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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF HONDURAS

FOR THE

**NATIONAL FUND FOR SUSTAINABLE RURAL DEVELOPMENT PROJECT
(FONADERS)**



TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
MAP OF THE PROJECT AREA	iv
LOAN SUMMARY	v
PROJECT BRIEF	vi
PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY	1
A. The Economy and the Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience	2
C. IFAD Strategy for Collaboration with Honduras	3
PART II - THE PROJECT	4
A. Project Area and Target Group	4
B. Objectives and Scope	5
C. Components	5
D. Costs and Financing	8
E. Procurement, Disbursement, Accounts and Audit	10
F. Organisation and Management	10
G. Economic Justification	11
H. Risks	12
I. Environmental Impact	12
J. Innovative Features	12
PART III - LEGAL INSTRUMENTS AND AUTHORITY	12
PART IV - RECOMMENDATION	13
ANNEX	
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT	15



APPENDIXES

I.	COUNTRY DATA	1
II.	PREVIOUS IFAD LOANS AND GRANTS TO HONDURAS	2
III.	LOGICAL FRAMEWORK	3
IV.	ORGANIGRAMA (ORGANIGRAM)	6
V.	FINANCIAL ANALYSIS AND PROFITABILITY	7
VI.	FLUJO DE FONDOS DEL FIDA EN EL PROYECTO FONADERS (FLOW OF FUNDS)	8
VII.	ACTIVIDADES PREPARATORIAS/SOF (PREPARATORY ACTIVITIES/SOF)	9



CURRENCY EQUIVALENTS

Currency Unit	=	Lempira (HNL)
USD 1.00	=	HNL 14.0
HNL 1.00	=	USD 0.07143

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

BCIE	Central American Bank for Economic Integration
FHIS	Fondo Hondureño de Inversión Social (Honduran Fund for Social Investment)
FONADERS	National Fund for Sustainable Rural Development Project
HDI	Human Development Index
IRR	Internal Rate of Return
PAC	Project Approval Committee
PBOD	Project Board of Directors
PIU	Project Implementation Unit
PLANDERO	Agricultural Development Programme for the Western Region
PRIN	Productor Inovador (Innovative Producer)
PRODERCO	Rural Development Project in the Central Eastern Region
PROLESUR	South of Lempira Rural Development Project
PRONADERS	Programa Nacional de Desarrollo Rural Sostenible (National Programme for Sustainable Rural Development)
PROSOC	Rural Development Project in the South-Western Region
RDE	Rural Development Enterprise
RDF	Rural Development Fund
SAG	Secretaría de Agricultura y Ganadería (Ministry of Agriculture and Livestock)
SOF	Special Operation Facility
UNDP	United Nations Development Programme
UOC	Unidad Operativa de Campo (Field Operative Unit)
USAID	United States Agency for International Development

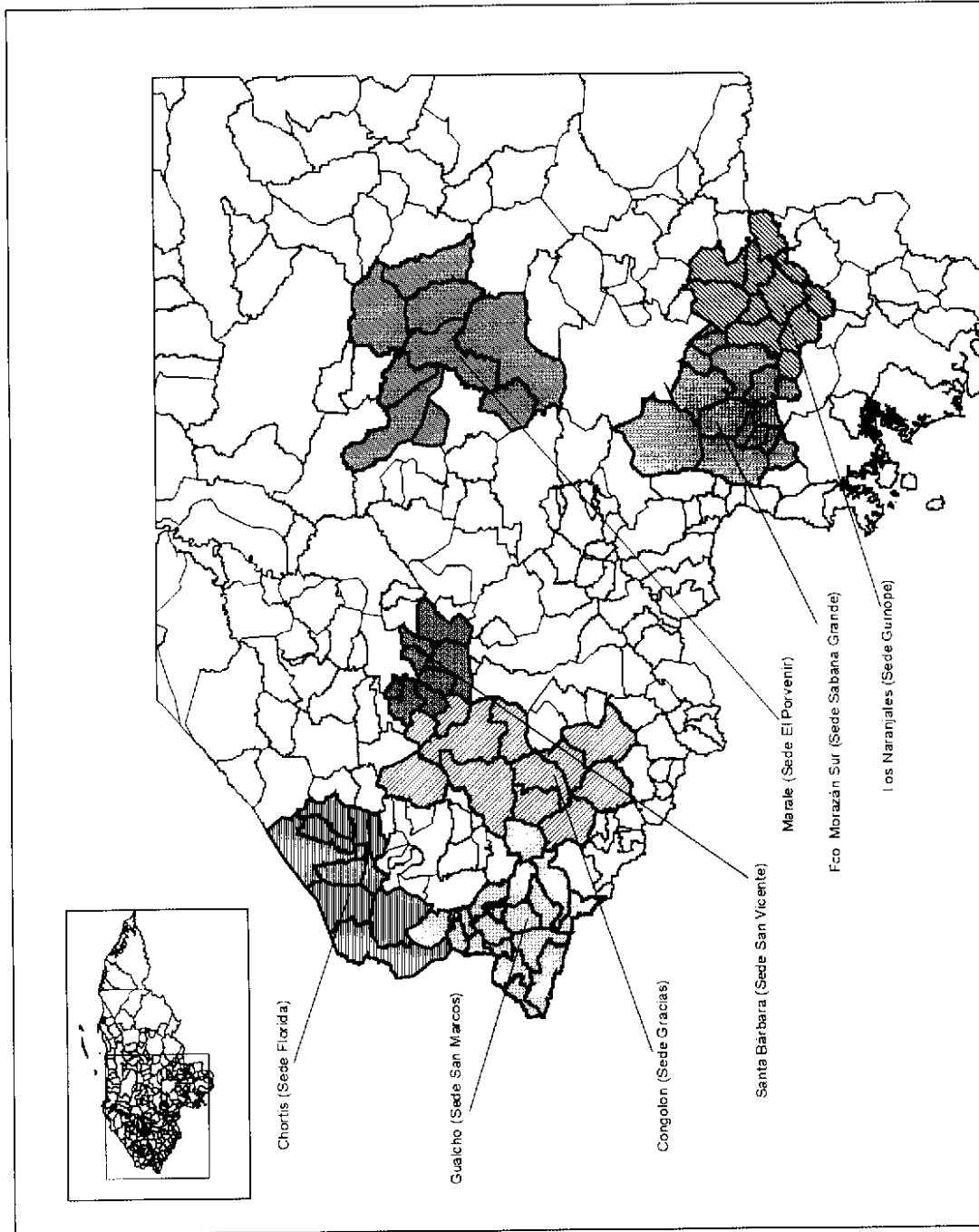
GOVERNMENT OF THE REPUBLIC OF HONDURAS

Fiscal Year

1 January – 31 December



MAP OF THE PROJECT AREA



Source: IFAD.

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.



REPUBLIC OF HONDURAS

**NATIONAL FUND FOR SUSTAINABLE RURAL DEVELOPMENT PROJECT
(FONADERS)**

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Honduras
EXECUTING AGENCY:	Ministry of Agriculture and Livestock
TOTAL PROJECT COST:	USD 25.7 million
AMOUNT OF IFAD LOAN:	SDR 12 million (equivalent to approximately USD 16.5 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	United Nations Development Programme Central American Bank for Economic Integration (BCIE)
AMOUNT OF COFINANCING:	UNDP - USD 3.0 million BCIE - USD 1.5 million
CONTRIBUTION OF BORROWER:	USD. 1.0 million
CONTRIBUTION OF BENEFICIARIES:	USD 3.7 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	BCIE



PROJECT BRIEF

Who are the beneficiaries?

The target population consists of 111 000 rural families – or approximately 700 000 people – who live in the poorest regions of Honduras and are settled on hillside lands that are both subject to severe environmental degradation and at risk from natural disasters. The target groups subsist in high-risk, food-insecurity conditions; and their estimated Human Development Index of 0.44 is significantly lower than the 0.61 rating for the rest of the country. Of the above-mentioned target population, the project will focus on 12 000 families in 81 municipalities that will be organized into seven clusters of neighbouring municipalities (see map of the project area). This new investment project complements the support provided to the poorest hillside areas of the country by the IFAD-financed Rural Development Project in the South-Western Region (PROSOC) and the Rural Development Project in the Central Eastern Region (PRODERCO), currently under execution in 48 municipalities and assisting 65 000 families.

Why are they poor?

The household economy of the target population is primarily based on subsistence production of basic grains, sales of minor agricultural surpluses and wage earnings from coffee harvesting. The region is characterized by low productive potential and major risks of harvest losses due to a prolonged dry season and uncertain rainfall. Population pressure, forest and grazing over-exploitation and inadequate management of natural resources have led to deteriorating productive capacity, progressive impoverishment and food insecurity among the rural population. The damage caused by Hurricane Mitch to the country's productive infrastructure has worsened the poverty and malnutrition situation of the project area.

What will the project do for them?

The project is expected to improve household food security, raise family incomes, enhance natural resources management and contribute to rebuilding damaged infrastructure. To this effect, the project's main component aims at strengthening local institutions and organizations in the project area. The aim here is to guarantee that the disadvantaged and marginalized segments of the target population have equitable access to project activities and resources, thus ensuring the effectiveness and sustainability of project achievements. This support will involve target group organizations, municipal governments and local private enterprises involved in providing technical services and training and in development. In particular, intense promotion and training will be undertaken among rural women and youths, indigenous groups and landless farmers within isolated communities to facilitate their involvement in income-generation activities. Once the target communities and groups have been identified, a process of gender-sensitive and participatory planning/needs assessment will ensue with a view to producing proposals for local microprojects to be implemented with project support, both financial and technical. In order to implement these community-level microprojects, the project will establish a rural development fund (RDF) to finance community initiatives such as small rural infrastructure, productive investments and small community-level revolving funds. The RDF will also finance selected rural development services, such as technical, commercial and environmental assistance.

How will beneficiaries participate in the project?

Project implementation will be mainly demand-driven based on the active involvement of its principal target groups (indigenous populations, smallholders, landless farmers, rural women and youths) in the implementation and evaluation of all productive and income-generating activities. Communities, grass-roots organizations and informal groups will be able to design proposals for financing, supported by project resources and technical services. Project beneficiaries will: (a) participate in the decisions on microprojects and be represented in the key decision-making bodies, i.e., the project's board of directors (PBOD) and the RDF's approval committee; and (b) contribute to microproject financing through matching grants and in-kind contributions.



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NATIONAL FUND FOR SUSTAINABLE RURAL DEVELOPMENT PROJECT
(FONADERS)**

I submit the following Report and Recommendation on a proposed loan to the Republic of Honduras for SDR 12 million (equivalent to approximately USD 16.5 million) on highly concessional terms to help finance the National Fund for Sustainable Rural Development Project (FONADERS). The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the Central American Bank for Economic Integration (BCIE) as IFAD's cooperating institution. I also propose a grant of USD 200 000 under the Special Operations Facility (SOF) to finance preparatory activities related to fulfilling conditions of project-effectiveness, as described below.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and the Agricultural Sector

1. The Republic of Honduras is located in Central America and is bordered by Nicaragua to the southeast, El Salvador to the southwest and Guatemala to the West. The country has both Atlantic Pacific coasts, and covers a territory of 112 492 km². The population is estimated at 6.2 million, of which approximately 53% live in the rural areas.

2. **Economic policy.** Since the early 1990s, the Government of Honduras has been implementing an economic programme aimed at balancing the external current account and public finances by means of comprehensive economic reforms and structural adjustment. The programme has been successful in terms of restructuring foreign debt payments, reducing the rate of inflation and increasing investments and the gross domestic product (GDP). However, the adjustment process has had a detrimental effect on the lower and middle classes, led to a sharp drop in employment and further depressed the economy. In the rural sector, adjustments in public expenditures have led to a drastic reduction in services for the poor and small farmers. Hurricane Mitch, which hit Honduras in late 1998, caused widescale destruction of basic economic and social infrastructure, rural housing and perennial and food crops. This in turn impacted severely on the country's productive and export capacity, leading to a deterioration in the balance of payments, current account deficits, increased unemployment, inflation and overall economic instability. Honduras is a low-income, food-deficit country and, as such, is eligible for support under the heavily-indebted poor countries debt initiative.

3. **Agricultural production and rural policy.** Honduras is essentially a rural economy, the agricultural sector contributing approximately 28% to GDP and more than 70% to export earnings. Bananas and coffee alone represent about 39% of the agricultural GDP and more than half of all export earnings. Coffee production is largely in the hands of small farmers while the production and large multinational corporations mainly control export of bananas. Over the past several years,

¹ See Appendix I for additional information.



Honduras has considerably increased exports of such non-traditional products as fruit, vegetables and shrimp. Basic grains (maize, beans and rice) are produced for domestic consumption and represent 22% of agricultural GDP. Livestock production generates 13% of agricultural GDP and forestry about 10%.

4. The Agricultural Modernization Law sets out the guiding principles for the Government's current agrarian policies. These policies redefine the role of the public and private sectors in the rural economy and have led to increased privatization of rural services and an accompanying Government retrenchment in research, credit, extension and marketing. Land tenure-related policies seek to guarantee property ownership and provide land titles for agricultural plots. In mid-1999, the Ministry of Agriculture and Livestock (SAG) launched a long-term National Programme for Sustainable Rural Development (PRONADERS) that aims to: (i) formulate the country's rural development policies and strategies; (ii) evaluate and monitor the execution of ongoing rural development projects; and (iii) seek internal and external resources in support of new sectoral projects.

5. **Rural poverty and social indicators.** According to studies carried out by the United States Agency for International Development (USAID), poverty is more severe in rural areas than in the towns and cities: 78% of the country's population live in poverty and rural poverty stands at 85%. The highest incidence of rural poverty is in the western region, where 96% of the population live in conditions of poverty and 88% in extreme poverty. A study by the United Nations Development Programme (UNDP) that led to the estimation of the Human Development Index (HDI) for Honduras in 1998 established a socio-economic profile of 330 000 agricultural producers. Of these, 62% were classified as poor peasants, of which one third did not own land. The remainder were classified as small farmers (27%) and cooperative farmers of the agrarian reform (4.6%), and mainly consisted of poor peasants. Thus, nearly 90% (300 000) of all rural families are poor. About 66% of the rural poor live in the six departments with the highest poverty indicators (Lempira, Intibucá, Copán, Santa Bárbara, La Paz and Ocotepeque) which have HDIs ranging from 0.37 to 0.48. The average HDI for the rest of the country is 0.61.

B. Lessons Learned from Previous IFAD Experience in Honduras

6. Since December 1979, IFAD has granted six loans to Honduras for a total of SDR 51.5 million, of which four were provided on highly concessional terms and two on intermediate terms. The last loan was for the South-Western Region, approved by the Executive Board in December 1998 on highly concessional terms. Three projects are currently under implementation: one will be completed in June 2000, whereas the other two started operations in October 1998 and August 1999, respectively. IFAD's project design and implementation experience in Honduras has thus been accumulated over a period of almost 20 years. Key lessons learned and recommendations include:

- **Participation in demand-driven activities.** Projects should include mechanisms to ensure beneficiary participation in demand-driven activities, i.e. design, contracting of services, implementation and monitoring and evaluation (M&E). Beneficiaries should be directly involved in all project decision-making bodies.
- **Community productive infrastructure investments.** Their geographic isolation and inadequate infrastructure largely cause the marginalization of many rural communities. Therefore, investments should be focused in such areas, particularly with regard to irrigation, food conservation, secondary roads, soil protection and recuperation, reforestation and water supply. Efficient financing mechanisms should be created to improve territorial integration and increase access to new productive opportunities.



- **Targeting.** Projects in Honduras should set up special mechanisms for beneficiary targeting that will favour disadvantaged rural women, marginalized communities and the poorest families.
- **Sustainable agricultural/livestock technology.** The capacity for disseminating hillside-farming technology in Honduras has been overestimated. Thus, this type of technology should be validated and disseminated extensively, together with technological elements for agricultural diversification and the development of non-agricultural activities and microenterprises.

C. IFAD Strategy for Collaboration with Honduras

Country Policies for Poverty Eradication

7. The Government places particular importance on the country's poverty alleviation programmes and activities, primarily through the Honduran Fund for Social Investment (FHIS) that is based, *inter alia*, on decentralization and participation of beneficiary communities in defining investment priorities. Most FHIS investments relate to water and sanitation, education and overall public health. The FHIS has wide coverage in the rural areas and its activities complement productive investments financed through IFAD projects and executed by SAG. The Government is currently engaged in implementing PRONADERS, which aims at improving the coordination and efficiency of donor-financed projects.

8. Through its continued presence in the country's rural sector, IFAD plays a leading role in the analysis and evaluation of rural development policies and strategies. IFAD's intervention approach is based on: (a) achieving broad-based beneficiary participation in decision-making, particularly through the strengthening of rural organizations so as to ensure meaningful participation in design and implementation on the part of the rural poor; (b) strengthening the rural economy, primarily through facilitating access to financing, land titling and off-farm productive activities; and (c) supporting natural resource management practices, particularly for hillside farming. Collaborative agreements for exchanges of intervention methodologies, etc., are expected to be established with other IFAD projects in the country.

Poverty Eradication Activities of Other Major Donors

9. It is intended that PRONADERS should operate through financing from the Inter-American Development Bank and a number of bilateral development agencies. In addition to IFAD's ongoing portfolio (Agricultural Development Programme for the Western Region (PLANDERO), PRODERCO and PROSOC), major rural development projects under execution comprise the European Union's PROLANCHO project (Olancho Department Development Project - total project cost USD 19.1 million) and Jicatuyo project (USD 12.0 million); the World Bank's PAAR project (Rural Areas Administration Project - USD 5.3 million); the South of Lempire Rural Development Project (PROLESUR) (USD 5.0 million) jointly financed by The Netherlands and the Food and Agriculture Organization of the United Nations (FAO); and the German Agency for Technical Cooperation's COHASA project (German-Honduran Cooperation to Food Security Project - USD 2.8 million). Between them, these projects provide a variety of services to approximately 65 000 families, 45% of which are supported by IFAD projects.

Gender Strategy

10. IFAD's gender strategy is based on: (i) promoting the direct involvement of rural women as productive and marketing agents and supporting household food security; (ii) strengthening gender



equity in project activities; and (iii) facilitating the active participation of both men and women in organizations and administrations and in community and group decision-making.

Project Rationale

11. Designed to address the developmental constraints and opportunities of municipalities with the highest levels of rural poverty in the country, the project is expected to eliminate the social marginalization of the target population, particularly rural women, while improving the (rapidly deteriorating) productive capacity of the region's natural resources. The project is thus justified on the basis of: (a) the opportunities it provides for production increases and cash and food crop diversification; (b) the fact that even small incremental investments in hillside rural development show a positive economic benefit in terms of vegetation/soil fertility recovery, etc.; and (c) the urgent need to speed up the reconstruction of infrastructure destroyed by Hurricane Mitch.

PART II - THE PROJECT

A. Project Area and Target Group

12. The project area is characterized by low productive potential and major risks of harvest losses due to the prolonged dry season and uncertain rainfall. Population pressure, forest and grazing over-exploitation and inadequate management of natural resources have led to deteriorating productive capacity, progressive impoverishment and food insecurity among the rural population. The damage to the country's productive infrastructure caused by Hurricane Mitch has worsened the poverty and malnutrition situation of the project area.

13. The area of intervention comprises a rural population of some 111 000 families in 81 municipalities, more than 80% of which live in conditions of extreme poverty. Their livelihood is derived mainly from subsistence production of basic grains, sales of surplus production and wage earnings, mainly from coffee harvesting. The direct project beneficiaries will comprise about 12 000 families from the country's indigenous populations, smallholders, landless farmers, rural women and youths.

TABLE 1: PROJECT INTERVENTION AREA

PROJECT COVERAGE	No. of Municipalities	No. of Communities	No. of Rural Families	Area (km ²)	Human Dev. Index	Malnutrition Incidence (%)
FONADERS Project	81	844	111 081	13 841	0.44	55.3
PROSOC – and – PRODERCO Projects	48	402	64 777	9 461	0.47	56.9
Rest of the Country	161	2 491	389 638	88 743	0.61	36.3
Country Total	290	3 737	565 495	112 045	0.58	40.4

14. **Target area and project implementation.** The project will be implemented over a period of six years within the framework of PRONADERS and will thus be national in scope while targeting rural populations in the poorest municipalities. These municipalities have been identified on the basis of HDIs and complementary social indicators (see map). To facilitate implementation, the project area has been divided into seven clusters or operational subregions, grouped according to geographic affinity and ease of communications, where the project will establish operating bases. The objective of establishing these clusters is to get closer to the beneficiaries and implement project activities in small areas that can take advantage of synergistic interventions. A complementary element is to include the PLANDERO programme area (under implementation in one of the country's most depressed areas) so as to continue providing support through the new project and thus ensure the sustainability of PLANDERO's results after its completion in June 2000.



B. Objectives and Scope

15. In the context of PRONADERS, the project's development objective is to bring about a sustainable improvement in human development conditions and local empowerment by fostering rural development opportunities. Primarily, the project aims to: (i) raise target population incomes through expansion and diversification of agricultural production and off-farm activities while improving access to development opportunities, particularly for indigenous people, rural women and youths; (ii) increase access to key production and financial resources and markets through a multiplicity of microprojects and other activities financed from the RDF, and rehabilitate physical and productive infrastructures damaged by Hurricane Mitch; (iii) enhance household food security through improved production/storage of basic foods; (iv) improve the management and conservation of natural resources, particularly in hillside farming areas; and (v) strengthen the service delivery capacity of local organizations, municipal governments and providers of technical services (rural development enterprises (RDEs)) through the provision of resources for selected institution-building and training.

C. Components

16. The project has three components: (a) strengthening of local institutions; (b) rural development fund; and (c) project implementation unit (PIU).

Strengthening of Local Institutions

17. This constitutes the main project component, the objective of which is to: strengthen the technical, organizational and managerial capacity of project stakeholders to identify rural development problems and find solutions thereto; formulate microprojects; implement and supervise activities; and facilitate access to project resources and project-financed services offered by the public and private sectors. Three main types of local institutions will be strengthened to manage development activities: (i) target group organizations (e.g. peasant's and rural women's organizations); (ii) municipal governments and other intermediary institutions; and (iii) RDEs.

18. **Target group organizations.** The main objective is to promote the beneficiaries' capacity to identify problems, prepare feasible development proposals and access financial resources and technical services that will allow them to implement microprojects. These activities will be based on participatory diagnosis and planning methodologies. The most representative experiences in the country have been acquired under the PROLESUR (FAO/Netherlands) and PLANDERO (IFAD) projects and provide the basis for designing methodology to be used in the new project's activities. Particular attention will be paid to targeting disadvantaged groups. In each community, the project will identify groups representing a typology of poverty and marginalization situations. The groups will prepare proposals for technical assistance, training or infrastructure investments. Some of the proposals will be eligible for financing from RDF resources while, in the case of others, technical and financial support might be requested from other sources such as the FHIS.

19. **Intermediary or coordinating institutions.** These are institutions that operate between the target group organizations and the rest of Honduran society and include municipalities, ongoing rural development projects, other government agencies, churches, etc. The objective is to strengthen the capacity of such intermediary institutions to create linkages with the rest of society and coordinate the channelling of services and resources with the project while facilitating access to external opportunities not otherwise provided. The project will enter into cooperation agreements with other ongoing projects, especially those financed by IFAD. The methodology implemented by an UNDP-financed project, based on participatory assessment and planning, will be followed.

20. **Rural development enterprises.** The RDEs are private, technical entities that work with local organizations in the assessment, planning and implementation of local-area projects. The objective is to strengthen their technical, methodological and overall operational capacity. The IFAD-financed



PLANDERO has relevant experience in this regard. Fifteen RDEs have been identified in the project area. These enterprises, which comprise approximately 150 professionals and 360 innovative producers (PRINs), provide technical assistance services to approximately 7 400 families in 336 communities. Applications for training from the RDEs will be eligible for RDF financing. The project will also engage in other regular training activities, evaluation of methods, technical audits and training promoted by the PIU. The principal activities to be undertaken under this component are described hereunder.

21. **Project promotion.** Start-up workshops will be conducted in the municipalities and communities of the project area with the involvement of community leaders and local technicians, the principal objective being to promote opportunities provided by the project.

22. **Targeting.** These activities, which will aim at ensuring the access of marginalized groups to project activities and resources, will be executed in three phases: (i) definition of clustered municipality areas for project intervention. Once defined, the clusters will be listed in an attachment to the loan agreement and may be modified in agreement with IFAD, as required, for satisfactory fulfilment of project objectives; (ii) identification of the municipalities and communities where the project will initiate the promotion of services and participatory planning at the community and municipal government levels. This will be undertaken by PIU in consultation with the municipal authorities of the various conglomerates. Selection will be based on criteria relating to poverty levels, infrastructure deficiency, environmental deterioration, etc.; and (iii) identification of the specific needs of and constraints faced by the different target groups at the community level through the application of participatory methodology and with the assistance of RDEs.

23. **Participatory planning.** The objective here is to identify problems and solutions. These activities will be undertaken in a systematic manner in collaboration with municipal governments, organizations and informal target population groups, and within the framework of gender analysis. The project will contract RDEs and provide training to professionals of these enterprises in the application of social work methodologies. The RDEs' first task - as they approach new municipalities and communities - will be to carry out local baseline studies while identifying, in a participatory manner, the main problems faced by local populations. The RDEs will also: (i) prepare inventories of local partners (peasants' and rural women's groups, microentrepreneurs, landless farmers, etc.); and (ii) assist in the identification of complementary sources of finance, i.e. for investments not eligible under the IFAD project.

24. **Presentation, approval and execution of microprojects.** Microprojects identified and formulated by groups of beneficiaries with the assistance of RDEs will be presented for technical review by PIU. The PIU will bring the microprojects to the attention of a project approval committee comprising representatives of the Government, municipalities and beneficiaries. Once a microproject has been approved, the beneficiary community may proceed to contract-out the work or services involved. Implementation of microprojects will be supervised jointly by the community and PIU technical staff. This process will be described in detail in the project's operational manual.

25. **Training.** The objective of training throughout project implementation is to develop and strengthen stakeholders' knowledge and entrepreneurial management skills in order to empower them and improve their performance in the context of the project. Training will be provided to the staffs of: PIU, the municipalities, RDEs, PRINs and community leaders, with the type and duration tailored to the specific needs of the trainees. The project will conduct two types of training. One to be organized by the PIU (supply-initiated) and targeted to project operators, i.e., RDEs, PRINs, municipal staff and the staff of the project and other related interventions. The second type (demand-driven) will be defined by the beneficiary organizations, RDEs and municipalities, and will be approved on the basis of applications for financing from RDF resources.



Rural Development Fund

26. The main objective of the component is to establish a financial mechanism to ensure that organized target groups have access to technical services and community infrastructure investments. The RDF will cofinance – on a matching grant basis – specific activities aimed at strengthening the productive capacity of rural communities and peasant groups with a view to facilitating the implementation of a variety of community-level microprojects. The RDF's administrative and operational procedures will make it possible to transfer financial resources in a timely, flexible and transparent manner; it will adhere to the basic principle of guaranteeing the direct participation of beneficiaries in the identification of their needs and in the formulation, negotiation, implementation and monitoring of their own projects. Investments supported by the RDF will be mainly directed to productive activities and will be distinct from – and eventually complementary to – those supported by other development funds such as the FHIS. Once established, the RDF will be open for contributions from other donors and the private sector and will operate under the terms and conditions established in the project's operational manual.

27. **Eligibility criteria.** The criteria for RDF financing are as follows: (a) eligible users will be organizations or groups, with or without legal status, with more than five active members unrelated to one another. Municipalities, the PIU and RDEs may submit financing applications to the RDF for activities that will benefit organizations or groups belonging to the target group; and (b) eligible projects will belong to the following generic types: (i) production facilities related to microenterprises, agricultural processing and marketing; (ii) non-agricultural production activities; (iii) natural resource conservation microprojects, i.e. soil protection, watershed recuperation, reforestation and protective crops; (iv) feeder roads; (v) technical assistance, training, validation of innovative technology, organizational promotion and pre-investment studies for microproject proposals; and (vi) revolving funds to capitalize rural savings and loans operations. Eligible projects will be subject to a ceiling per beneficiary family and will require a cash, labour or in-kind contribution by the proposing group or organization. Projects must demonstrate financial, technical and environmental feasibility and sustainability, and the organizations must show that they have the capacity to implement the projects and maintain the infrastructure built with RDF financing.

28. **Fund management.** The financing proposals will be presented to PIU for verification of eligibility and an assessment of their technical feasibility/sustainability, after which they will be presented for the approval of a project approval committee. The committee comprise two representatives of the beneficiaries, local governments and the PIU. Approved proposals will be processed for contracting to the executing RDEs and for subsequent fund disbursement. The project will establish an operational agreement with an international organization established in Honduras for administering microprojects and drawing up contracts with RDEs and other providers of work and technical services. The PIU will maintain a record of contracts and indicators of their progress. It will also carry out monitoring of microprojects implemented with RDF financing and keep track of the implementation of community plans, their impact and compliance with contract clauses. The monitoring process will be carried out jointly with the beneficiary organizations involved in monitoring and impact assessment.

Project Implementation Unit (PIU)

29. The project will be administered by a PIU, the main responsibility of which will be to ensure the achievement of project objectives, targets and activities. The PIU will focus on the budgeting and planning of activities, monitoring and implementation follow-up, and administration of project funds. It will have planning and normative responsibilities, while most services and field activities will be contracted to RDEs. The component will consist of two sub-components: (a) administration and

management; and (b) technical departments. The latter sub-component will be executed by four PIU sub-directorates: (i) strengthening of local organizations; (ii) administration of project resources; (iii) RDF management; and (iv) M&E.

D. Costs and Financing

30. **Costs.** Total project costs, including contingencies, are estimated at USD 25.7 million. Investments represent 80% of the total base costs (USD 18.9 million) and recurrent costs represent 20% (USD 4.6 million). Foreign exchange costs amount to USD 2.60 million, representing approximately 10 % of total costs. Project costs are summarized in Table 2.

TABLE 2: SUMMARY OF PROJECT COSTS^a
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Strengthening Local Institutions	2 040	97	2 137	5	9
B. Rural Development Fund (RDF)	14 536	1 558	16 094	10	68
C. Project Implementation Unit (PIU)					
1. Administration and management	1 357	51	1 408	4	6
2. Technical departments					
a. Support to local institutional strengthening	1 439	106	1 545	7	7
b. Support to implementation of community projects	980	64	1 044	6	4
c. Administration of RDF	313	471	784	60	3
d. Monitoring and evaluation	531	39	570	7	2
Subtotal Technical departments	3 263	680	3 943	17	17
Subtotal PIU	4 621	731	5 351	14	23
Total base costs	21 196	2 386	23 582	10	100
Physical contingencies	123	23	146	16	1
Price contingencies	1 760	190	1 950	10	8
Total project costs	23 079	2 599	25 678	10	109

^a Discrepancies in totals are due to rounding up of figures

31. **Financing.** IFAD will finance USD 16.5 million (64.3 %) of total project costs. Cofinancing will be provided by UNDP in an amount of USD 3.0 million (11.7 %) and by BCIE to the tune of USD 1.5 million (5.8 %). The Government will contribute USD 1.0 million (3.9%) and the beneficiaries will contribute USD 3.7 million (14.4 %). The proposed financing plan is summarized in Table 3.

TABLE 3: FINANCING PLAN^a
(USD '000)

Components	IFAD		UNDP		BCIE		Government		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
A. Strengthening Local Institutions	1 752	77.4	-	-	-	-	511	22.6	-	-	2 264	8.8	102	1 911	250
B. Rural Development Fund (RDF)	9 622	54.9	2 500	14.3	1 500	8.6	203	1.2	3 685	21.0	17 510	68.2	1 694	15 613	203
C. Project Implementation Unit (PIU)															
1. Administration and management	1 465	94.4	-	-	-	-	88	5.6	-	-	1 553	6.0	56	1 410	88
2. Technical departments															
a. Support to local institutional strengthening	1 622	95.0	-	-	-	-	85	5.0	-	-	1 707	6.6	119	1 503	85
b. Support to implementation of community projects	1 097	94.7	-	-	-	-	62	5.3	-	-	1 159	4.5	72	1 025	62
c. Administration of RDF	341	39.8	500	58.2	-	-	17	2.0	-	-	859	3.3	513	329	17
d. Monitoring and evaluation	600	95.7	-	-	-	-	27	4.3	-	-	627	2.4	43	557	27
Subtotal Technical departments	3 661	84.1	500	11.5	-	-	190	4.4	-	-	4 351	16.9	747	3 414	190
Subtotal PIU	5 126	86.8	500	8.5	-	-	278	4.7	-	-	5 904	23.0	803	4 824	278
Total disbursement	16 500	64.3	3 000	11.7	1 500	5.8	993	3.9	3 685	14.4	25 678	100.0	2 599	22 348	731

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

32. **Procurement.** The Government will draw up an administrative services contract with an international organization that will administer funds for the procurement of goods and services: (i) contracting by beneficiaries of services such as technology transfer; (ii) infrastructure development, natural resources conservation, etc.; and (iii) procurement needed for project execution. The selected organization will follow procurement guidelines in line with the requirements of the loan agreement.

33. Procurement of goods and technical services directly by PIU will be as stipulated in the loan agreement, as follows: contracts for goods and services valued at over USD 200 000 will be procured through international competitive bidding; contracts valued at between USD 30 000 and USD 200 000 will be procured through national competitive bidding; contracts valued at between USD 30 000 and USD 3 000 will be procured through limited national competitive bidding, based on at least three eligible bidders; and purchases valued at less than USD 3 000 will be made through direct contracts by the project's procurement committee established to ensure transparency of transactions.

34. **Disbursements, accounting, audits and reporting.** Disbursements against the loan will be made in accordance with the procedures of the cooperating institution. For the purpose of facilitating project implementation, a special account in United States dollars with an authorized allocation of USD 2 million will be opened and maintained in the Central Bank of Honduras. Replenishment to the special account will be made in accordance with the procedures established in the IFAD General Conditions. All institutions that receive project funds will maintain separate accounts. Records will be consolidated at the PIU level. The Government will carry out an annual audit in accordance with international auditing procedures and standards. The Government will send the annual audit report to IFAD and the cooperating institution no later than six months after the end of the fiscal year.

F. Organization and Management

35. **Project organization and management.** The Government will be responsible for project implementation (through SAG), for which it will establish a project management structure with technical, financial, and administrative autonomy. The management structure will include a Project Board of Directors (PBOD) and a PIU based in Tegucigalpa. The RDF will have a central Project Approval Committee (PAC) and seven local PACs, one for each geographical cluster. An operations manual will guide project operations.

36. **Project Implementation Unit.** The PIU will be administratively, technically and financially autonomous. It will be accountable to the PBOD and responsible for implementing the project in accordance with the requirements of IFAD's loan agreement, the appraisal report, the project operations manual and PBOD and PAC decisions. The PIU's main responsibilities will relate to financial administration, implementation of project components and overall M&E. It will be headed by a project director and comprise, in addition to seven field operating units (UOCs), three sub-directorates: (a) strengthening of local organizations, the main activities of which will include targeting of municipalities and communities; promotion of project activities; selection, contracting and training of RDEs for participatory planning; verification of eligibility and feasibility of microprojects; qualification and assessment of RDEs for microproject execution, etc.; (b) the PIU will also have a department of administration of project resources: this sub-department will be responsible for administering project resources in accordance with national laws and project standards and for project reporting, accounting and internal audit; (c) RDF management: activities comprise the administration of RDF resources and the monitoring and control of RDF approvals; and (d) M&E. Small OUCs will be established within each of the seven clusters.



37. **Project board of directors.** The PBOD will be the highest project authority responsible for defining policies, strategies and priorities. It will approve all annual workplans, budgets and audited financial statements. The PBOD will be chaired by the Minister of Agriculture and Livestock and include representatives of the Ministries of Finance, Natural Resources, and Planning. It will also include four representatives of user organizations and four mayors. The project will assist the user organizations and mayors to elect their delegates in a legitimate and representative manner. The project director will act as secretary of PBOD.

38. **Monitoring and evaluation.** The head of the planning and monitoring sub-directorate will be responsible for analysing project progress with active beneficiary participation and for verifying community contributions and progress in the workplan and activities. It will prepare periodic project progress reports. Evaluations and impact studies at the beneficiary level will be carried out by private external entities, which will be contracted by PBOD with IFAD approval. The evaluations will include: (a) a baseline study; (b) three studies on critical themes; (c) a mid-term evaluation; and (d) a completion evaluation.

G. Economic Justification

39. **Preparatory activities/SOF grant.** The project will commence implementation through a preparatory phase, the objectives of which will be to: (a) fulfil conditions for loan effectiveness, develop the operations manual, set up the PIU, establish an accounting system, initiate the baseline study and define M&E indicators; and (b) facilitate the effective start-up of RDF operations. The preparatory phase will involve a total cost of USD 450 000 to be partially financed by UNDP (USD 250 000). An IFAD SOF grant of USD 200 000 is being sought to cofinance the initial project phase².

40. **Production and marketing.** Opportunities for improving production and increasing income will derive from an agricultural strategy that includes: increased yields of existing crops, expansion of the area under coffee cultivation, diversification into higher-value crops (e.g. vegetables under irrigation), improved productivity of natural resources through reduced erosion, and rational use of forest resources. The main technological changes that are expected in production systems include: tillage; contour tillage; and the use of live fences to reduce erosion, increase organic content and improve water retention and soil fertility. For basic grains – mainly beans and maize – improved seeds will be introduced accompanied by higher planting density, inter-cropping and silo construction in order to reduce post-harvest losses. Improvements in coffee production will result from pruning and renewal of coffee plants, higher planting density and banana inter-cropping.

41. **Benefits and beneficiaries.** The direct beneficiaries of the investment and income-generating activities are estimated at 12 000 smallholder families. Benefits for the project area as a whole will derive from increased planted areas (270 ha for coffee cultivation and 40 ha for irrigated vegetables). However, productivity increases are expected to be 100% for coffee, 60% for maize, 50% for beans and 40% for potatoes together with improved production of milk, cattle and small livestock. The total incremental productivity value is estimated to be 2.9 times the without-project value or an increase of USD 3.15 million, for a total value of USD 5.01 million. The estimated incremental yearly family income from agricultural activities is expected to reach USD 1 619 by full project implementation. The increased average return on family labour is projected to go from a daily rate of USD 2.5 to USD 5.0.

42. **Economic analysis and feasibility.** The economic analysis reflects an internal rate of return (IRR) of 16.8% and a net present value of USD 21.39 million, resulting in a benefit/cost ratio of 1.22. A sensitivity analysis indicates that, with a 10% reduction in benefits, the IRR will go down to 12.1%

² A detailed justification and programme of work and budget is given in Appendix VIII.



whereas with a 20% reduction in benefits, the IRR will go down to 6.7%, which is slightly below the opportunity cost of capital. The benefit/cost ratio will go down to 1.09 and 0.97, respectively. An increase in costs will have less of an impact: with a 20% increase in costs, the IRR will go down to 8.6%, which is still higher than the opportunity cost of capital.

H. Risks

43. The main risk relates to a possible lack of understanding by stakeholders of the project's innovative strategy. However, the mechanisms derived from the project's emphasis on organizational strengthening and training and the Government's commitment to decentralizing decision-making to municipalities should alleviate this risk. In addition, and despite the positive experience acquired with PLANDERO, the operational arrangements for contracting-out production and financial services paid from government and international funding have not yet been sufficiently institutionalized. The local market for service delivery has yet to be developed and cannot be tapped through standard bidding procedures required by governmental and international agencies. Once this innovative approach is better known, the private sector is expected to respond accordingly and increase its presence in the region. Use of the operational methods of UNDP Honduras will create some of the required freedom of action. Activities to be undertaken during the project's preparatory phase will help to minimize the overall implementation risks.

I. Environmental Impact

44. Most project activities will have a positive impact on the environment, especially those aimed at reducing erosion (improved tillage, increasing organic content, use of live fences, etc.). Other activities that will have a positive environmental impact include promotion of sustainable exploitation of forest resources and support to communities for the reforestation of small watersheds. No contamination of surface or subterranean water by pesticides or fertilizers is anticipated.

J. Innovative Features

45. The project incorporates:

- innovative mechanisms and activities that have either not been included or have not been developed to the same degree previously in Honduras. These innovative approaches reflect the recommendations of the portfolio evaluation, the strategy developed for Honduras, and recommendations by the International Food Policy Research Institute; and
- an explicit mechanism for targeting the poorest and more marginalized areas and communities. Targeting will be grounded in the baseline study, which will define a typology of the various groups of poor in the project area. A needs assessment survey will be undertaken among the target groups in order to formulate local microprojects suitable to different needs/constraints. Similarly, mechanisms to address gender and ethnic inequities, within communities and families, will be put into practice. The seven field UOCs will address these issues. In addition, mechanisms have been created to ensure true participation by the beneficiaries and their organizations at all levels of planning, project execution and M&E. The requested SOF grant, in support of the project's preparatory activities, will be crucial in this regard.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

46. A loan agreement between the Republic of Honduras and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.



47. A grant agreement between the Republic of Honduras and IFAD constitutes the legal instrument for extending the proposed grant to the recipient.
48. The Republic of Honduras is empowered under its laws to borrow from IFAD.
49. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

50. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Honduras in various currencies in an amount equivalent to twelve million Special Drawing Rights (SDR 12 000 000) to mature on and prior to 15 August 2039 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President; and

RESOLVED: that the Fund shall make a grant to the Republic of Honduras under the Special Operations Facility (SOF) in an amount not exceeding two hundred thousand United States dollars (USD 200 000), upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President

SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 12 November 1999)

1. **Availability of loan proceeds.** For the purpose of financing execution of this project, the Government of Honduras (hereinafter “the Government”) will make the loan proceeds available to SAG as the responsible agency, in accordance with the annual workplans and budgets (AWPBs) and at the request of the PIU, through fund transfers from the special account to the project account. Similarly, the PIU, through the Ministry of Finance, will be able to request that loan disbursements be deposited directly in the project account.
2. **Counterpart funds.** The Government will make available to SAG, during the project execution period, counterpart funds from its own resources for an amount, in Honduran lempiras, totaling the equivalent of approximately USD 1 000 000 in accordance with the usual national procedures regarding development cooperation. To this end, within 30 days of the date of effectiveness of the loan agreement, the Government will deposit counterpart funds in an initial amount, in lempiras, equivalent to USD 42 000 in the project account for the purpose of defraying the costs of the first year of the project, and will replenish the project account annually in advance, at the request of the PIU, by depositing the counterpart funds called for in the AWPB for the respective fiscal year.
3. **Cofinancing funds.** The Government will ensure that the proceeds of the UNDP funding and the BCIE loan are made available to SAG in accordance with the AWPBs.
4. **Mid-term review.** SAG, IFAD, UNDP and BCIE will undertake a joint review of project execution during the third year of the project, pursuant to the terms of reference prepared by the PIU and agreed to by IFAD. Among other items, the review will examine the achievement of project objectives, strategies, activities, implementation responsibilities, coordination mechanisms and other elements that contribute to project effectiveness, as well as constraints and difficulties encountered, and propose any adjustments necessary in order to accomplish the objectives and address such constraints and difficulties. The Government will ensure that the recommendations resulting from this review are implemented within the period specified for those purposes and to the satisfaction of IFAD. It is understood and agreed that those recommendations may cause modifications to the loan documents.
5. **External audit.** As soon as possible, but in no event later than 90 days following the beginning of each fiscal year, the Government will contract independent auditors selected by the Government, subject to IFAD’s prior non-objection and pursuant to the procedures and criteria agreed by itself and IFAD, to audit the project-related accounts for the relevant fiscal year. The Government may finance this contract from loan proceeds.
6. **Operations manual.** The project will be implemented substantially in accordance with an operations manual. The PIU will prepare the manual as soon as possible, but in any event within six months following the effective date of the loan agreement. The manual will cover such matters as: implementation methods, project organization and administration; implementation of the component on strengthening of local institutions, administration of the RDF, standards and procedures of the RDF, eligibility criteria, conditions of RDF financing, the cycle for approval and monitoring of proposals, and all such other matters as may be agreed by the Government and IFAD. The PIU will adopt the operations manual, subject to IFAD’s prior non-objection, and will make sure that it is applied to the project during the execution period.



7. **Administrative services contract.** The Government, subject to IFAD's prior non-objection, will select a national or international organization as the contracting agency (AAC) and subsequently establish an administrative services contract with this agency on conditions and terms acceptable to IFAD. This agreement will cover the following matters: procurement and contractual agreements to be realized by AAC as an agent of the Government; investment contracts, infrastructure works and rural development services requested by beneficiary groups to be financed by the RDF; and cofinancing of the project. The Government will deliver a draft version of said agreement to IFAD so that IFAD may formulate its observations and issue its non-objection prior to the signing.

8. **Equal access.** The Government will ensure that equal access to project benefits is guaranteed to weaker and more marginal groups such as the landless, indigenous peoples, women, youth and those most affected by Hurricane Mitch. Similarly, activities will be implemented that favour equal access to benefits for various communities, diverse families within the communities and certain members of family groups.

9. **Cooperation with other rural development projects.** The Government will ensure that project activities will take place in a framework of cooperation and coordination with other projects and programmes sharing common objectives in Central America – in particular as regards the incorporation of successful experiences and methodologies and support for the implementation of other projects through the RDF. This cooperative effort should be particularly intense among IFAD-financed projects in Central America. Without limiting the general application of the preceding, the Government will ensure that the project maintains close coordination with other activities of PRONADERS and with other public and private institutions such as the Honduran Corporation for Forestry Development (AFE-COHDEFOR), the Honduran Coffee Institute (IHCAFE), the National Agrarian Institute (INA) and the Ministry of Public Works, Transport and Housing (SOPTRAVI).

10. **Gender focus.** The Government will make sure that the project contributes to gradually reducing existing gender inequalities in its area of influence. To that end, the Government will ensure that, among others, the following activities and strategies are implemented: gender focus will be built into all project activities; training activities will include a gender sensitivity programme at the levels of the PIU, all project personnel, RDEs, municipal governments and grass-roots organizations; and will aim at a target of at least 30% women beneficiaries of RDF financing.

11. **Environmental impact.** In order to realize its responsibility to employ adequate environmental practices within the project framework, and without limiting the general application of this responsibility, the Government will ensure that:

(a) project parties adopt appropriate pest-control methods and, to this end, the Government will ensure that pesticides procured under the project do not include any proscribed by the International Code of Conduct on the Distribution and Utilization of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended from time to time, or listed in Tables 1 (extremely hazardous) and 2 (highly hazardous) of the World Health Organization (WHO) Recommended Classification of Pesticides by Hazard and Guidelines to Classification, 1996-1997, as amended from time to time;

(b) the project does not finance community microprojects that would have a negative impact on the environment; environmental issues are being addressed through the promotion and financing of microprojects, in a territorial progression as the project is implemented, linking the actual use of resources to the potential capacity in order to improve the sustainability of productive processes and the conservation of the environment;



(c) programmes be supported, in the forestry sector, of sustainable exploitation of forest resources, discouraging activities such as burning that provoke their degradation, and supporting reforestation initiatives through support to forest-nursery microenterprises and to communities for the reforestation of small watersheds.

12. **Tax exemption.** The importation, acquisition and provision of all goods, works, constructions and financial services charged to the loan will be exempt from taxes. The value of these exemptions will be credited to the Government's responsibility to provide counterpart project funds as referred to in paragraph 2 above.

13. **Insurance of project personnel.** SAG will insure project personnel against risks of disease and accident to the extent consistent with customary commercial practice.

14. **FIDAMERICA network.** The Government will facilitate project access to the FIDAMERICA network, which links – via the Internet – all IFAD-financed projects in Latin America and the Caribbean. To this effect, the Government will use project resources allocated for operating costs.

15. **Activities of PLANDERO.** Once the activities of PLANDERO have ceased, the Government will ensure that all assets of this programme are transferred to the project.

16. **Conditions precedent to effectiveness.** Effectiveness of the loan agreement will be subject to fulfilment of the following conditions precedent:

- (a) the Project Steering Committee (JDP) and the PIU have been duly established;
- (b) JDP has duly selected and appointed the executive director of the project, with the prior non-objection of IFAD;
- (c) the Government has duly opened the special and project accounts;
- (d) an allocation has been included in the national budget equivalent to the initial sum of the counterpart funds foreseen in paragraph 2 above;
- (e) IFAD has given its non-objection to the administrative services contract described in paragraph 7 above; a signed copy of this agreement has been delivered to IFAD, substantially corresponding to that to which it issued a non-objection, certified as authentic and complete by a competent official of SAG;
- (f) the loan agreement has been duly signed, and the Government's signature and performance of its obligations thereunder have been duly authorized and ratified through all the administrative and governmental procedures necessary; and
- (g) the Government has presented IFAD with a favourable opinion, issued by the legal counsel of SAG, or other legal counsel approved by IFAD, in form and substance acceptable to IFAD.

APPENDIX I

COUNTRY DATA

HONDURAS

Land area (km² thousand) 1996 1/	112	GNP per capita (USD) 1997 2/	740
Total population (million) 1997 1/	6.0	Average annual real rate of growth of GNP per capita, 1990-97 2/	1.0
Population density (people per km²) 1996 1/	52	Average annual rate of inflation, 1990-97 2/	20.4
Local currency	Lempira (HNL)	Exchange rate: USD 1 =	HNL 14.0
Social Indicators		Economic Indicators	
Population (average annual population growth rate), 1980-97 1/	3.0	GDP (USD million), 1997 1/	4 491
Crude birth rate (per thousand people), 1997 1/	34	Average annual rate of growth of GDP 1/ 1980-90	2.7
Crude death rate (per thousand people), 1997 1/	5	1990-97	3.3
Infant mortality rate (per thousand live births), 1997 1/	36	Sectoral distribution of GDP, 1997 1/	
Life expectancy at birth (years), 1997 1/	69	% agriculture	20
Number of rural poor (million) (approximate) 1/	1.5	% industry	28
Poor as % of total rural population 1/	46.0	% manufacturing	16
Total labour force (million), 1997 1/	2.2	% services	52
Female labour force as % of total, 1997 1/	31	Consumption, 1997 1/	
Education		General government consumption (as % of GDP)	15
Primary school gross enrolment (% of relevant age group), 1996 1/	111	Private consumption (as % of GDP)	63
Adult literacy rate (% of total population), 1995 3/	73	Gross domestic savings (as % of GDP)	22
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1995 3/	2 358	Merchandise exports, 1997 1/	1 033
Index of daily calorie supply per capita (industrial countries=100), 1995 3/	75	Merchandise imports, 1997 1/	2 435
Prevalence of child malnutrition (height for age % of children under 5), 1992-97 1/	40	Balance of merchandise trade	-1 402
Prevalence of child malnutrition (weight for age % of children under 5), 1992-97 1/	18	Current account balances (USD million)	
Health		Before official transfers, 1997 1/	- 532
Health expenditure, total (as % of GDP), 1990-97 1/	5.6	After official transfers, 1997 1/	- 272
Physicians (per thousand people), 1990-97 1/	0.4	Foreign direct investment, 1997 1/	122
Percentage population without access to safe water, 1990-96 3/	13	Government Finance	
Percentage population without access to health services, 1990-95 3/	31	Overall budget surplus/deficit (including grants) (as % of GDP), 1996 1/	n.a.
Percentage population without access to sanitation, 1990-96 3/	13	Total expenditure (% of GDP), 1996 1/	n.a.
Agriculture and Food		Total external debt (USD million), 1997 1/	4 698
Food imports as percentage of total merchandise imports, 1997 1/	18	Present value of debt (as % of GNP), 1997 1/	83
Fertilizer consumption (hundreds of grams per ha of arable land), 1995-97 1/	380	Total debt service (% of exports of goods and services), 1997 1/	20.9
Food production index (1989-91=100), 1995-97 1/	104.7	Nominal lending rate of banks, 1997 1/	32.1
Land Use		Nominal deposit rate of banks, 1997 1/	21.3
Arable land as % of land area, 1996 1/	15.1		
Forest area (km ² thousand), 1995 1/	41		
Forest area as % of total land area, 1995 1/	36.8		
Irrigated land as % of cropland, 1994-96 1/	3.6		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 1999

2/ World Bank, *Atlas*, 1999

3/ UNDP, *Human Development Report*, 1998

PREVIOUS IFAD LOANS AND GRANTS TO HONDURAS

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
Rural Development Project for the Western Region	IFAD	IDB	GRANT	19 Dec 79	02 May 80	31 Dec 87	G - I - 19 - HO	SDR	270 000	
Rural Development Project for the Western Region	IFAD	IDB	HC	19 Dec 79	02 May 80	31 Dec 87	L - I - 29 - HO	SDR	7 700 000	99.1%
Santa Barbara Rural Development Project	IFAD	BCIE	I	14 Sep 82	03 Feb 84	31 Mar 90	L - I - 99 - HO	SDR	10 850 000	22.7%
Intibucá-La Paz Rural Development Project	IFAD	IDB	I	29 Apr 87	19 Aug 88	31 Dec 97	L - I - 203 - HO	SDR	4 850 000	67.4%
Agricultural Development Programme for the Western Region (PLANDERO)	IFAD	BCIE	GRANT	15 Sep 93	28 Nov 94	30 Jun 00	L - I - 336 - HN	SDR	5 500 000	69.0%
Rural Development Project in the Central Eastern Region	IFAD	BCIE	HC	29 Apr 97	18 Feb 98	30 Jun 04	G - I - 28 - HN	USD	95 000	100%
Rural Development Project in the Central Eastern Region	IFAD	BCIE	GRANT	29 Apr 97	18 Feb 98	30 Jun 04	L - I - 446 - HN	SDR	8 900 000	15.7%
Rural Development Project in the South-Western Region	IFAD	CAF	HC	03 Dec 98	30 Jun 99	31 Dec 05	G - I - 71 - HN	USD	65 000	
Rural Development Project in the South-Western Region	IFAD	CAF	HC	03 Dec 98	30 Jun 99	31 Dec 05	L - I - 497 - HN	SDR	13 750 000	



LOGICAL FRAMEWORK

Narrative Summary	Gender-specific Indicators	Means of Verification	Assumptions and External Risks
<p>Development Objective</p> <p>Sustainable improvement of human development conditions and local empowerment by fostering rural development opportunities</p>	<p>Selection of indicators, to be specified by clusters, municipalities and communities</p> <ul style="list-style-type: none"> - Increased monetary income (on-farm and off-farm) - Decrease in % of families living below the poverty line - Fewer unmet basic needs (e.g. drinking water supply, education, etc.) - Diminished environmental degradation (e.g. land use in hillside erosion prone areas) - Degree of improved household food and nutrition security (e.g. availability of food at the municipal, village and family level, food composition, access to food within the family or the vulnerable food and nutrition insecure, etc.) - Participation or legitimate representation of interests in municipal councils - Proportion of funding demanded by third parties (private sector, social investment fund, FHS) 	<ul style="list-style-type: none"> - Mid-term, final and ex post evaluations 	
<p>Project Objective</p> <p>Poor beneficiary families in the project clusters with improved management capacity have better access to sustainable development opportunities for improving their income, their food security, their natural resource management and the infrastructure.</p>	<p>Selection of indicators, to be specified by clusters, municipalities and communities</p> <ul style="list-style-type: none"> - Degree of management capacity of families and organizations (e.g. farm-management plans, etc.). - Service contracts awarded and honoured between beneficiaries and local service agencies - Number and type of services offered in accordance with beneficiary demand - Degree of community/municipality (local planning commissions) participation in the management process - Degree of women's participation in the decision-making process of the community/municipality - Degree of women's access to development opportunities - Improved productivity by agricultural and non-agricultural production units - Increased food production - Availability of productive and financial resources for families/women - Degree of adoption of promoted technological and entrepreneurial change - Increased management capacity for watershed and forest areas - Degree of responsibility for operation and maintenance of infrastructure 	<ul style="list-style-type: none"> - Mid-term, final and ex post evaluations - Participatory rural appraisal - Process documentation by the Planning and Monitoring Unit - Specific Studies 	<ol style="list-style-type: none"> 1. Community initiatives are not negatively interfered with by political leaders or local authorities 2. The educational and participatory process is not affected by counterproductive and autocratic structures

3



<p>Outputs</p> <p>1. Management capabilities of target group organizations, intermediate institutions and rural development entities (RDEs) have been strengthened to manage and undertake rural development activities and their interrelationship between them</p> <p>2. An RDF is operating for productive investment, management of natural resources, improvement of infrastructure, food security and technical services</p> <p>3. A management system is functioning in terms of integrating target group organizations, intermediary institutions and RDEs and managing the RDF</p>	<p>(estimated numbers at the end of the project)</p> <ul style="list-style-type: none"> - Number of interest groups incorporated as target group - Number of communities participating in the empowerment process (400) - Number of participatory appraisals for project planning conducted (1200) - Number of community participatory baseline studies conducted (400) - Number of target group organizations with management capacities formed (800) - No of beneficiaries and organizations with new and innovative technological, entrepreneurial, organisational knowledge - Number of target group organisations, intermediate institutions and rural development entities trained in coordination and management of the rural development process (500) - Number of municipalities with coordination and improved management capacity (81) - Number of coordination agreements with x specified financial volume signed - Number of feasible projects with participatory methodologies presented (1 800) - Degree of coverage of methodological guidelines elaborated and distributed - Number of target group organizations, intermediate institutions and RDEs trained in gender aspects (500) - Number of productive, natural resource management and food security projects implemented with participation of 800 target group organizations and 12 000 participants (950) - Number of infrastructure projects implemented (50) - 70% of projects presented to the PIU are executed in time - No. of RDEs recruited by target group organizations - Number of small-scale rural saving and credit banks managing a revolving fund - The annual plan of operations agreed by consensus at the end of each year - Planning and implementation gap decreased by at least 10% annually - Performance of the operational manual - Governmental and non-governmental institutions involved in planning, implementation and evaluation of project activities complete 90% of signed contracts - External evaluations performed. - Degree of gender orientation of project services 	<ul style="list-style-type: none"> - Information systems of the Planning and Monitoring Unit - Training data base - Data Base of the presented projects - Contracts with executing agencies - Monitoring target group information - Portfolio analysis - Information from the monitoring system - Agreements - Minutes of meetings 	<ol style="list-style-type: none"> 1. The intermediate institutions and RDEs identifying themselves with the project philosophy and the strategy 2. The RDEs have personal stability 3. The contracting agency is carrying out the services as foreseen in the project agreement 4. Formal procedures do not implicate bureaucratic barriers
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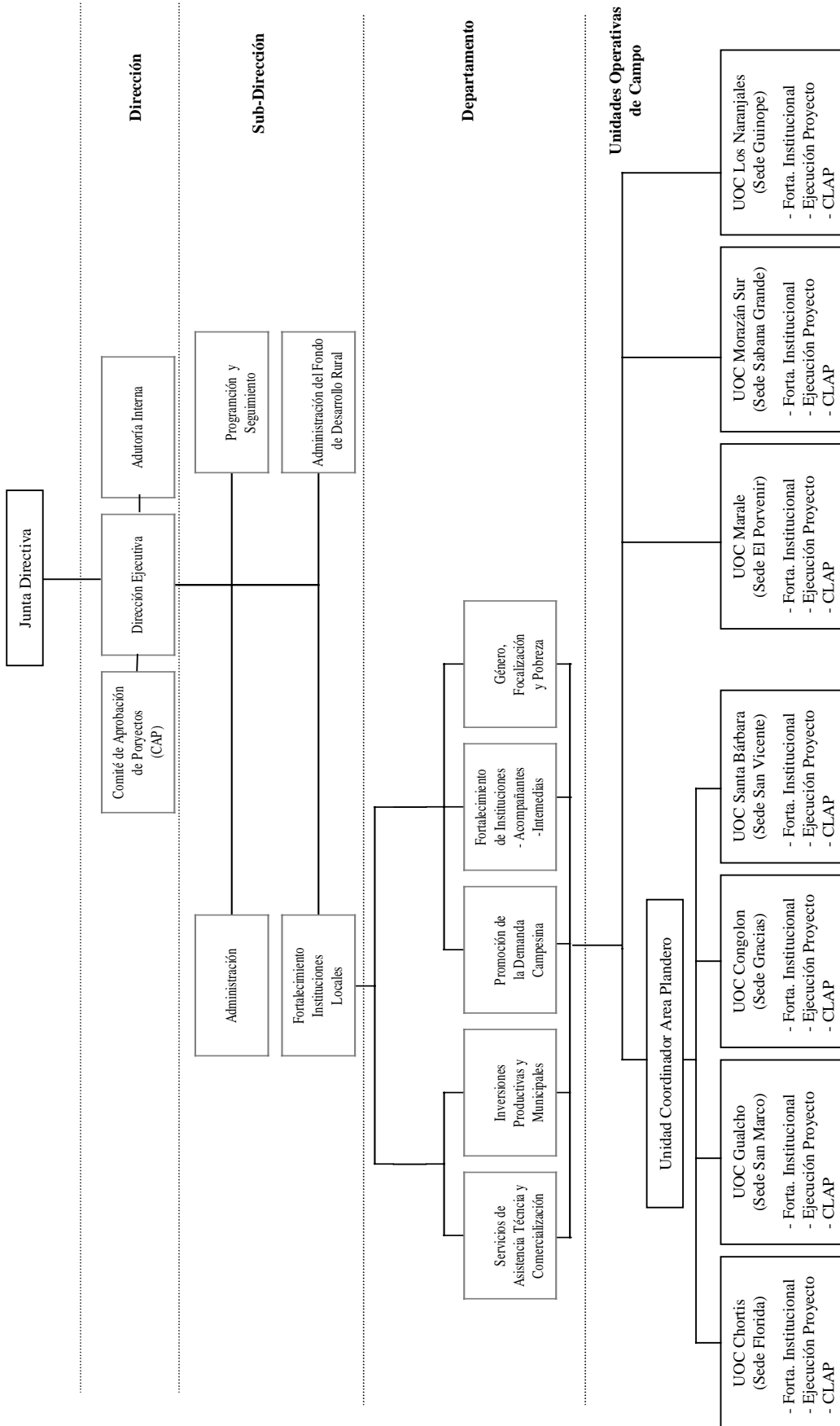
<p>Principal Activities</p> <p>Strengthening of Local Institutions</p> <p>1.1 To evaluate the promotion and technical assistance capacity of RDEs to formulate projects</p> <p>1.2 To identify and contract RDEs</p> <p>1.3 To identify and qualify the target groups</p> <p>1.4 To implement participatory appraisals</p> <p>1.5 To carry out baseline studies</p> <p>1.6 To promote beneficiary demand</p> <p>1.7 To provide technical assistance for project identification, preparation and formulation</p> <p>1.8 To elaborate and provide methodological instruments and techniques for training target group organizations, RDEs, etc.</p> <p>1.9 To train target group organizations, intermediate institutions and RDEs in FONADERS development strategy and in participatory methodologies</p> <p>1.10 To train target group organizations, intermediate institutions and RDEs in quality control and impact measurements of their services</p> <p>1.11 To transfer management capacity and technical skills to the target group to improve their negotiating capacity</p> <p>1.12 To assist the articulation process of the target group organizations with the municipalities and the development councils</p> <p>1.13 To assist target group organizations in elaborating development plans</p> <p>1.14 To provide training programmes for all involved parties to face gender issues</p> <p>1.15 To assist the communities in the search of alternative funding sources</p>	<p>Principal Activities</p> <p>Rural Development Fund</p> <p>2.1 To draw up the operational manual for the RDF</p> <p>2.2 To implement the projects presented by the beneficiaries</p> <p>2.3 To administer the RDF</p> <p>2.4 To supervise and control project performance</p> <p>2.5 To establish a revolving fund for the rural savings and credit banks</p> <p>2.6 To strengthen the managerial capacity of the rural saving and credit banks</p>	<p>Principal Activities</p> <p>Project Implementation Unit</p> <p>3.1 To establish a planning system for the project</p> <p>3.2 To establish the service and contract system</p> <p>3.3 To select and contract RDEs</p> <p>3.4 To establish an M&E system</p> <p>3.5 To implement the administration and financing system for the different project components</p> <p>3.6 To establish the coordination and cooperation mechanism for all involved parties</p> <p>3.7 To hold coordination meetings with all involved parties</p> <p>3.8 To coordinate project activities with SAG, the municipality councils and other relevant development institutes</p> <p>3.9 To establish coordination and communication mechanism with the regional offices</p> <p>3.10 To improve the quality and methodology of all services offered by the project</p> <p>3.11 To provide technical and methodological instruments for all involved parties to deal with gender issues</p> <p>3.12 To provide favourable conditions for integrating women into projects activities</p>
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APPENDIX IV

ORGANIGRAMA



FINANCIAL ANALYSIS AND PROFITABILITY

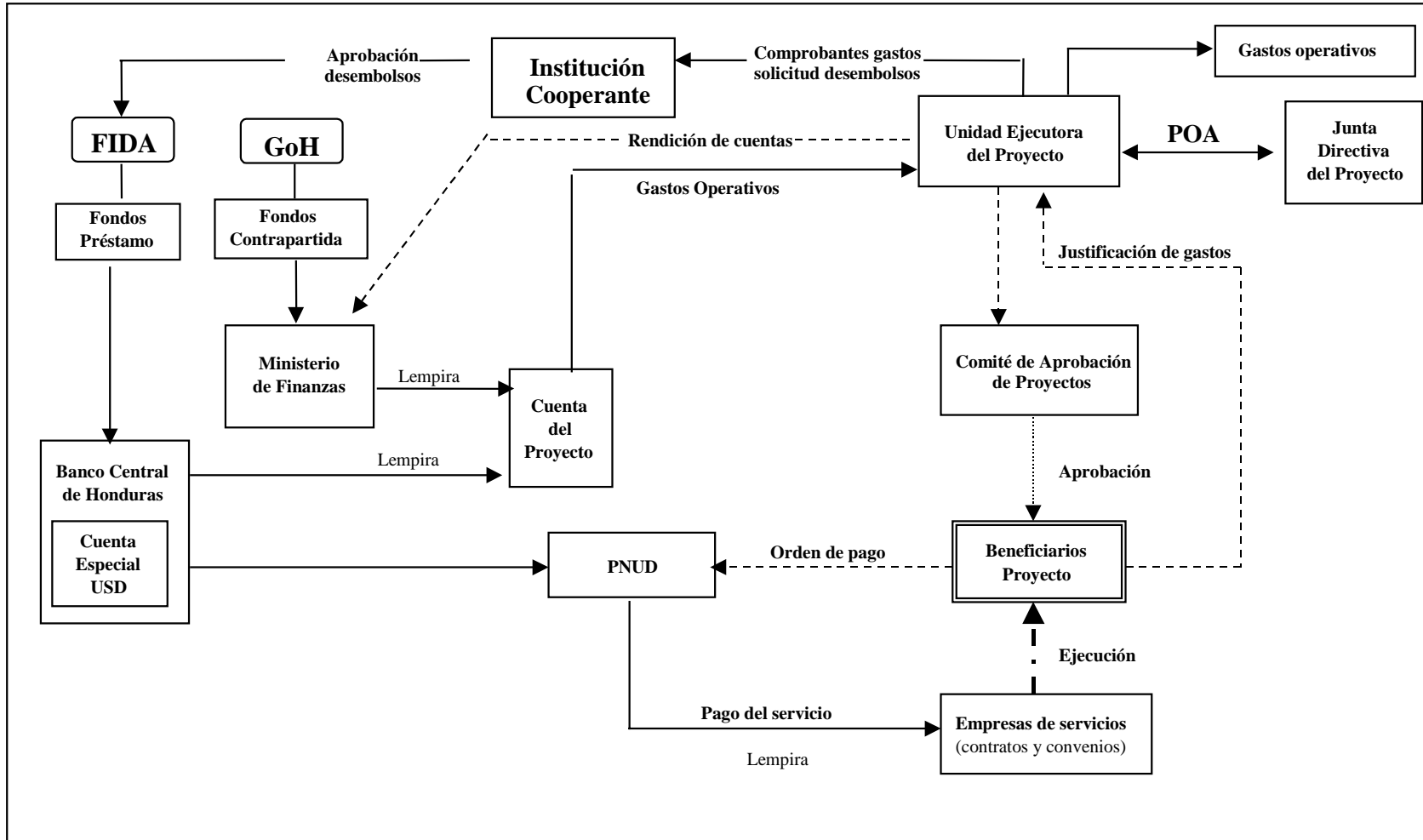
Internal Return Rate Calculation (USD '000)

Years	Incremental Benefits Value	Investment Value	Inputs Costs	Family Labor Cost	Project Total Cost	Project opera- tion Costs Year 7-20	Net Incremental Benefits
1	74	52	205	201	1 931	0	-2 314
2	801	215	1 100	1 049	3 075	0	-4 638
3	2 783	379	2 521	2 102	4 223	0	-6 442
4	5 761	459	4 113	3 242	4 779	0	-6 833
5	8 704	316	5 041	3 798	3 938	0	-4 389
6	11 118	136	5 418	4 155	2 798	0	-1 390
7	13 873	103	5 632	4 285	0	255	3 598
8	16 464	82	5 953	4 408	0	255	5 765
9	18 575	48	6 174	4 589	0	255	7 509
10	19 794	21	6 254	4 612	0	255	8 651
11	20 113	2	6 209	4 587	0	255	9 061
12	20 353	1	6 254	4 669	0	255	9 175
13	20 914	0	6 290	5 127	0	255	9 241
14	21 528	0	6 408	5 598	0	255	9 267
15	21 827	0	6 545	5 802	0	255	9 225
16	21 394	0	6 535	5 435	0	255	9 170
17	20 836	0	6 465	4 984	0	255	9 132
18	20 358	0	6 287	4 657	0	255	9 160
19	20 228	0	6 284	4 577	0	255	9 112
20	20 499	0	6 387	4 572	0	255	9 285
Internal Rate of Return							16.8%
Actualization Rate							8.0%
Net Present Value							21 391
Critical Value Analysis							1.22
	1	2	3	4	5	6	Total Costs
NPV	120 244	1 311	45 248	35 236	15 733	1 325	98 853
COEF	82.2%	1731.2%	147.3%	160.7%	236.0%	1714.6%	121.6%
C-V	-17.8%	1631.2%	47.3%	60.7%	136.0%	1614.6%	21.6%

Profitability Indicators Sensitivity

	NPV		
	IRR	(USD '000)	B/C
1. Project	16.8%	21 391	1.22
2. Benefits reduction in:			
10%	12.1%	9 366	1.09
20%	6.7%	-2 658	0.97
3. Costs increments in:			
10%	12.6%	11 505	1.11
20%	8.6%	1 620	1.01
4. Delay (years) in:			
2	14.9%	16 647	1.16
3	13.2%	12 290	1.11
3	11.6%	8 246	1.07
5. Project with family labour at market			
Prices.	13.2%	12 582	1.12

FLUJO DE FONDOS DEL FIDA EN EL PROYECTO FONADERS





ACTIVIDADES PREPARATORIAS/SOF

1. El PRONADERS es el Programa Nacional de Desarrollo Rural Sostenible, con el cual la SAG espera enfrentar los principales retos de reducción de la pobreza rural extrema, incorporación de los actores locales al proceso de desarrollo, descentralización de las acciones de desarrollo rural, el manejo sostenible de los recursos naturales al nivel local, y la equidad de acceso a la toma de decisiones por todos los actores.
2. El FONADERS es el Fondo de Desarrollo Rural Sostenible, un proyecto que está en su fase de formulación y que contará con financiamiento de FIDA, PNUD, BCIE, Gobierno de Honduras y las comunidades. El FONADERS es el primer proyecto específico que se implementará como parte del PRONADERS. Sin embargo, aunque sigue los lineamientos generales, el FONADERS tendrá una dinámica operativa propia, y su ejecución en este sentido será muy similar a la forma que se está ejecutando el proyecto PROSOC, el cual también sigue los lineamientos generales de PRONADERS y es financiado principalmente por FIDA, SAG y PNUD.
3. El objetivo general de la Fase Preparatoria del FONADERS (FPF), es acelerar el logro de los resultados a ser obtenidos a través de la ejecución del FONADERS. Este objetivo se divide en dos fases: i) levantamiento de la demanda en los municipios previamente seleccionados, y ii) cumplimiento de las condiciones de efectividad de los contratos de préstamo del FIDA, BCIE y los donantes del proyecto. La ejecución de la fase preparatoria del proyecto, tendrá un costo total de USD 450 000 los cuales serán invertidos en un plazo de ocho meses para el cumplimiento de las tareas de levantamiento de la demanda y cumplimiento de las condiciones de efectividad.

I. EJECUCIÓN DE LA FASE PREPARATORIA

A. Justificación y Objetivos

4. **Justificación.** El PRONADERS (Programa Nacional de Desarrollo Rural Sostenible) es un programa de la SAG, que tiene por objetivo mejorar las condiciones de vida de la población rural pobre, la cual representa el 50% de la población total del país. Los pobres rurales, en su mayoría se asientan en las laderas y su sobrevivencia se basa en los cultivos de autoconsumo y salarios zafrales. La pobreza está correlacionada con un severo deterioro ambiental y con la amenaza de la inseguridad alimentaria. Asimismo, estas regiones han sido severamente afectadas directa o indirectamente por el huracán y tormenta tropical Mitch. Para enfrentar estos problemas, la SAG implementará el PRONADERS, por medio de proyectos específicos financiados en su mayor proporción con fondos de préstamos concesionales y donaciones de organismos bilaterales de cooperación externa.
5. Bajo los lineamientos generales de PRONADERS, se ha concebido el proyecto FONADERS (Fondo Nacional de Desarrollo Rural Sostenible), el cual tendrá financiamiento del FIDA, PNUD, BCIE, el Gobierno de Honduras y las Comunidades. En concordancia con PRONADERS, el objetivo general de FONADERS es alcanzar en las regiones pobres de agricultura de laderas de Honduras:
 - Incrementos sostenibles de la producción y productividad agropecuaria y forestal, y de la seguridad alimentaria.
 - La adopción de prácticas sostenibles de uso y manejo de los recursos naturales; y,
 - La reconstrucción de los destrozos ocasionados por el Huracán Mitch.
6. El proceso de formulación de proyectos como FONADERS, y la negociación de fondos con los organismos financieros multilaterales, FIDA y BCIE en este caso, suele requerir un lapso de tiempo prolongado.



7. En condiciones normales, el inicio de la ejecución del FONADERS podría pronosticarse para el mes de mayo del 2000. El Ministro de la SAG, ha manifestado su interés en abreviar el tiempo de preparación y negociación del FONADERS de manera de iniciar cuanto antes las actividades del programa.

8. **Objetivos.** El objetivo general del FPF es acelerar el logro de los resultados a ser obtenidos a través de la ejecución del FONADERS. Ello amerita el cumplimiento de dos fases: i) la primera de ellas está referida al levantamiento de la demanda; y, ii) la segunda es el cumplimiento de las condiciones de efectividad de los préstamos FIDA, BCIE y donantes.

Levantamiento de la demanda

9. Esta actividad conlleva el cumplimiento de objetivos específicos tales como:

- Diseñar, ajustar y validar metodologías que permitan que organizaciones y grupos informales de la población meta, sean capaces de diagnosticar sus problemas, establecer prioridades para solucionarlos y plantear demandas y propuestas para resolverlos. Al conjunto de estos pasos, se le designa como levantamiento de demandas entre comunidades e Instituciones Intermediarias (I.I.), en los municipios focalizados.
- Capacitar y entrenar una masa crítica de profesionales (Entidades de Desarrollo Rural (EDR) y líderes comunitarios) en metodologías de programación participativa y planificación.
- Promover la formulación de proyectos de desarrollo productivo y preservación ambiental por parte de las comunidades y grupos, de manera que los mismos puedan ser financiados por el Fondo de Desarrollo Rural (FDR) cuando éste se ponga en operación.
- Promover el FONADERS entre los proyectos en ejecución, EDR, corporaciones municipales, instituciones intermediarias, etc., de manera de hacer conocer las oportunidades que ofrece el proyecto para fortalecer las actividades de promoción del desarrollo.

Cumplimiento de las condiciones de efectividad

10. Esta fase pretende desarrollar los siguientes objetivos específicos:

- a) El cumplimiento de las diversas condicionalidades que establezcan el GoH, los organismos financiadores (FIDA y BCIE) y donantes, para que se hagan efectivos los fondos para el proyecto FONADERS.
- b) Preparar reglamentos y manuales para operar el proyecto.
- c) Contratar el personal ejecutivo del proyecto, adquirir equipos e instalar la sede del proyecto.

B. Metas y Dimensión del FPF

11. El factor determinante de la dimensión del FPF es la capacidad de implementar las actividades necesarias y obtener resultados en un período de hasta ocho meses. Este plazo está determinado por la necesidad de hacer coincidir el proceso de promoción de la demanda y presentación de propuestas comunitarias con la aprobación y disponibilidad de los fondos externos del FONADERS, que se espera que estén disponibles hacia marzo/abril del 2000. Además, es importante tener propuestas de proyectos comunitarios programados para comenzar a ejecutarse antes de la estación de lluvias del año 2000. Bajo estos argumentos, parece estratégicamente más importante asegurar resultados con una cobertura moderada y muy enfocada, que aspirar a una cobertura extensiva, arriesgando la calidad del proceso. Con base en estos conceptos, se programa un proceso de promoción de demandas y

planificación a nivel comunal en unas 60 comunidades situadas en unos 12 municipios, los cuales a su vez estarían agrupados en unos cuatro conglomerados regionales de tres o cuatro municipalidades en cada región.

II. ACTIVIDADES DE LA FASE PREPARATORIA

12. Las actividades que deberán ejecutarse se agrupan de acuerdo a los objetivos específicos mencionados más arriba, con el agregado de una fase organizativa previa, la cual contiene:

- Designar al Coordinador. Incluye también el nombramiento de una secretaria administrativa.
- Obtener una oficina y el equipamiento mínimo necesario en términos de mobiliario, computadoras y vehículos.
- La contratación de dos expertos adicionales que apoyarán el trabajo de campo.
- Realizar el programa detallado de actividades del FPF, sobre la base de este documento y otros antecedentes y experiencias.

13. Se estima que este proceso tendrá una duración de tres semanas.

A. Actividades para el Levantamiento de la Demanda

14. En este acápite se mencionan las actividades más importantes que deberán ser consideradas en el levantamiento de la demanda.

- Realizar una **revisión de experiencias** recientes en esta materia, recopilar información acerca de impactos y seleccionar una propuesta cuyos resultados sean positivos y seguros. En particular, se recomienda revisar la experiencia de PLANDERO y del Proyecto Lempira Sur; así como también el trabajo desarrollado por la Cooperación Alemana. Adicionalmente, se deberán revisar otras experiencias que complementen o mejoren las mencionadas. Esta actividad deberá ser ejecutada por la EDR que se contrate para la capacitación en metodologías participativas.
- **Preparación de la metodología de trabajo.** En base a las experiencias que se obtengan a nivel de campo, la EDR contratada preparará el contenido curricular de lo que será un programa de capacitación dirigido a funcionarios de la oficina de coordinación y técnicos de las EDR contratadas para levantar la demanda y productores líderes. Esta parte es de suma importancia pues de ello depende que los técnicos adopten una metodología que sea congruente con lo que percibe el FONADERS. Se estima que esta actividad que puede ser paralela a otras que se vayan ejecutando, tendrá una duración de seis semanas aproximadamente.
- **Preparar los términos de referencia para la contratación de EDR.** Esta actividad incluye la publicación por parte del PNUD de un aviso de interés para que las EDR interesadas en trabajar en una zona específica puedan mandar información para su incorporación en el proceso de elección. Después de recibir la información, una comisión integrada entre el PNUD y la coordinación de la FPF, harán una preselección de EDR y dentro de esta lista corta se invitará a presentar propuestas técnicas y económicas en base a los TOR preparados. Ésta actividad tendrá una duración aproximada de tres semanas.
- **Negociación con proyectos de desarrollo rural en ejecución.** En el espíritu del FONADERS está el mejorar la coordinación y complementación con los proyectos de desarrollo rural en ejecución, y fortalecer a las diversas instancias públicas y privadas que cumplen actividades de desarrollo en el nivel local. El FPF cuyo objetivo es acelerar la puesta en ejecución del FONADERS, tendrá especial precaución en apoyarse en las instancias locales. Para ello, la coordinación, realizará un relevamiento de los diferentes proyectos en ejecución y de su interés por ejecutar un programa de promoción de la demanda en asociación con este proyecto. Aquellos



proyectos interesados, firmarán un convenio con el FPF. Para esta fase de consulta y negociación, se estima un plazo de **dos semanas**, durante las cuales se realizará un taller informativo de una jornada y media, posteriormente una recorrida por no más de cinco proyectos, con los cuales se firmarían convenios.

- **Contratación de EDR.** Luego de la preparación de los TOR para las EDR que se desea contratar, se invitará a presentar ofertas a las preseleccionadas por la comisión. Recibidas las ofertas técnicas y económicas, el PNUD integrará una comisión de negociación para su selección y contratación. Se espera que con la actividad anterior y ésta, el plazo de contratación de una EDR no será mayor a cuatro semanas. De la misma forma pero en proceso de selección más directo, el PNUD y la coordinación seleccionarán la EDR que brindará los servicios de asesoría para la definición de la metodología y jornadas de capacitación para el levantamiento de la demanda. Esta EDR asume también la responsabilidad de supervisar metodológicamente el trabajo que se lleve a cabo a nivel de campo. Con cada EDR se negociará la cantidad de personal que sea necesario para atender un conglomerado o zona, para ello la coordinación preparará un marco referencial de personal y costos por asumir.
- **Capacitación a Técnicos de las EDR.** Este ciclo contempla el período de capacitación o entrenamiento por parte de la EDR contratada para esta actividad. La primera fase consiste en capacitar a los técnicos de las EDR contratadas para levantar la demanda y la segunda es hacer un acompañamiento en el campo de esta actividad. El número y la temática de talleres a desarrollar, deberán ser definidos en el plan de trabajo inicial por la coordinación. Se espera que este trabajo dure dos semanas aproximadamente.
- **Promoción de la demanda en las comunidades.** Este proceso dará inicio inmediatamente después de finalizado el ciclo de capacitación. Se prevé iniciar en unos 12 municipios, atendiendo unas 60 comunidades. Para seleccionar los sitios de intervención del FPF, se deberán seguir criterios de focalización acordados entre los proyectos, EDR contratadas y la coordinación. Las prioridades para la selección, deberán ajustarse a los criterios generales del FONADERS, que incluyen la pobreza (IDH), el deterioro ambiental y los daños ocasionados por el Míth. Las 60 comunidades, se distribuirán a razón de cuatro a cinco de ellas por cada municipio. Las EDR contratadas, deberán presentar inmediatamente después de la capacitación, el plan de trabajo a desarrollar, para que la coordinación dé seguimiento a su trabajo. El trabajo de levantamiento de la demanda, tendrá una duración aproximada de doce semanas.

B. Cumplimiento de las Condiciones de Efectividad

15. Esta fase debe dar cumplimiento a las condiciones de efectividad de los fondos de financiamiento externo (FIDA, BCIE) y especialmente los del FIDA. Se prevé que la misma deberá dar comienzo alrededor del mes de diciembre de 1999, una vez que se haya negociado y aprobado el contrato de préstamo entre el GoH y el FIDA. Lo importante es mantener la referencia de un equipo local responsable de dar cumplimiento a estas actividades. Entre las principales actividades se encuentran:

- **Gestiones.** Esta actividad contempla la gestión del dictamen del Ministerio de Finanzas para la solicitud de endeudamiento al Congreso de la República y la ratificación del contrato de préstamo por el mismo órgano legislativo. La coordinación debe lograr la agilización en el proceso lo antes posible para lograr la publicación del decreto en el Diario Oficial La Gaceta.
- **Constitución de la Unidad Ejecutora del Proyecto.** Ésta es una de las actividades de la fase que conlleva mayor tiempo, ya que contempla la preparación de los términos de referencia para la contratación de los cargos superiores del proyecto, preparar el documento de calificación para la elección y constituir la Comisión *ad-hoc* que recomendará los cargos a la Junta Directiva del proyecto.



APPENDIX VII

- Otra actividad importante que la coordinación tendrá que hacer paralelamente a la actividad de levantamiento de la demanda, es la selección de los representantes de los productores que participarán en la Junta Directiva del Proyecto. Los primeros cuatro representantes deberán ser de los 12 municipios en los cuales se levante la demanda durante esta fase.
- **Preparar documentos, manuales y reglamentos.** Dos tareas centrales se dan con esta actividad, la primera de ellas es el documento de proyecto a firmarse entre el GoH y el PNUD para la administración de los recursos. Este documento tiene que estar finalizado a más tardar el último de octubre de este año, para obtener la no objeción por parte del FIDA del procedimiento recomendado. La segunda tarea se refiere a la preparación y sobre todo a la validación de lo que será el Manual de Operaciones del Proyecto (MOP). Este manual tiene que estar socializado a más tardar en el mes de abril del 2000, fecha en la cual estaría próximo el desembolso por parte del FIDA. Al mismo tiempo, se deberá trabajar en la elaboración de los manuales de procedimientos administrativos de la UEP.

III. ORGANIZACIÓN PARA LA EJECUCIÓN DEL FPF

16. **Instituciones Responsables.** Las instituciones responsables de la ejecución del FPF serán la SAG y el PNUD-Honduras. El proyecto se ejecutará bajo la modalidad de ejecución nacional del PNUD-Honduras. El financiamiento de esta fase preparatoria del FONADERS correrá por cuenta del PNUD y FIDA.

17. **La Unidad Coordinadora de la FPF.** La Unidad Coordinadora estará formada por un coordinador, dos asesores de campo, una secretaria administrativa y un motorista conserje. El coordinador deberá tener una sólida formación en disciplinas afines al desarrollo rural y una experiencia de 10 años en programas y proyectos de desarrollo rural. Se calificará especialmente la experiencia en materia de promoción social, trabajo con comunidades, con alcaldías y con EDR.

18. **Equipamiento.** Se dispondrá de una oficina que cuente con las condiciones mínimas para alojar al coordinador y a sus dos asesores de campo, incluyendo la secretaria administrativa. Para apoyar el trabajo de campo, se adquirirán dos vehículos pick-up, computadoras, fax, teléfonos y todo lo necesario para facilitar las labores.

IV. PRESUPUESTO

19. El costo total de la fase preparatoria del FONADERS asciende a USD 450 000, el cual será utilizado para cubrir los gastos en los ocho meses de operación (Septiembre 99 – mayo 2000). Este costo incluye todos los gastos operativos que implique tener operando una unidad de coordinación, los costos de montaje de talleres de promoción, la contratación de EDR para el diseño y ejecución de metodologías participativas y de levantamiento de la demandas. Además, se considera la contratación de consultorías específicas en la fase de cumplimiento de las condiciones de efectividad como ser Manual de Operaciones y Reglamentos Administrativos.

20. De este total, el FIDA financiará USD 200 000 y el PNUD con fondos propios lo hará con USD 250 000.



APPENDIX VII

Cuadro 1
Cronograma de actividades de la Fase Preparatoria

ACTIVIDAD POR FASE DE EJECUCION	Set	Oct	Nov	Dic	Ene	Feb	Mar	Abr	May
I. LEVANTAMIENTO DE LA DEMANDA									
<i>Ajuste de metodologías de promoción de la demanda</i>									
Revisión de experiencias	■								
Talleres de intercambio		■							
<i>Preparación de la metodología de trabajo</i>									
Contratación de la EDR en modelos participativos	■	■							
Preparación de los módulos de trabajo									
Socialización de la estrategia operativa		■	■	■					
<i>Preparar TOR y contratación de EDR</i>									
Preparar los TOR y enviar convocatoria a presentación de ofertas	■								
Análisis y negociación de ofertas		■							
Contratación de EDR			■						
Trabajo de campo					■	■	■	■	■
<i>Negociación con Proyectos de Desarrollo</i>									
Jornadas de intercambio		■							
Firma y negociación de convenios			■						
<i>Capacitación</i>									
Talleres de capacitación a técnicos de las EDR				■	■				
Acompañamiento a nivel de campo de metodología participativa					■	■	■		
Promoción Proyecto a Instituciones Intermediarias			■						
II. CUMPLIMIENTO DE LAS CONDICIONES DE EFECTIVIDAD									
<i>Estudio de Línea de Base.</i>									
Análisis metodológico.					■	■			
Definición de TOR						■			
Proceso de selección de la firma consultora							■		
Análisis informe preliminar estudio línea de base								■	
<i>Gestiones</i>									
Dictamen de SFIN y solicitud al Congreso						■			
Ratificación por el Congreso del Contrato de Préstamo							■		
<i>Constitución de Unidad Ejecutora del Proyecto</i>									
Selección de los representantes de los productores a la Junta Directiva					■	■	■		
Revisión TDR cargos superiores							■		
Elaboración propuesta de proceso de selección							■		
Constitución comisiones ad hoc							■		
Publicación de cargos							■		
Selección del Director de la UEP								■	
Selección de los cargos superiores de la UEP								■	
Instalación de la Junta Directiva del Proyecto								■	
Apertura de cuenta especial en el BCH									■
Apertura cuenta corriente en banco comercial									■
<i>Documentos, manuales y reglamentos</i>									
Preparación PRODOC admin. fondos PNUD		■	■						
Preparación y validación del Manual de Operaciones					■	■	■	■	■
Convenio de administración de donación del FIDA								■	
Preparación Reglamentos y manuales de administración de la UEP					■	■	■	■	■



APPENDIX VII

Cuadro 2
Presupuesto y Financiamiento de la Fase Preparatoria

	Cant.	Costo Unidad	Set	Oct	Nov	Dic	Ene	Feb	Mar	Abr	May	Total
I. INVERSIONES												
1. Vehículos y equipos												
Pick-up	2	20,000	40,000									40,000
Equipos de Oficina			14,300									14,300
Subtotal Vehículos y equipos			54,300									54,300
2. Talleres												
Jornadas de entendimiento ⁽¹⁾	1	700		700								700
Talleres con instituciones intermediarias ⁽²⁾	3	700				700	1,400					2,100
Capacitación EDRs ⁽³⁾	2	2,200				4,400						4,400
Subtotal talleres				700		5,100	1,400					7,200
3. Contratos y Consultorías												
a. Contratos												
Capacitación y Seguimiento ⁽⁴⁾	1	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	108,000
Levantamiento de la demanda ⁽⁵⁾	3	7,500				22,500	22,500	22,500				90,000
Estudio de línea base	1	55,000									55,000	55,000
Subtotal Contratos		74,500	12,000	12,000	12,000	34,500	34,500	34,500	34,500	12,000	67,000	253,000
b. Consultorías												
Revisión manual operativo	1	3,000						3,000	3,000			6,000
Manuales procedimientos administrativos	1	2,500							2,500			2,500
Subtotal Consultorías								3,000	5,500			8,500
Subtotal Contratos y Consultorías			12,000	12,000	12,000	34,500	34,500	37,500	40,000	12,000	67,000	261,500
II. COSTOS RECURRENTE												
1. Salarios												
Coordinador	1	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	22,500
Asesor técnico	2	2,200	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	39,600
Secretaría administrativa	1	500	500	500	500	500	500	500	500	500	500	4,500
Motorista conserje	1	250	250	250	250	250	250	250	250	250	250	2,250
Subtotal Salarios			7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,650	7,650	68,850
2. Gastos de Operación												
Viáticos	1	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	18,000
Combustibles y lubricantes	2	650	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	11,700
Papelera y útiles de oficina	1	300	300	300	300	300	300	300	300	300	300	2,700
Seguro médico y de vida	1	600	600	600	600	600	600	600	600	600	600	5,400
Luz, agua y teléfono	1	400	400	400	400	400	400	400	400	400	400	3,600
Remodelación de oficina	1	3,000	3,000									3,000
Publicaciones	1	500	500	500	500	500	500	500	500	500	500	4,500
Mantenimiento de equipos	1	100	100	100	100	100	100	100	100	100	100	900
Misceláneos	1	150	150	150	150	150	150	150	150	150	150	1,350
Subtotal Gastos de operación			8,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	51,150
3. Comisión por Administración ⁽⁶⁾	200,000	3.5%									7,000	7,000
COSTOS TOTALES			82,300	25,700	25,000	52,600	48,900	50,500	53,000	25,000	87,000	450,000

PROPUESTA DE FINANCIAMIENTO DE LA FASE PREPARATORIA

	FIDA		PNUD		Total
	Monto	%	Monto	%	
I. INVERSIONES					
1. Vehículos y equipos	-	0%	54,300	100%	54,300
2. Talleres	-	0%	7,200	100%	7,200
3. Contratos y Consultorías	143,825	55%	117,675	45%	261,500
Sub Total Inversiones	143,825	45%	179,175	55%	323,000
II. COSTOS RECURRENTE					
1. Salarios	34,425	50%	34,425	50%	68,850
2. Gastos de Operación	21,750	43%	29,400	57%	51,150
3. Comisión por Administración	-	0%	7,000	100%	7,000
Sub Total Costos Recurrentes	56,175	44%	70,825	56%	127,000
COSTOS TOTALES	200,000	44%	250,000	56%	450,000

(1) Coordinación entre Proyectos, 1 taller de 1 día y medio

(2) 1 taller por conglomerado de 1 día y medio con instituciones intermediarias para la promoción del proyecto

(3) En metodologías participativas para el levantamiento de la demanda (2 talleres de 4 días y medio cada uno)

(4) Contratación EDR (6 técnicos de campo y un coordinador) para el diseño y seguimiento de metodología participativa

(5) 1 EDR por cada módulo de 4 municipios por conglomerado (3 meses de campo y un mes de capacitación).

Cada EDR compuesta por 1 coordinador, 2 técnicos agrícolas, 2 técnicos sociales, 1 formulador de proyectos, 1 técnico de enlace de campo

(6) Comisión PNUD (3.5%) por administración fondos FIDA