

CONGRESSIONAL BUDGET JUSTIFICATION HONDURAS

Foreign Assistance Program Overview

U.S. assistance for Honduras would enhance citizen safety, strengthen democracy and rule of law, improve the education and health systems, increase food security, improve the management of watersheds, conserve biodiversity, and build capacity to take advantage of opportunities under the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). In response to the June 28, 2009 coup against democratically elected Honduran President Manuel Zelaya, the United States terminated certain U.S. assistance programs for the Government of Honduras (GOH). Following successful Presidential and parliamentary elections held in late 2009, a democratically elected government took office January 27, 2010, and constitutional governance has been restored to Honduras. As political developments in Honduras warrant, the United States anticipates providing assistance for Honduras in FY 2010 and FY 2011; as such, funds are requested for the range of assistance normally provided for Honduras, including its government.

Request by Account and Fiscal Year

(\$ in thousands)	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request	Increase/Decrease
TOTAL	40,232	51,266	67,934	16,6 68
Development Assistance	21,382	37,491	53,934	16,443
Food for Peace Title II	5,771	0	0	0
Foreign Military Financing	0	1,075	1,300	225
Global Health and Child Survival- State	1,000	1,000	1,000	0
Global Health and Child Survival - USAID	11,750	11,000	11,000	0
International Military Education and Training	329	700	700	0

Request by Objective by Account, Program Area and Fiscal Year

(\$ in thousands)	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request	Increase/Decrease
Honduras	40,232	51,266	67,934	16,6 68
1. Peace and Security	329	1,775	2,000	225
Foreign Military Financing	0	1,075	1,300	225
1.3 Stabilization Operations and Security Sector	0	1,075	1,300	225
International Military Education and Training	329	700	700	0
1.3 Stabilization Operations and Security Sector	329	700	700	0
2 Governing Justly and Democratically	6,494	9,493	12,364	2,871
Development Assistance	6,494	9,493	12,364	2,871

(\$ in thousands)	FY 2009 Actual	FY 2010 Estimate	FY 2011 Request	Increase/ Decrease
2.1 Rule of Law and Human Rights	351	1,201	2,270	1,069
2.2 Good Governance	5,244	6,143	6,894	751
2.3 Political Competition and Consensus-Building	50	500	800	300
2.4 Civil Society	849	1,649	2,400	751
3.1 Investing in people	21,103	21,700	21,700	0
Development Assistance	5,897	9,700	9,700	0
3.2 Education	5,897	9,700	9,700	0
Food for Peace Title II	2,456	0	0	0
3.1 Health	2,456	0	0	0
Global Health and Child Survival State	1,000	1,000	1,000	0
Global Health and Child Survival-USAID	11,750	11,000	11,000	0
3.1 Health	11,750	11,000	11,000	0
4 Economic Growth	12,306	18,298	31,870	13,572
Development Assistance	12,306	18,298	31,870	13,572
4.5 Agriculture	6,168	10,000	20,300	10,300
4.6 Private Sector Competitiveness	3,640	5,998	9,070	3,072
4.8 Environment	2,498	2,300	2,500	200
Of which: Objective 6	3,140	3,179	3,932	753
6.1 Program design and Learning	350	270	455	185
6.2 Administration and Oversight	2,790	2,909	3,477	568

Peace and Security

Honduras and the United States jointly face a number of transnational threats, including arms and drug trafficking, international terrorism, and organized crime. If the political situation in Honduras warrants the resumption of U.S. military assistance, these funds would support the professionalization of the Honduran military to enable it to cooperate more fully with the United States and other regional partners to confront transnational threats. U.S. assistance would be used to train mid-level and senior officers, purchase military equipment to address new threats, and support Honduran participation in regional partnerships and programs. Law enforcement and additional rule of law programs will draw upon foreign assistance resources in the Central America Regional Security Initiative (CARSI), requested separately under the Western Hemisphere Regional Program.

Foreign Military Financing (FMF): U.S. assistance would improve Honduras's ability to interdict the trafficking of drugs, arms, and people; address the increase in violence fueled by the drug trade and gangs; and respond to natural disasters. Programs also would focus on supporting Honduras's ability to meet transnational threats, enhance the military's efforts to better control its national territory, participate in international peacekeeping operations, respond to natural disasters, and increase the military's maritime security capabilities. Funding would provide maintenance support, spare parts, training, and upgrades to assist the armed forces in maintaining a level of operational readiness allowing them to project a secure presence in remote areas.

International Military Education and Training (IMET): These funds would be used to provide training geared toward professional military education to improve civilian-military relations and regional integration and stability. This training would help reinforce the notion of civilian control of the military, promote human rights, and promote U.S. national security interests by strengthening coalitions with friends and allies. The training would also serve to improve bilateral military relationships and enhance interoperability with U.S. forces.

Governing Justly and Democratically

U.S. assistance would focus on strengthening democratic institutions, rule of law, and citizen participation in local and national government; broadening participation of traditionally marginalized groups in all programs; and reinforcing support for democracy and civilian rule. The U.S. Agency for International Development (USAID) would also continue efforts to address challenges related to allegations of administrative mismanagement and fraud, which have persisted despite improvements to the electoral system since Honduras's first democratic election in 1981. In recent international surveys, Honduras has received one of the highest levels of perceived corruption, and one of the lowest levels of trust in public institutions in the Western Hemisphere. Accordingly, USAID would build on successes in promoting the decentralization of authority and resources to the local level and encouraging policy and legal reforms that make local elected officials more accountable to their constituents. USAID would additionally sustain results that support civil society partnerships and increase citizen participation in election monitoring. Full resumption of assistance under this program objective for the GOH would occur as political events warrant.

Development Assistance (DA): U.S. assistance would improve key municipal services in up to 35 service delivery areas through strengthened management and oversight, engagement with civil society, and partnership with national level institutions. USAID would target those services that are widely used in order to demonstrate the benefits of the decentralization of authority and resources, thus improving Honduran democracy by increasing citizen satisfaction with democratic government. USAID would support civil society oversight of local service delivery, use of public resources, and access to public information to ensure that government and services are responsive to citizens' needs. Assistance to local governments would aid in the development of mechanisms to solicit citizen participation and feedback on their performance and the performance of local service providers. As direct assistance is restored to GOH, USAID would support advocacy for decentralization policies, laws, budgetary structures, and frameworks that are supportive of effective and transparent governance, particularly at the local level. To promote the rule of law through accountability, USAID would assist key Honduran Government agencies and non-governmental partners to improve oversight, audit, watchdog functions, and build demand for reform. Additionally, USAID would continue support for reforms and implementation of current laws that are critical for the democratic development of Honduras, including the Transparency Law and Civil Procedure Code. Building upon U.S. assistance during the 2008-09 election cycle, USAID would support national government and civil society monitoring efforts leading up to the November 2012 primaries. USAID would also support reconciliation activities that promote civic democratic awareness, public participation, reconciliation, and consensus building.

Investing in People

Fertility, maternal and infant mortality, and malnutrition rates remain high, especially in rural areas. Specific high-risk groups are disproportionately affected by HIV, with group prevalence rates ranging from 4 to 10 percent. In implementing the Global Health Initiative, USAID activities will focus on improving and decentralizing maternal and child health (MCH) services, improving HIV / AIDS prevention and care, ensuring availability of family planning services, and improving food security for the poor. Education in Honduras is characterized by high dropout and repetition rates, low achievement scores, and insufficient alternative education opportunities. The USAID education program emphasizes the provision of learning opportunities for out-of-school youth and adults, and education quality improvement in the formal education system through the Education for All-Fast Track Initiative, to meet Millennium Development Goals of universal access to preschool and 100 percent primary school completion by the year 2015. Full resumption of assistance under this program objective for the GOH will occur as political events warrant.

Global Health and Child Survival (GHCS) - USAID: Maternal and Child Health (MCH): USAID will also support improved and expanded MCH activities and accelerated reform and decentralization of the national health system. Assistance in health sector reform will allow the delivery of a universal package of health services, guaranteeing that GOH financing is utilized to cover the most vulnerable and poor. As part of the health-sector reform strategy, the decentralization effort is aimed at improving the effectiveness and efficiency of the health services by shifting their management to local levels for increased coverage, quality, and accountability of the services. This would be done in close coordination with the Inter-American Development Bank and the World Bank.

Family Planning and Reproductive Health: Finally, USAID would continue to expand access to high quality, voluntary family planning services. As part of the strategy to phase out family planning assistance by 2012, USAID would enhance GOH and private sector capacity to build on the substantial gains in family planning attained with previous USAID assistance, including strengthening contraceptive procurement systems and supporting the widespread commercial availability of contraceptives.

Global Health and Child Survival (GHCS) - State and GHCS - USAID: Honduras would receive funding to support the national HIV/AIDS strategy and the goals of the President's Emergency Plan for AIDS Relief.

Development Assistance (DA): Basic Education: USAID basic education assistance would measurably improve early grade competencies such as literacy, numeracy, arithmetic, and other basic skills. Emphasis would remain on improving the quality of teacher training, dramatically increasing the quantity of appropriate learning materials, and monitoring and evaluating progress of the programs. The goal is to reduce failure and repetition rates and increase student achievement. With more children graduating from primary school, serious problems in post-primary education must also be addressed. As direct assistance is restored to the GOH, USAID would support work with the Honduran Ministry of Education to implement academic standards and achievement testing for grades 7-12. Innovative strategies would be introduced to improve the quality of post-primary and alternative education systems to prepare a better-educated and more competitive work force. The goal is that by 2015, all children would complete preschool and primary education, middle school enrollment would reach 70 percent; high school enrollments would increase; and Honduras would have updated, more relevant, and flexible post-primary and technical training programs.

Economic Growth

Honduras is among the poorest nations in the Western Hemisphere, and approximately 40 percent of Hondurans are unemployed or underemployed. Honduras is also highly vulnerable to tropical cyclones and climate change, and its natural resources are threatened by illegal logging and environmentally unsustainable policies. USAID food security and rural economic diversification programs would address these challenges by helping small- and medium-scale farmers diversify production into high-value crops and value-added food products. Farmers learn the skills necessary to negotiate and build relationships with banks, brokers, processors, and exporters. USAID would also support the implementation of CAFTA-DR and promote sustainable natural resource management through the adoption of integrated practices in biodiversity conservation, ecotourism promotion, market-based conservation, micro-watershed management, and disaster preparedness. Full resumption of assistance under this program objective for the GOH would occur as political events warrant.

Development Assistance (DA): These funds would support a comprehensive, market-based agricultural development program as part of the Administration's Global Hunger and Food Security Initiative. Under this initiative, USAID will support Honduras design and implement a country-led comprehensive food security strategy, and undertake new and innovative approaches to reduce hunger and poverty as measured by increased incomes and improved nutrition. USAID assistance would increase incomes and reduce vulnerabilities in some of the poorest areas of Honduras by diversifying farmers into higher value crops, integrating farmers into new market opportunities, supporting the development of women-owned micro-, small, and medium enterprises, providing training in workplace skills to young people to help them gain employment, and improving children's nutrition-related health services. A new environmental program would advance biodiversity conservation, renewable energy, and climate change mitigation and adaptation objectives via strengthening the management of the national protected area system,

promoting the protection of forests on private and municipal lands, supporting the establishment of a national climate change policy framework, promoting clean and renewable energy development, and disaster mitigation and prevention capacity building. Micro, small, and medium enterprises in communities around key protected areas would be linked into market opportunities being created through the growth of the tourism sector. In addition, USAID would assist local industries in developing a more efficient use of renewable energy resources.

Linkages with the Millennium Challenge Corporation

In 2005, Honduras signed a \$215 million (subsequently reduced to \$205 million), five-year Compact with the Millennium Challenge Corporation (MCC). The MCC program promotes agricultural productivity and the improvement of the national road network to enhance Honduran capacity to respond to opportunities under CAFTA-DR. The remainder of the program is due to conclude in 2010, and will work with USAID to coordinate a transition of related efforts in agricultural diversification.

Performance Information in the Budget and Planning Process

Performance Monitoring and Evaluation: USAID carried out quarterly financial reviews in FY 2009, which were in turn used to inform portfolio reviews carried out in May and November 2009. During the latter portfolio review, USAID focused intensively on the need to develop new program approaches that reflect a fresh analysis of the development challenges in Honduras, in response to the political crisis prior to and subsequent to the coup d'état of June 2009. The reviews presented new approaches that focus on specific policy dialogue goals and how to achieve them; promote Honduran ownership of the development process by empowering non-governmental organizations, the private sector, and the public to act on their own behalf; and target problems using creative methodologies that may involve greater risks but potentially provide for greater rewards.

Use of Performance Information to Inform Budget and Programmatic Choices: In FY 2009, 15 different evaluations were conducted by USAID. An impact evaluation of the Food for Peace Title II program identified best practices, results, and lessons learned. Due to the success of this program, and the impending end of the Food for Peace Title II program, as well as the USAID and MCC agricultural diversification programs, USAID is planning a new FY 2010 program. This program will be under the Global Hunger and Food Security Initiative, and will strive to increase incomes and reduce vulnerabilities in some of the poorest areas of Honduras by improving productivity in basic grains, diversifying farmers into higher value crops, and integrating farmers into new local market opportunities. New farmer sales will be one of the main indicators to measure the success of the overall program because food security in Honduras is primarily an issue of lack of household purchasing power to access food rather than of availability of adequate food supplies. A total of \$67.5 million in new farmer sales, and \$30 million in new small and medium enterprise sales per year are anticipated under this program in FY 2010 and FY 2011. In addition, evaluation results have demonstrated the success of community-based approaches implemented under the Food for Peace Title II program for addressing under nutrition in the most vulnerable communities. The strategies are also incorporated into the Global Hunger and Food Security Initiative with an explicit objective of preventing stunting in children under five.

Relationship between Budget and Performance: In democracy and governance, the political crisis leading up to and in the aftermath of the June 28th coup has heightened the importance of broadening participation in the country's democratic and economic systems to the most marginalized and poorest sectors of society. FY 2011 funds would be used to promote increased citizen participation in the delivery of services by local governments and anticorruption reforms. In addition, a post-electoral technical assessment would be carried out in FY 2010 and the results used to improve USAID's assistance in support of primary elections scheduled for November 2012.

In health, several evaluations were used to refine work plans, determine technical assistance priorities, and determine the quality of the interventions of the HIV programs.

In education, student achievement in language and mathematics for the 2008 school year was measured and analyzed for grades one through nine in relation to Education for All-Fast Track Initiative goals. Evaluations were used to explore alternatives for possible investments in upper secondary education for out-of-school youth and young adults, and to make recommendations on the management of the alternative basic education program, EDUCATODOS.