

Sida Country Report 2003

Honduras



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1 Summary

The following report provides a brief overview of political and economic development in Honduras in 2003 and a summary of main features of Swedish development co-operation since the last report. The report is a follow-up instrument to the regional strategy and the country programme guiding Swedish development co-operation with Honduras.

Economic development was stable although with lower than expected growth rates for the year 2003. By the end of the year the government came to an agreement with the International Monetary Fund that concluded an over two-year negotiation process. The lack of an agreement and, as a consequence, considerable additional external financing has slowed down the implementation of the national Poverty Reduction Strategy. The political reform process has continued with some important progress, such as the separation of the Electoral Court and the Public Register of Citizens, and other reforms related to the electoral process. In 2003, merging the existing audit institutions into a new authority created a reformed Supreme Audit Office. (Tribunal Superior de Cuentas).

Swedish development cooperation in 2003 amounted to SEK101 million. These funds were assigned a variety of project and programmes within the two broad areas of Democratic Governance and Human Rights and Social and Economic Development. Sweden is actively promoting increased donor coordination and harmonisation through sector wide approaches.

2 Strategic Country Development Trends

2.1 Poverty Reduction: Overall Trends and Perspectives

Honduras presented its National Poverty Reduction Strategy in 2001 as part of the requirement for the HIPC debt initiative. In late 2003 the first progress report was presented with results obtained during the first year of implementation (2002).

Progress in poverty reduction has been disappointing so far. Although, the target for reducing extreme poverty was on track in 2002, the overall target to reduce poverty from 66% to 61.5% was not met. The deterioration of Honduras' fiscal position, combined with adverse external conditions, have dampened growth and thus slowed progress in poverty reduction. In Honduras, the elasticity of poverty reduction to economic growth has been very low. Increase and improvement in service delivery is therefore key to achieve equitable distribution of wealth and poverty reduction. The progress report tells us that out of 20 indicators, only seven (i.e. 35%) fulfilled the projected goals for the year 2002.

Most improvements are found in the education sector where school net enrolment has increased for both primary and secondary education. Pre-basic coverage has not met its target. The available health sector indicators are from 2001 and show a slight decrease in infant- and under 5 mortality rates, though not enough to achieve their targets. The only targets that have been reached so far are reduced malnutrition and maternal mortality where for the latter, important progress is registered. As a result some of these indicators have been revised.

There has also been an increase in social spending (from 44% to 49%) in relation to total public spending. However, this spending is partly the result of salary adjustments and does not necessarily reflect real increases in the amount of resources allocated to the social sectors.

The PRS progress report raises the importance of the need to develop a better monitoring system for goals and targets linked to poverty spending tracking and targets.

The government presented in 2003 a new framework for a policy on Social Development. They have furthermore expressed their will to introduce sector wide approaches (so called SWAPs) in the Health and Education sectors. A strategic Plan for the Health Sector 2003-2021 has been presented and is now under revision. The Education Ministry has

prepared a Diagnosis and Plans for working towards a Strategic Plan for the Education Sector as well. Almost all donors in the education sector have signed a MOU in support of the Honduras Plan of “Education for All (EFA)”.

HIV/AIDS

Honduras has the fifth highest incidence of HIV/AIDS in Latin America, and the highest in Central America, according to the United Nations General Assembly Special Session, UNGASS. It is estimated that 1.4% of the total population is infected with HIV. According to the latest statistics of the Secretary of Health (July 2003), health authorities have registered 19,245 cases of HIV, of which 15,009 persons have developed AIDS. HIV/AIDS is the second cause for hospitalisation in Honduras, after violence.

Honduras has taken significant steps to fight HIV/AIDS, with actions such as issuing the HIV/AIDS Special Law, elaborating the National AIDS Strategic Plan, PENSIDA, and working on the approval of funds for anti-retroviral medication emergency purchase.

The Honduran proposal to the Global Fund for efforts related to HIV/Aids, TBC and Malaria was approved with an amount of 41 MUSD for three years. The country has worked with an 18-month operational plan including sexual education in curricula, the inclusion of vulnerable groups in decision making etc.

2.2 Macro-economic Development

In February 2004 the government of Honduras finally reached an agreement with the International Monetary Fund, after being almost two years off-track. The difficulty in reaching an agreement was mainly due to the level of the budget deficit. The situation became uncontrollable after a series of agreements with groups of public employees (most importantly teachers and physicians) which guaranteed these groups a yearly indexed salary increase. This situation would in the long run be totally unsustainable for the public finances. An agreement was reached when Congress in December 2003 passed two laws to regulate the salary system of public employees.

The absence of an IMF agreement has delayed the completion point within the HIPC debt reduction initiative. The additional resources of debt relief, expected as a result of HIPC, were intended to finance the implementation of the national poverty reduction strategy.

If the current agreement with IMF is adhered to macroeconomic stability will be within reach for Honduras, although it is still very fragile. The inflation rate 2003 ended at 6,8% and the exchange rate of the Lempira seems to adjust with inflation and the USD. The international reserves are steady at approximately 4 months of imports.

The GDP growth is still fluctuating and remains at a rather low level. In 2003 the economy grew by estimated 3,2 per cent and is expected to rise with half a point in 2004. A growth rate of 1,5% of GDP per capita yearly, is needed in order to reach the Millennium Development Goals (MDGs). The GDP growth per capita 2003 was 0.6% and thus far from the target.

The deficit in the fiscal balance has been more or less constant at a level of -5% of GDP, although the government projections for the next few years are showing considerable improvements (2006 projections are -2,5% of GDP). Part of the deficit in the payment balance is the trade balance. As coffee prices have been, and continue to be low, a focus is put on the non-traditional export sectors such as tourism and shrimps. The tourism sector has increased steadily and is becoming an important provider of hard currency. To counteract the deficit a heavy dependence on remittances from Hondurans in the USA has evolved. The amount of remittances exceeds 800 million USD in 2003, whereas the entire Honduran GDP is 6,8 billion USD (2003).

In December 2003 Honduras, together with the other Central American countries reached an agreement on free trade with the United States, (CAFTA). The result is considered rather positive from the government's point of view. The staple crop, white corn, of great importance for small farmers in rural areas, received a permanent exception within the agreement. It still remains to be seen which groups will lose and which will gain from the agreement. For expectations to be fulfilled major changes are needed in the Honduran productive sector with increased attention given to the service branch, incl. tourism, a competitive agriculture production and related food industry as well as further development of the assemble industry, the so-called "maquilas".

In summary, the situation in the country has not deteriorated nor advanced remarkably during the last year. With access to financing from the International Finance Institutions, Honduras will be in a better position to implement the obligations accepted under the PRS.

2.3 Political Development, Good Governance and Human Rights

Even though the general elections are two years away the campaigns are on their way. The political forces within the parties are already being formed with the internal elections in mind. The early campaigning moves the focus from important issues such as poverty reduction and reforms, affecting the government and the public institutions negatively. The use of public posts and institutions as a political platform for campaigning is evident.

The conflict concerning the border delimitation between Honduras and El Salvador was resolved in favour of Honduras in the International Court in The Hague in December 2003. The decision of the Court was not to accept the appeal made by El Salvador but to honour the decision of the same Court from 1992, ordering prompt implementation of the demarcation of the border in the questioned area.

Risks of internal conflict are mainly linked to the labour market. Difficult negotiations were carried out, however without violence, at the end of 2003 and led to agreements that regulate the salary increases previously negotiated with important groups as teachers and medical personnel. This agreement was a condition for the new PRGF agreement with the IMF, signed in February 2004. The increases in fuel prices might also lead to conflict with the transport sector and the productive sectors in general.

In the area of political reform a pact signed by all presidential candidates in September 2001 has functioned as a guiding light in the reform process. The National Congress passed important parts of these reforms during 2003, such as the separation of the Electoral Court and the Public Register of Citizens as well as replacing presidential designees with elected vice-presidents. Shortening the time for political campaigning, a new transparent structure for the financing of political campaigns and the inclusion of the photographs of the candidates for Congress were agreed on in 2003 but require a second decision during the legislative year of 2004 since they are constitutional changes. In order for these reforms to have an impact on the elections 2005 the decision needs to be taken by Congress before the end of March 2004.

The reform of the former national controller institutions by merging them into a singular entity called the Tribunal Superior de Cuentas (TSC) was passed in 2003. The Government presents this reform as an important step towards increased transparency. For this to come true efforts to build institutional capacity and de-politicise the institution are needed.

The work of the National Anti-Corruption Council with representation of the three powers of the State as well as representation of the civil society has stagnated after a burst of activity related to corruption in the Financial Sector. However a process of reassessing its status, mandate and composition is underway. The main features of this process is increasing its mandate and sustainability through a law, increasing the number of citizen representatives and create a civil society body that can pursue corruption issues independently as a support to the Council.

The area of public procurement is being strengthened through the programme on Transparency and Efficiency in procurement and contracting of the State (described below). The vast information on weaknesses and possible corruption gathered by this programme has not been received with the expected political will and action from the part of the Government. The components of capacity building in the public administration and the TSC have begun recently and the national institution that is to regulate and support the public administration on procurement issues has just been created.

The Government has highlighted their use of the UNDP as a procurement agency as a major anti-corruption measure claiming that considerable funds have been saved by working through the UNDP. If this procedure will be a decisive factor in developing sustainable procurement procedures and less corruption in the long term, remains to be seen.

The last report by Transparency International ranked Honduras as number 106 out of 133 countries, according to their index. This ranking was received negatively in the country but the Government chose a constructive attitude inviting the TI back in February 2004 in order to discuss the actual measures taken and how the different anti-corruption instruments can reach better results. Corruption has become an important issue on the national agenda, through political dialogue, civil society work and the media. The TI recognises that this often produces a negative effect on the ranking. More open discussion on corruption produces a perception of increased corruption even if that is not the case.

Due to the high levels of violence and crime, strong emphasis on citizen security through repressive means is a major feature of the current government. This policy has strong popular support which made it possible for the Congress to reform the penal code in order to make membership in the youth gangs called “maras”, illegal and punishable up to 12 years of prison for the leaders of the gangs. The actions taken have impressed the neighbouring countries that are in the process of copying the procedures. Human Rights organisations have pointed out the problems regarding the legal rights of the individual that this kind of legislation produces and the Attorney General has expressed his worries regarding possible arbitrary application of the law. An increased polarisation between the state and the Human Rights organisations can be noted as state representatives and the media depict HR-defenders as the defenders of criminals.

A high profile case in the beginning of 2004 where a journalist who investigated the links between politicians, organised crime and drug trafficking was sentenced to 2,5 years of prison for slander, has increased the attention on the freedom of media and expression. The proposal of the National Congress to introduce the figure of Habeas Data in Honduran legislation has been received by journalists and Human Rights organisation as a way to hinder their work by protecting public servants from scrutiny.

The election of the new Attorney General was a conflictive issue, where civil society groups did not approve of the process carried out by the nominating committee. The ability to maintain the independence of the Attorney General’s Office is of great importance for the justice sector reforms as is the creation of a judicial career policy that would increase the credibility of the judicial system.

2.4 Development Co-operation and Partnership G-15

The G-15, donor co-ordination forum consisting of 15 countries and multilateral organisations, continued to play a key role in donor harmonisation and policy dialogue with national government and civil society. The UK chaired the group until the end of September 2003. As from October 1, the Pro-tempore presidency of the Group is in the hands of Spain. Spain will continue to chair the group until the next Consultative Group meeting, which will take place in June 2004. The G-15 at the level of Ambassadors and Representatives held periodical meetings with members of Government, the National Congress and also with representatives of the judicial system. One of the main problems with the functioning of the G-15 has been the government’s lack of capacity to provide leadership in the sector groups.

During 2003, the G-15 was able to increase its dialogue with National Congress. The meetings with Members of Parliament helped both sides to understand the need for structural reforms, especially those that were essential to achieve an agreement with the IMF, and the political complexities of approving the laws necessary to transform the country.

A special event on donor harmonisation took place in March 2003. One of the conclusions was to work towards the implementation of SWAPs in Honduras. In May 2003, Sida and IDB organised a three-day

event in which the ideas of SWAPs were introduced and analysed in Honduras. The government decided to focus in the following sectors as possible areas to work towards a SWAP: Education, health, agro-forestry, citizen security and justice, economic infrastructure and water and sanitation. The next harmonisation meeting to be held in March 2004, will be part of the preparations of the Consultative Group meeting for Honduras.

In the framework of the Sida-IDB partnership several new activities and initiatives took place e.g. regarding fiscal reform, remittances, civil society, and political parties

The Annual meeting of the Sida – IDB partnership was held in Managua in October 2003. The meeting decided to promote the decentralised model of operation adopted in Honduras that was highlighted as very successful.

3. Swedish Development Co-operation

3.1 Strategic Assessment and Considerations

The Regional Strategy for Central America and the Caribbean 2001-2005 has been revised and prolonged in order to be valid through 2006. The strategic choices made in the document regarding democratic development and poverty reduction are still valid. The Honduran Poverty Reduction Strategy was decided upon in mid 2001 and the change of government has not diminished the commitment to its implementation. Political reforms are underway and are the basis for continued support to democratic governance.

There is also momentum for the methodological choices recommended in the strategy where an increased focus on programme support was suggested. Since the OECD/DAC harmonisation meeting in Rome mid 2003, the Honduran Government has shown great interest regarding increased harmonisation and laying the grounds for Sector Wide Approach in development co-operation. However the necessary sector wide planning, budgeting and the supporting financial administration system need to be further developed.

Due to the general nature of the Regional Strategy, Honduras as well as Nicaragua and Guatemala were assigned the task of formulating Country Programmes in dialogue with each government and civil society. This was done and in the process from the Reconstruction phase after Hurricane Mitch to the current medium-term co-operation program some strategic choices have been made. The Country Programme follows the Strategy in dividing the Swedish development co-operation with Honduras into two main areas:

a. Democratic Governance and Human Rights.

In this area a large program in co-operation with the UNDP has been finalised and some of the issues have been given continuity such as Gender Equity, Political Reform and the Anti Corruption issues. A new area of co-operation will be citizen security where arms control and community based prevention efforts will be given priority. This is in line with the revision of the strategy that points out violence and crime as major obstacles to development.

b. Social and Economic Development.

In this area primary education is a new line of co-operation carried out within the Education for All/Fast Track Initiative. However, both in the area of education and health, Sweden intends to support the Governments efforts towards creating sector wide approaches that can incorporate future development co-operation. The agreed Swedish budget support from 2002 will be disbursed in 2004 now that the PRGF agreement with the IMF is in place. A new area of work is support to the development of an efficient and more equity oriented tax administration. This is seen as building structures for future tax reforms that can increase the national funding of poverty reduction.

The dialogue issues highlighted in the regional strategy concerning Honduras, are decentralisation, judicial reform and anti-corruption. These are still relevant but need to be complemented with issues regarding the implementation of the PRS and the need for civil service reform, coherent planning and financial management as an overall strategy to strengthen the institutions of the public administration.

3.2 Overall Country Programming Review

The programme is reviewed every six months together with the development co-operation ministry, SETCO. The last meeting was held on the 5th of November 2003. Honduras recognised Sweden as being one of the main promoters of Sector Wide Approach Programs and for its continuous work for the strengthening of national capacities. The weak institutional capacity in several of the areas where Swedish development co-operation is present was considered a main obstacle. Areas of preoccupation are decentralisation, civil service reform and justice sector reform where Sweden does not see the necessary conditions for developing the planned programs. SETCO promised to function as a facilitator in programmes where problems have been detected. Sweden promised to provide additional information about projects carried out by Swedish NGOs, Sida/IDB-partnership and regional programs that include Honduras. A matrix that includes all Swedish development projects and programs was analysed and actions were agreed per item.

The indicative country allocation for Honduras in 2003 amounted to SEK 135 million. Forecast at the beginning of the year was 156 million, i.e. an initial over-planning of around 15%. The allocated amounts were continuously revised during the year. Disbursements in 2003 ended at SEK 101 million.

The absence of an overall agreement with IMF and otherwise delays in the reform agenda, has lead to the postponement of several planned programmes within public administration and public sector reform during the year, such as support to civil service reform and decentralisation.

The 2003 country plan listed nine project and programme assessments to be undertaken during the year. Out of these four project or programme assessments were carried out and resulted in co-operation agreements. Most of the planned assessments that could *not* be concluded were in the governance sector and were postponed mainly due to the

reason mentioned above. In one case the assessment was partially made resulting in two separate development co-operation agreements. In a second sector two already agreed projects had to be re-assessed during the year. In addition, one project assessment not foreseen in the Country Plan was carried out, resulting in an agreement on support of SEK 9 million to the National HIV/AIDS Forum.

The Country Plan is also used as an instrument for the local field office to request support needed from Sida's sector departments in the form of short-term assignments in the field. In 2003 10 weeks were requested, out of which 7 weeks were carried out from two sector departments.

Follow-up of Country Programme Performance

Below the on-going programmes supported by Sida in Honduras on a bilateral basis are reported by sector.

3.2.1 Democratic Governance and Human Rights

Democratic Governance

The activities in the agreement on support to projects within the Swedish/UNDP program for Democratic Governance 2002-2003 in collaboration with the Honduran Government, with a total amount of 29,8 MSEK ended on December 31, 2003.

The neutral platform that UNDP provides has been successful and a direct condition for the dialogue and negotiation between the political parties within the *Political Reform* project. It has served to build confidence and trust between the participants. The assistance and the political level of the representatives from the different parties has been high. Three political reforms have been ratified and draft bills on electoral law and political organisations have been presented and are being discussed by the National Congress.

The UNDP project on *Defence Reform* with support from Sweden, Holland, Norway and Great Britain has been of high importance in the area of military/civilian relations. The audit and restructuring of the Military Provision Institute (IPM), with the technical assistance of the Swedish branch of BDO, has led to the restructuring of the IPM. The Inter American Institute of Human Rights (IIDH) has carried out a study regarding how the department for Human Rights and International Humanitarian Law of the armed forces is functioning and a proposal for reorganisation for Human Rights. The recommendations of this study have been used in a two-week course for military educators in the area of Human Rights, led by IIDH.

The previous and current phase (1998-2002) of the Democratic Governance Programme was evaluated by an external team (Hifab International) contracted by DESA. (Sida Evaluation 02/25.) The main objectives of the evaluation were to analyse the results of the programme, the value added of working through the UNDP, issues of ownership and partnership as well as prospects for alternative areas and methods for Swedish co-operation with Honduras in the area of Democratic Governance in the future.

The conclusions of the Evaluation were presented in the previous report and have been used in the preparation of future development co-operation in this area.

In March 2003 the preliminary assessment of the conditions for future Swedish Development Co-operation in the area of Democratic Governance were initiated, with the support of a national consultant team.

The in-depth project assessment and preparation of new projects within the area of Democratic Governance has started and a bilateral collaboration has already been established in the area of *Gender Equity* through an agreement on institutional support to the National Women's Institute (INAM) 2003-2006, in the amount of 18,8 MSEK. The support aims to strengthen the role of INAM as the normative national authority in co-ordinating the implementation of the National Policy for Women through formal agreements with the line ministries, autonomous entities of the state and the municipalities. Sweden supports the implementation of the five areas of the National Policy concerning; health, education and media, economic participation and poverty reduction, violence against women, and social and political participation.

Collaboration has also been established in the area of *Political and Electoral Reform* through a multilateral agreement with the Organisation of American States, OAS, and the Honduran Government, in co-operation with the *National Electoral Tribunal*, NET, and the *National Population Register*, NPR, for the period 2003-2005, with a total amount of 14,0 MSEK. The project includes three components; Update of the National Electoral Register, Inscription of data in the National Population Register, and Modernisation of the Citizen Identification Card system. Support to the first two components has already started and the last component will if possible begin later on after further assessment and decisions.

UNDP has presented a proposal for Swedish support to Democratic Governance 2004-2007, which includes three main areas of intervention; *Public administration, Political System, and Justice and Security*. Within these main areas three projects have been identified and are in the process of preparation before decision; continued support to political reform in collaboration with the political parties 2004-2005, continued support to Defence Reform 2004-2005, and a new project regarding citizen security and small arms control 2004-2007.

Another part of the program has been the support to the *Attorney General's Office* and the *five special prosecutors for women, human rights, environmental issues, ethnic groups and consumers*. A strategic plan for professionalisation of the staff has been designed and several courses have been accomplished during this period. Aside from specific education on the thematic areas, general courses regarding the new Law on Penal Process and issues on Forensic Medicine have been carried out. During the period a specific effort regarding education in forensic medicine, forensic odontology and forensic psychiatry has been made in co-operation with the University of Havana, the National University of Honduras and the Attorney General's Office. This has resulted in certified operators in these areas, which is a requisite in the legal process according to the new Law on Penal Process. The other part of the project

concerns the use of IT in the work of the Attorney General. The expansion of the Intranet that includes the regional Attorney General's Offices and the different departments of the headquarters is proceeding.

Further assessment on continued support to the justice sector and the Attorney General's Office will be done when the new Attorney General has taken office in March 2004.

Sweden supports the *Forum for Strengthening of Democracy*, FFD, with an amount of 500,000 SEK each year. The three main objectives of the support are:

- to facilitate processes of consolidation of democracy in relation to poverty reduction.
- to facilitate the creation of an environment that promotes citizen participation in the area of Political Reforms.
- to support the Judicial Reform.

In all cases the main means of operation is promoting civil society participation in processes of national interest and creating forums for dialogue and consensus building. An important part of this work is the formulation of a long-term country vision that relates the reduction of poverty to democratic development. During the period the program for citizen participation in the area of political reform has begun a series of seminars. Each seminar is followed by a second session for youth from the political parties and civil society. Sweden is a member of the executive board of FFD where also several other countries are represented as well as Honduran Civil Society organisations and the political parties.

The *Centro de Documentación de Honduras*, CEDOH, has received an annual support of 1,0 MSEK partly as institutional support and partly for studies within the areas of democratic development and poverty reduction. They are important in the continuous analysis and reflection of the political situation.

Statistics

The National Institute for Statistics was created in 2000 and has received Swedish support since its start. The provision of reliable statistics is key to follow-up of the poverty Reduction Strategy as is provision of high quality data for all policy related decisions. In 2003 the implementation of a co-financed project started after the signing of an administrative agreement with IDB. The project amounts to US\$ 7 million out of which Sweden contributes with an amount of SEK 20 million. Great Britain is also co-financing the project. The start of the project was considerably delayed and took off only in the second half of 2003. The institution has managed to consolidate its position within the public administration, establishing relation with other line ministries with the purpose to improve quality of all sources of statistics including those produced by other entities. This year the first enhanced household survey will be carried out by INE according to the MECOVI methodology.

Transparency

The IDB-program Efficiency and Transparency in acquisitions and contracting within the state administration, receives bilateral support from six countries including Sweden. Sida provided 8 MSEK aimed for a period of three years. The programme has four components and aims at improving the national system of public procurement. The first and largest component consists of project inspection, for which Price Waterhouse Coopers has been contracted. The audit firm carries out on-sight inspections and audits of procurement processes realised both with national funds and with external financing. As a result more than 1500 audit reports with numerous findings and recommendations have been produced. The Consultative Council of the programme, consisting of representatives from Government, Civil Society and Donors, has now been functioning for a year. Its role is to oversee the work of the inspections of the procurement processes, pass the inspections to the National Audit Office (TSC) for further action. So far the inspections have not had the desired impact. First of all, some of the inspected public institutions are not responding to given recommendations. Secondly, the capacity of the newly established National Audit Office is very low. Approximately 22% of the reports have been processed until date. Almost a fifth of these reports indicate some form of civil responsibility and will be legally processed further. Time will show the result of these processes. The role of the Consultative Council has been very proactive to demand response from responsible procuring units and ministries. Meanwhile, the programme has launched the third and fourth components aiming at the creation of a national training programme.

The National Anti-Corruption Council

Sweden has jointly with several other donors supported the creation and the activities of a National Anti-Corruption Council (CNA). The council was established in 2001 And consists of 24 members altogether, half of which represent the State while the other half represent different sectors of civil society. The Council elaborated and presented a national Anti-Corruption Strategy in 2002 and the work has since focused on the implementation of this Strategy. The second phase of the Swedish support to the Council ended in December 2003. Members of the Council and donors felt that the role and the mandate of the council ought to be reviewed and reformulated. Reform proposals have been presented both by the Council and the co-operating agencies. The proposals coincide in the need for increased civil society participation, a stronger mandate for the council as well as an independent civil society body that can function as a technical unit. These proposals are now being discussed and revised within a small working group of civil society members.

Human Rights

The *Human Rights Ombudsman* in Honduras has received an institutional support of 7,5 MSEK during the period 2001-2003. The HRO is implementing its activity plan in accordance with the original objectives of strengthening the regional offices and creating a special program for the

defence of Women's Rights. The program for Women's Rights was presented to the public in September 2002 and has since then been an important actor in the follow up of the National Women's Policy. The Human Rights Ombudsman also plays an important role in the promotion of Municipal Ombudsmen against corruption.

3.2.2 Social Sectors (incl. culture)

Education

In November 2003 Sida entered into an agreement with the Honduran Government on support to the Honduran Education for All-Fast Track Initiative. The support amounts to 140 MSEK during the period 2003-2005. During the first 18 month period support will be channelled through a World Bank Trust Fund until a joint mechanism for donors to fund the initiative through a common pool will be functioning. A joint Memorandum of Understanding has been signed with all donors in education except IDB, EC and Spain in support to the EFA Plan. The implementation and launching of the EFA initiative has been delayed due to slow procurement processes, political focus on teacher salary negotiations instead of good planning and implementation and delayed funding decisions from donors.

Parallel to the EFA-initiative the government has, with support from IDB, conducted a diagnosis of the education sector and is currently discussing a process to develop a Strategic Plan for Education and a SWAP for the whole sector. Although donor harmonisation, joint planning and sharing of workload etc. has improved due to these initiatives there are still several steps to be taken to true harmonisation of all procedures. The main Swedish dialogue issues are capacity strengthening, government ownership and harmonisation of planning, budgeting and monitoring procedures.

Health

In the Health Sector Sweden is supporting the program "Access to health services with equity and decentralised management" during the period 2003-2005 in the amount of 70 MSEK. This is the third phase of Swedish support to the programme. Support to the programme was previously channelled through Pan American Health Organisation. Now a project secretariat at the Health Ministry manages administration and implementation. The project is operating in 8 of the poorest regions and has shown positive results in improved health indicators and improved indicators of peoples' view on their possibilities to have access to health services.

The government has declared its interest for a SWAP in the health sector. All donors except the EU have declared their interest of supporting this process. The Ministry of Health has been working on a strategic plan for the Health Sector 2004-2021, which soon will be published for wider consultation. The question of government ownership and creation of a unified plan and sector reform are the main dialogue questions for Sweden in the sector.

HIV/Aids

Sweden entered into an agreement of support to the National Aids forum in December 2003. The support amounts to 9 MSEK during a period of four years 2003-2006. The support aims at strengthening the civil society and small organisations working with HIV/Aids. The HIV/Aids sector has experienced some problems during the last year with undefined and overlapping roles of the main actors. USAID and the Global Fund provide considerable funding for the sector, which has little previous experience of executing projects. Different political views globally and nationally on what to support also creates difficulties in the sector. The main dialogue questions for Sida are to strive to strengthen capacities in the sector, work with prevention, sexual and reproductive health and strengthening the component of Human Rights for people affected by HIV/Aids.

Culture

Sweden supports the culture sector with regional support to three main areas; museums, library and theatre. The only bilateral project supported by Sida in the Culture sector is the Mobile Theatre. An agreement was signed already in 1998 on support of 800 000 SEK for two years. Due to severe delays in incoming of reports, plans etc. the agreement has since then been extended and the final disbursement was just recently made. The theatre has shown a great potential of being able to run with its own resources. The Culture Ministry and cultural activities in Honduras have very scarce national resources. Sweden together with France and Spain are the main donors. There are few initiatives taken to joint financing of activities and for a national policy for the sector, activities are mainly financed through different projects. Swedish support to culture in Central America will be evaluated in 2004.

3.2.3 Infrastructure and Local Development

Water Choluteca

In June 2003, a reappraisal of the project proposal presented in October 2002 was carried out. In September 2003, the local project committee of the Development Co-operation Section with Honduras approved the second phase of support to the water and sanitation system in the city of Choluteca. The project of SEK 20 million will improve the water system and the administration and efficiency of the system by giving institutional support to the Water Company Aguas de Choluteca. The project will be administrated by the Inter American Development Bank (IDB) and executed through the Ministry of Finance. Technical assistance will be given by the Canadian consultancy firm, ROCHE, which also serves the twenty municipalities benefiting from a loan that the IDB has in support of municipal water systems. These interconnected programs became possible, when the Law of Water and Sanitation, was approved by Congress in August 2003. The law establishes the decentralisation of water services to the municipalities. In February 2004 the agreements with the IDB and the Government of Honduras were signed.

Housing

During 2003, the public housing foundation, FUNDEVI continued its institutional strengthening process. Sida was involved in facilitating the implementation of the IDB loan No.1037. A total of 4,654 housing solutions were financed by FUNDEVI during 2003 the majority with resources from KfW and IDB. FUNDEVI is now perceived by the urban and rural poor as the main program for low income housing for households that earn less than four minimum wages (US\$ 450 of monthly family income). The government also recognises this contribution.

In December 2003, a monitoring mission of consultants hired by Sida (Boman and Peck) visited Honduras to make a follow up of the implementation of the programs financed by Sida through FUNDEVI. The mission concluded that in spite of the advances FUNDEVI was facing big challenges in two main areas: on the one hand, in the management of the loan portfolio which showed an increase in arrears and difficulties in recovering the loans. On the other hand, in the implementation of the second phase of Swedish support to the social housing sector in Honduras. The external audit of transfer of the assets from the previous programs (PRIMHUR and PVMR) to FUNDEVI was not concluded and preparations for the implementation of the infrastructure and basic services and the micro-lending components were behind schedule.

A Urban/INEC Sida mission that visited Honduras at the beginning of February 2004 analysed thoroughly the conclusions of the monitoring report. Measures to overcome these problems are going to be taken with support from Sida.

Environmental Co-operation Stockholm – Tegucigalpa

The project consists of five sub-projects;

Sub-project 1 “Institutional capacity building and support in Waste Management”: Activities of the sub-project ended in June 2003. The municipality of Tegucigalpa appreciated the inputs given especially to secure a solid process of privatisation and the increased capacity of the waste dump. Good co-ordination efforts were undertaken with IDB, especially in the support of a strategic plan required as a precondition to the use of their loan in the sector.

Sub-project 2 “Industrial Waste Management” faced different problems in its implementation. A review of how to take it forward will be done in March 2004.

Sub-Project 3 “Environmental Campaign”. The project was redesigned. A visit from the municipality of Stockholm took place in November 2003 to assess the possibilities of starting project implementation in 2004.

Sub-Project 4: Hospital Waste Management: designed to help both the municipality and the Ministry of Health in the internal management of hospital waste management and also its disposal and treatment in the municipal garbage dump. The project started implementation in September 2003 and will continue until October 2005. The aim is to secure that all hospitals private and public as well as laboratories have sound controls and methods for waste disposal.

Sub-project 5 urban planning: the municipality has presented several proposals in this field. The Municipality wants support on the design of a long-term plan for solid waste management.

Land Regularisation and Titling

The Municipality of Tegucigalpa, with the approval of SETCO presented in September 2003 a first draft of a project proposal on land titling and regularisation for poor families living in squatter areas located in Tegucigalpa and Comayagua. The main objective of the project is to start securing land tenure and afterwards full titling to more than 1,800 families that live in peripheral areas of the city so that they can improve their habitat conditions. The proposal considers co-ordinating the activities of land titling with FUNDEVI, the public foundation for low-income housing supported by Sida and KfW.

In consultations between the Swedish Development Co-operation Section with Honduras (DCS) and Urban/INEC in September 2003 the project proposal was considered important as secure land tenure is one of the critical obstacles that urban poor families face to have access to the financial and technical assistance given by FUNDEVI. In this sense, the implementation of the project will generate more synergy and strengthen the existing framework agreement between the Municipality of Tegucigalpa and FUNDEVI. Comments to the first proposal were given by Urban/INEC and the DCS to the Municipality of Tegucigalpa. A later version of the proposal was presented in December 2003. To assess the project proposal the DCS hired a local consultant firm. The appraisal will be ready by the middle of March 2004.

Stockholm Bridge

The total cost of the bridge and the adjacent supplementary roads required for expediting traffic in and out of the city will be approximately 3.8 MUSD. Sweden will co-finance the project with 15 MSEK. Another 1.5 MUSD will be obtained through a loan from IDB. The Municipality of Tegucigalpa will finance the difference. The Bridge, to be named “Stockholm” in recognition of the role Sweden played in the process of reconstruction and transformation of Honduras, will connect the city of Comayagua with Tegucigalpa. During 2003, the design of the bridge was concluded. The bidding and tender process also took place and the contract has been awarded to the Honduran company PRODECON, with long experience in building bridges through out the country. The municipality of Tegucigalpa continued its preparation to secure the right of access. These activities included expropriation, buying of land as well as negotiations and compensation for street vendors that will be removed to make the project feasible.

3.2.4 Research Co-operation

Based on the results of a commissioned study on “Higher Education and Research In Honduras”, in-depth preparation for research co-operation between Honduras and Sweden was initiated in 2002. The report, which presented an analytical and descriptive vision of the higher education and research system in Honduras, emphasised the urgent need for

changes, strengthening and modernisation. The national university in Honduras, UNAH has the responsibility for direct and co-ordinate higher education. UNAH has initiated a reform process, which requires support and legal framework approved by the Congress. Sida considers the University Reform as an essential issue that supports and contributes to the implementation of research co-operation. During 2003 Sida engaged in various activities to support the reform process and lift the issue in the national and international context. To this end, Sida contributed to activities aimed at increasing the awareness of different bodies and civil society, towards the reform and to establish links between UNAH and the International Association of Universities (IAU).

UNAH submitted research projects in the areas of health, social sciences and natural sciences/technology encompassing matters that are in line with the national priorities. These projects were evaluated by Sida and the principal investigators of the selected projects established preliminary contact with Swedish universities.

If the Honduran congress approves the proposed reform during the first half of 2004 Sida may decide on the initiation of the research collaboration.

3.2.5 Information and Other Areas

During the year 2003, the work of strategic communication was continued under the overall objective of strengthening relationships with important target groups for Sida and the DCS in order to reach higher quality in the co-operation work in Honduras. To accomplish such a mission, four methods were used: information, political dialogue, public relations, and communication in projects.

A set of information materials was produced in order to communicate the objectives of the Swedish Co-operation with Honduras to target groups: a web page, publication of the Swedish development Program and updated fact sheets related to the current programs and projects.

Information-Media

Several events were used to inform target groups about the Swedish Development Co-operation as for example the signing of the Education for All agreement, the Swedish National Day, the visit of General Director of Sida (Maria Norrfalk) and the Fifth Anniversary of Hurricane Mitch.

A workshop to train the DCS in media relations was carried out with participation of other members of the G-15.

Strategic communication has supported the development of political dialogue by facilitating key messages through mass media: anti-corruption, reconstruction processes, use of reconstruction funds, agreement with the International Monetary Fund and subsequent support by the international co-operation.

This work also included the launch of the Swedish Policy on Global Development "Shared Responsibility" in Honduras. This event gathered more than 100 representatives of the international co-operation, civil society, Honduran government, academic community, and press.

A dialogue with Swedish funded programmes such as FUNDEVI and INAM regarding the importance of including strategic communication in their work has been initiated. This initiative was strengthened by the implementation of a workshop organised by Sida/INFO and the DCS.

During 2003 an external evaluation of the communication project 1999-2003, was carried out. The results of the evaluation were positive regarding the Honduran experience. Considering this pilot-project to be a model that can be used by other Sida Offices/Embassies that consider strategic communication an important ingredient for the development work. Sida Headquarters organised a workshop with the participation of all communicators in the headquarters and the field. An international network was conformed as a main result of this gathering.

Sida's International Training Programmes

During the period April 2003 – Dec 2003, the DCS received 21 invitations to Sida's International Training Programmes. Nine participants (5 women and 4 men) were selected and participated according to the following:

– *Information, Technology & Management* (1 participant from the Honduran Telecommunication Co.Hondutel)

Forest Certification (1 participant from the Foundation for Investment and Development of Export-FIDE)

Architecture, Energy & Environment (2 participants from the Consultant-Private Sector & Private University)

Development of National Forest Policies and Strategies (1 participant from the Ministry of Agriculture)

The Equal Status of Women and Human Rights (1 participant from the Human Rights Ombudsman)

Maritime Safety Management (1 participant from the Merchant Marine of Honduras)

Sustainable Coastal Dev. (2 participants from the Merchant Marine of Honduras)

Swedish NGOs

During 2003 two Swedish NGOs have been active in Honduras, Diakonia and Swedish Co-operative Centre (SCC). These two organisations have been partners to Sida for many years and their respective programs were finalised during the period.

Diakonia's focus is and continues to be democratic development. They have close co-operation with approximately ten counterparts in different areas working with democratisation, empowering poor people to influence their own living conditions, women's and children's rights etc.

SCC's work has been closely related to the reconstruction phase although it has gradually evolved towards local democracy and decentralisation. The network that SCC has with co-operatives and small productive organisations is an excellent channel to reach the rural areas.

The main focus for the new programs of Diakonia and SCC starting 2004 will be local democracy and decentralisation.

3.3 Brief Account of Sida Support to Regional Co-operation Programmes of Relevance for the Country

Regional co-operation that involves Honduras is carried out in Natural Resources, Health and Culture. These programmes are reported separately in the Regional Annual report.

3.4 Office and Administrative Issues

The Development Co-operation Section with Honduras (DCS) had 17 members of staff in the end of 2003. Of these 7 were expatriates, and 10 locally employed staff. A large turnover of staff took place; three expatriates were replaced and two new expatriates (one BBE placed in a governmental institution) and one local employee arrived.

The budget for the running costs of DCS 2003 amounted to 4,1 MSEK and the outcome was 3,8 MSEK. Investments were made for 0,6 MSEK out of a budget of 0,74 MSEK. The main reason for not utilising a 100% of the administrative and investment funds was the falling USD exchange rate.

In mid-December Sida's Director General visited Honduras and participated in a Regional Conference in Copán Ruinas, Honduras, arranged by the DCS. 80 persons participated from the Embassies in Latin America, Sida and the Ministry for Foreign Affairs.

Annex 1.

Fact sheet. Honduras Human Development Indicators

	1998	1999	2000	2001	2002	2003
General						
Inhabitants (million)	6 068	6 220	6 376	6 535	6 698	6 866
Population growth % annually (3)	2.6	n.a.	2.8	2.6	2.5	n.a.
HDI index (2)	0,653	0,651	n.a.	0,667	0,638	0,657
World ranking (2)	113	n.a.	n.a.	n.a.	116	115
Human Poverty Index (2)	23.3	21,3	21.3	n.a.	23,1	23,4
Economy						
GDP (billion USD)	5 293	5 372	5 864	6 329	6 539	6 703
GDP/capita (USD)	872	864	920	968	976	976
GDP growth	2,9	-1,9	5,7	2,6	2,5	3,0
BNi growth/capita	0,39	-4,29	3,12	0,10	0,00	0,50
Gini coefficient	59%	n.a.	56,4	n.a.	n.a.	n.a.
Inflation (per cent)	13,7	11,6	11,1	9,6	7,7	6,8
ODA received as percentage of GDP (1)	n.a.	n.a.	10,6	10,8	n.a.	n.a.
ODA received per capita (US\$) (1)	52,5	n.a.	102,4	102,9	n.a.	n.a.
Poverty Reduction Strategy Papers			IPRSP	full PRSP		1 st PR
Social Development						
% population living in extreme poverty (4)	n.a.	49	n.a.	47,4	45	n.a.
Poorest 20% share of income/consumption (4)	n.a.	n.a.	n.a.	n.a.	3,2	n.a.
Average life expectancy (1)	n.a.	n.a.	66	66	66,1	68,8
Infant mortality per 1000 live birth (2)	n.a.	n.a.	35	34	n.a.	n.a.
Maternal mortality per 100 000 live birth (2,4)	108	n.a.	n.a.	108	n.a.	n.a.
Literacy rate (1)	73	na.	74,6	75,6	76,2	79,7
Share of population with safe water (4)	77	81	n.a.	n.a.	81,2	n.a.
Democratic Development						
Freedom House Index (PR/CL/Status)*	2/3/F	3/3/PF	3/3/PF	3/3/PF	3/3/PF	3/3/PF
Corruption Perception Index (TI)	1.7	1,8	n.a.	2,7	2,7	2,3
Transparency International (TI) Ranking	83	94	n.a.	71	71	106

Genderrelated Development Index (2,4)		0,6	0,64	0,62	0,656	0,633	0,652
Seats in parliament held by women (2)		9,4	n.a.	n.a.	8,6	n.a.	5.5
Women in government at ministerial level		11,1	n.a.	n.a.	n.a.	n.a.	33.3
*Index 1-7, PR stands for "political rights", CL stands for "civil liberties," and "Status" PF= partly free							
Sources:							
(1) Worldbank's Country Profile at www.worldbank.org							
(2) Informe sobre el desarrollo humano 1999, 2002,2003							
(3) IMF Staff Report for the 2003 Article IV Consultation, April 18 2003							
(4) Republica de Honduras: Informe de Avances y Actualizacion Estrategia de Reduccion de Pobreza (draft)							

Annex 2.

Current Planning Overview



Country report - Honduras

Outcome and forecast in TSEK

Delimitation:

Status: I, P, A and C (agr end > 200400 or Disb04 <> 0)

Region/Country: Honduras

Other:

Responsible Unit	(All)
Main Sector	(All)

			Data					
Allocation Frame	Allocation Account	Sub Sector	Outcome 2003	Outcome 2004	Forecast 2004	Forecast 2005		
Inside country allocation	15524 Honduras	-	0	0	2 750	12 250		
		100 Human rights	0	0	1 000	2 000		
		109 Human rights	0	0	2 600	0		
		110 The legal system	587	0	0	0		
		120 Democracy	11 651	6 380	39 886	37 028		
		129 Democracy	1 734	0	500	0		
		131 Central public administration	1 754	0	8 473	8 600		
		132 Financial administration	1 000	358	706	0		
		133 Local administration	574	0	3 600	10 600		
		139 Other within government and public adm	3 000	0	4 000	5 300		
		199 Other within HR & Demo	168	25	86	0		
		200 Primary education	79	0	1 118	800		
		202 Higher education	32	5	6	0		
		209 Other within education	49 400	0	29 400	40 000		
		210 Health care system	9 164	5 567	32 000	25 800		
		211 Health service	3 000	0	500	3 500		
		292 Culture	0	0	0	0		
		300 Transport	7 000	0	474	0		
		303 Water supply and sanitation	0	0	8 000	8 000		
		304 Housing and construction	42	0	8 000	15 000		
		305 Urban development	1 944	748	9 137	9 500		
		400 Land	2 500	1 650	3 300	4 060		
		410 Pollution, other environmental protection	307	82	82	0		
		900 Information & communication	571	111	961	0		
		920 Other	2 538	1 197	62 747	0		
		929 Other	2 893	1 587	3 600	0		
		15524 Honduras Total			99 938	17 711	222 927	182 438
		Inside country allocation Total			99 938	17 711	222 927	182 438
		Outside country allocation	15551 Research	209 Other within education	387	24	546	0
				910 Research	0	0	8 000	16 000
			15551 Research Total		387	24	8 546	16 000
			15561 Non-governmental organisations	109 Human rights	-8	0	0	0
	199 Other within HR & Demo			2 816	-4	0	0	
209 Other within education	232			0	0	0		
210 Health care system	-1			0	0	0		
211 Health service	99			0	0	0		
219 Other within health care	31			0	0	0		
292 Culture	0			0	0	0		
299 Other within social sectors	7			0	0	0		
303 Water supply and sanitation	0			0	0	0		
311 Financial sector	997			0	0	0		
399 Other within infra, trade etc	1 222			0	0	0		
400 Land	-1			0	0	0		
409 Other natural resources	2 345			0	0	0		
499 Other natural resources	59			-1	0	0		
929 Other	0			-3	-3	0		
15561 Non-governmental organisations Total			7 799	-8	-3	0		
15571 Humanitarian assistance	291 Basic provisions		103	-31	0	0		
15571 Humanitarian assistance Total			103	-31	0	0		
Outside country allocation Total			8 288	-15	8 544	16 000		
Grand Total			108 226	17 696	231 471	198 438		

Annex 3.

Strategic documents received

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Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 698 56 15
sida@sida.se, www.sida.se