures	1,105	1
Through September 30, 2004		
Obligations	17,493	162
Expenditures	1,105	1
Unliquidated	16,388	161
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2005 NOA		
Obligations	10,469	0
Total Planned Fiscal Year 2005		
Obligations	10,469	0
Proposed Fiscal Year 2006 NOA		
Obligations	10,641	0
Future Obligations	29,735	0
Est. Total Cost	68,338	162