

## Honduras: National Fund for Sustainable Rural Development Project

Item	Assessment Remarks		Rating
<b>Country &amp; Project Name</b>	<b>Honduras: National Fund for Sustainable Rural Development Project</b>		
<b>Project Name</b>	<b>National Fund for Sustainable Rural Development Project (FONADERS-FIDA)</b>	<b>National Fund for Sustainable Rural Development Project (PRONADEL)</b>	
Loan No.	519-HN	560-HN	
Project Id.	1128	1188	
Board Date	08 December 1999	26 April 2001	
Effectiveness Date	03 July 2000	05 October 2001	
Original Closing Date	31 December 2006	30 June 2008	
Final Closing Date	31 December 2009	31 December 2009	
Total Project Cost US\$(M)	US\$25.7 million	US\$31.3 million	
IFAD loan US\$(M)	US\$16.5 million	US\$20.0 million	
Cofinanciers (if any)	United Nations Development Programme Central American Bank for Economic Integration (BCIE): US\$1.5 million; UNDP: US\$3.0 million	Central American Bank for Economic Integration (BCIE): US\$5.0 million; Global Environmental Facility/United Nations Development Programme (GEF/UNDP)	
Implementing Agency	Ministry of Agriculture and Livestock		
Principal Components	The project has three components: (a) strengthening of local institutions; (b) rural development fund; and (c) project implementation unit (PIU).	The programme is composed of four components: (i) strengthening of local institutions; (ii) rural development fund; (iii) support for the improvement of programme implementation processes; and (iv) programme management.	
<b>Project Performance</b>			
Relevance	<p>The PRONADEL Programme was the sum of two complementary projects: PRONADEL (effective since 2001) and FONADERS-FIDA (effective since July 2000). PRONADEL and FONADERS had one PIU (project implementation unit) which was responsible for implementation of the two projects which were of similar design although they covered complementary geographic area. The Programme's objectives were consistent with the social, economic and political context of the area where it was being implemented, as well as with the needs of the target group. The Programme was meant to adopt a participatory approach by involving beneficiaries and local governments in its decisions and implementation. In addition, it was meant to provide its services to the beneficiary organizations through the rural development entities (EDR), innovative producing families (FAPRIN) and the rural savings and credit associations (CRAC). During the first phase, Programme's relevance was hampered by several issues. First, the Programme has taken place in a highly changing and vagrant national context in terms of economic and policies, which, in general, did not consider rural issues as strategic. It was also negotiated within a framework of low political opportunity, since it was approved during the final phase of a government period, which limited empowerment of the new authorities. Second, PRONADEL was an initiative of a great territorial and financial magnitude not adapted to the conditions of national politics and capacities, as it was over dimensioned for national capacities. Third, the Programme suffered from very serious design flaws which had serious side effects at strategic, directive and management levels. Above all, it was hampered by: i) duplicity of functions; ii) ambiguity of roles and iii) lack of clarity of functions, which facilitated arbitrary decision taking, political bias and lack of respect to processes. Moreover, it did not prioritize rural development within SAG (Ministry of Agriculture and Cattle Raising) and had a bureaucratized, centralized and poorly functional management. The 2006 MTR proposed a Programme's reorganization to: (a) establish four functional levels (strategic, managerial, and operational management), (b) clearly define the need to decentralize planning and operations, and (c) joint all financing into a single structure. It also proposed an increase in staff to 57 employees in total. This contributed to take the Programme back on track as well as to enhance its relevance.</p>		4
Effectiveness	<p>During its first period, the Programme had to deal with serious internal implementation problems and for much of 2005 and 2006 its activities got paralyzed. Among the several issues concerning Programme's low effectiveness, there were: i) weak operational and functional structure; ii) poor management; iii) culture related to respecting standards and procedures. After the reformulation at 2006 MTR, the pace of implementation improved compared to the early years, as well as Programme's effectiveness. In terms of <u>organizational strengthening</u>, 2990 grassroots organizations were organized and/or strengthened; these included: i) 2317 grassroots groups; ii) 569 rural savings and credit associations; and iii) 104 associations of innovative producing families (FAPRIN). These organizations achieved legal status to operate; there were established their boards and management structures; developed their operating bylaws; managed their operations and formulated and executed investments projects and accounting records. With regard to the <u>strengthening of the local technical services</u>, 45 organizations (32 private and 13 public) and 700 technicians were trained on methodologies for rural development. In terms of <u>financial support to local initiatives</u>, there were funded 3514 projects (out of the 5000 foreseen) in</p>		4

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	1544 communities with the following destinations: i) 2518 projects for basic grains, coffee and food security, which benefitted 22608 families; ii) 619 projects for livestock; iii) 200 social investment projects; iv) 11 irrigation projects with 225 has for 609 families; v) 93 micro-enterprise projects; and vi) 73 micro-basin rehabilitation projects. With concern to the development of an alternative rural financial system, there were strengthened 569 rural savings and credit associations, which intermediate the resource of Fund for Rural Development and were capitalized at US\$0.61 million. The associates of the rural savings and credit associations are 27189 rural families, and include 7559 women and 1008 young people. Finally, the Programme strengthened institutional capacities for the design, operation, follow-up, and evaluation of policies, strategies and projects in rural development.	
Efficiency	During the first implementation period, the Programme suffered from low efficiency. A very wide coverage of the Programme did not allow control over the investments, and thus 60% of these were lost. The wide extension of the Programme also resulted in political manipulation. During the 2006 mid-term review (MTR), it was decided to redefine new administrative and operative processes, to elaborate new tools and define an efficient and nimble system for planning, monitoring and evaluation. The originally scheduled loans' closing dates for both projects were extended until 31 December 2009, extending the IFAD's FONADERS implementation period to nine and a half years (July 2000 to December 2009) and PRONADEL to eight years (October 2001 to December 2009). At completion, Programme's final disbursement stood at 95%. According to the PCR, the cost for each beneficiary family was US\$1455 and this was lower than the design's estimate (US\$1920/family). However, the cost to provide US\$1.00 of products to beneficiaries was US\$0.38, which was higher than the cost of other projects implemented in Central America which were considered efficient. On the other hand, costs for vehicles and equipment, incremental salaries and operating costs were US\$10.1 million, equivalent to 28% of the loans' financial execution. The financial execution of these categories of expenditure was slightly below the budget estimated at design, because the Programme Executive Unit (UEP) made economies in these three categories of expenditure.	4
Project Performance		
<b>Partner Performance</b>		
IFAD	IFAD was responsible for several design flaws, which seriously affected the Programme during its first implementation phase. IFAD participated in the implementation by timely disbursing loans 519 HN 560 HN, and by monitoring PRONADEL during eight monitoring missions on the field. During the internal crisis of the Programme Executive Unit (UEP), IFAD visited Honduras to hold coordination and agreement meetings with SAG and BCIE. IFAD also conducted the MTR and provided technical support to UEP staff for the elaboration of the Program Completion Report. Later, IFAD approved two amendments to loan agreements 560-HN and 519-HN in January 2007 and August 2009.	4
Cooperating Institution	The BCIE was the cooperating institution. It managed IFAD loans' administration and conducted fourteen monitoring visits to assess the proper course of the program. The supervision was assessed as being fairly good regarding the fiduciary issues, although IFAD's support was required for the strictly technical aspects. Additionally, BCIE attended the UEP in preparing requests for replenishment of IFAD and BCIE. During the internal crisis of the UEP, BCIE participated in coordination and agreement meetings with SAG and IFAD.	5
Government	During the first Programme implementation period, there was too much political influence on project planning and approval, as the Programme was basically useful to fulfill political promises. This was accompanied by a lack of clarity regarding institutional roles which made delimitation of roles and delegation of responsibilities an issue of great confusion. In addition, PRONADEL management was responsible for inappropriate processes and procedures, which weakened the project and produced an environment of a low level of trust from the institutions, which resulted in retention of disbursements. After the 2006 MTR, the Programme's management has taken ownership of the main objectives of the Program and of its implementation. The delegation of authority and responsibility at coordination level and of regional offices has been speeded up and consolidated administrative decentralization. SAG, which was the Programme's Executing Entity, participated at the Program's steering level, by chairing the Management Board, with a participatory and flexible performance. It also reviewed and approved operating plans and annual operating budgets in a timely way. It also got actively involved in implementing the Processes Improvement component, especially in the systematization of the experiences of CRAC. The Municipal Governments participated in the Programme implementation, through their municipal environmental units (AMU), which prepared and implemented 73 watershed management plans, and through their technical units to implement social investment projects. In addition, local government's mayors took part in projects' approval local committees. All in all, they showed coordination, participatory attitude, and diligence. The Government financial contribution to PRONADEL was in line with its original commitment.	4

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NGO/Other	The Rural Development Entities (EDR) were in charge of supporting target group's organizations over the diagnosis and participatory planning, in addition to providing training and technical assistance to implement productive projects. Overall, their performance was good, although in some cases they did not have the technical personnel proposed in their technical bids, which was replaced by less qualified staff. PRONADEL implementation was widely participatory and beneficiary organizations participated in the diagnosis of their strengths and weaknesses, in the formulation of their demands, in the implementation of investment projects with resources from the FDR (Rural Development Fund), and in the decisions of the thirteen local committees for approval of projects (HPLC). It has to be highlighted the good performance of rural savings and credit associations, and that of innovative farming families (FAPRIN).	5
Cofinancier(s)	The financing from GEF and PNUD did not take place. The loans from BCIE were disbursed integrally, for a total amount of US\$6.50 million.	
<b>Combined Partner Performance</b>	<i>While the first phase of Programme's implementation was characterized by an inappropriate behaviour at Programme's management level, the situation has improved during the course of the Programme. This favourably impacted on the relationships among the Programme's main stakeholders.</i>	4
<b>Rural Poverty Impact</b>		4
Household Income and Net Assets	Due to the lack of a Programme baseline as well as quantitative data, the assessment of the PCR builds on a survey conducted on a sample of 203 key informants. 67% of these declared that their incomes had increased as a result of the productive projects supported by PRONADEL. However, it is not possible to detect the magnitude of this improvement. 569 rural savings and credit associations (CRAC) were capitalized at US\$0.61 million, which are available to finance the productive projects of the target group. In terms of physical assets, 42% of household acquired improved stoves and metallic silos for basic grains, and improved floors and walls. Moreover, 18% of communities improved their assets, with bridges, rural roads, schools, and potable water systems.	4
Natural Resources and Environment	The Programme considered the environmental sustainability as a cross-cutting issue. PRONADEL positive impact on this domain refers to the 73 projects for micro watershed rehabilitation, whereby these were reforested with plants produced in municipal nurseries. In addition, it implemented soil conservation works, which were highly important for the sustainability of agricultural production.	4
Human, Social Capital and Empowerment	With regard to human capital, PRONADEL improved the knowledge of beneficiaries on: i) leadership and teamwork; ii) agricultural production; iii) strengthening of organizations' human capital, particularly to manage CRAC financial resources. The Programme trained 1767 innovative producing families (FAPRIN), which acquired skills for transferring knowledge from "peasant to peasant" on agricultural, environmental and housing technologies. Their farms were transformed into demonstration sustainable units. In terms of social capital, PRONADEL strongly contributed to improve the capabilities of all grassroots organizations. This impact was on: i) 2317 grassroots groups which improved their organization and social management before getting financial support for productive and social projects; ii) 569 rural savings and credit associations (CRAC) that improved their organization and management; iii) 93 rural microenterprises that are generating jobs in their communities; and iv) 104 associations of innovative producing families (FAPRIN) that are transferring production, environmental and housing technologies. In addition, PRONADEL involved young people within the development processes and in the steering committees of grassroots organizations. 331 young people were CRAC's clients, 35 young people worked as FAPRIN and 193 were part of the steering committees of beneficiary organizations. Ethnic groups were also considered by PRONADEL as CRAC credit clients and they worked as FAPRIN and were part of the steering committees of beneficiary organizations.	5
Ag. Productivity	The above mentioned survey showed that 94% of beneficiaries improved their agricultural productivity, thanks to the training, technical assistance, and financial support provided by the Programme. According to the beneficiaries, the most important factors to improve productivity were technologies and loans to purchase inputs.	4
Food Security	87.4% of those surveyed reported that their capacity to buy food and consume food has increased, thanks to higher revenues from selling their production as well as the availability of basic grains at a low price, resulting from grains banks promoted by the Programme. However, 12.6% of the beneficiaries are still not able to get access to secure food during the whole year.	5
<b>Agricultural Productivity and Food Security</b>		4
Inst. & Policies	On this domain, PRONADEL was able to organize and strengthen an alternative rural financing system (SIFAR), appropriate to the target group. Presently, there are 569 CRAC which are involved in financial resources' intermediation to finance projects of the target group. The CRAC strengthening process was not a disjointed action of the Programme, but it was framed within the National Plan for Rural Banks of the National Fund for Rural Sustainable Development (FONADERS Nacional). As a result of PRONADEL implementation, there were also other institutions which improved their capacities and	5

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	services, such as: i) 330 municipalities involved in the sustainable management of small basins; and ii) technical services by 32 entities of rural development and 1767 innovative productive families.	
Markets	On this domain, PRONADEL impact has been weak, as it was not possible to promote the marketing through the organizations, as only in 21% of cases it was successful. In fact, the organizations bought inputs in groups, but the selling phase of production was managed individually. The only exception was that of the irrigation system's groups, which were able to get inserted into the value chains and got access to new markets. Another factor which did not help market access was the lack of primary product processing. The 79% of those surveyed mentioned that they do not process at all their production. This Programme's weakness prevented maximize revenue and generate more jobs.	3
<b>Project Impact</b>		
<b>Overarching Factors</b>		
Innovation	PRONADEL's innovative features were: i) the implementation of Alternative Rural Financing System (SIFAR) by strengthening the CRAC; ii) the strategy development of Innovative Productive Families (FAPRIN) in order to transfer technologies concerning production, environment and households; and iii) the identification and location of organizations and development agents through a geographical referencing system (GPS). The SIFAR innovation was framed into a national effort to provide the poor rural areas with an alternative for production financing. FAPRIN have become a point of reference for technology for the poor rural population in South and West regions, so that the household farms have become appropriate technology demonstration units. With regard to the last element, the document describing the organizations and people participating to PRONADEL was transferred to SAG, in order to be useful for future interventions in rural development.	4
Replicability and Scaling-up	The PCR does not analyze this domain. It just mentions that there is hope that PRONADEL innovations could be replicated and upscaled in rural development-led future interventions. However, the PCR also mentions that the new IFAD project in Honduras, the EMPRENDE SUR (Sustainable Rural Development Programme for the Southern Region), will channel financial resources to target groups through CRAC.	
<b>Innovation, Replicability and Scaling-up</b>		<b>4</b>
Sustainability and Ownership	Sustainability of the programme's achievements seems to be fairly unlikely for the following reasons: i) in terms of social sustainability, the Programme's organizations still require external support; ii) in terms of economic sustainability, the Programme's positive achievements are not sufficient to guarantee sustainability of incomes and employment; iii) in terms of technical sustainability, the update of technical knowledge is not ensured; iv) with regard to the institutional sustainability, further support is required; v) to ensure environmental sustainability, innovative methodologies should be adopted and further efforts would be required; with concern to the sustainability of financial mechanisms, the resources owned by CRAC are not sufficient to guarantee the financing of local development initiatives.	3
Targeting	The Programme adopted a geographical targeting, whereby the 136 municipalities covered by the Programme were characterized by a high poverty incidence, low human development indicators, agriculture being conducted in a natural resources' fragile context, plus they had not received public services for development. 52% of the Programme's beneficiary families had already been inserted in an organization, while the remaining 48% was organized and strengthened by PRONADEL. As mentioned by the MTR, during the first phase of project's implementation, beneficiary families were selected without following the criteria set at design stage. Beneficiaries were selected by taking into account their willingness to participate in a specific project and not considering their socioeconomic conditions. This methodology led to investments in family groups which had higher and better socioeconomic conditions than those stipulated at project design level. Unfortunately, the PCR does not tackle this issue, and thus it is not possible to understand if later in the Programme's implementation period there was a redirection of the targeting approach towards the poorest segments of the population, as originally established.	4
Gender	Gender was supposed to be a cross-cutting issue over all the activities of PRONADEL. However, no specific gender strategy had been designed. During the Programme's first implementation period, there was little attention on gender. The situation got better in the project's later stage. The Programme-led sensitisation process, plus the training and technical assistance had a positive impact as they led to an increased women's participation in development process and in beneficiaries' organizations. At programme's completion, women beneficiaries turned to be 32%. More in details, 6992 women were involved in productive activities; 969 women were CRAC's clients; 55 women were heads of FAPRIN households and 858 women were part of the boards of the organisations of the target group; and 11461 received training in various topic. There is no further information on the change on women's status as a result of Programme's intervention.	4
<b>Overall Performance</b>		<b>4</b>

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Estimated number of beneficiaries	30 000 families, comprising 16 000 families of PRONADEL and 14 000 families of FONADERS-FIDA.	
<b>PCR Quality</b>		
Scope	Overall the PCR is in line with the Guidelines for Project Completion.	5
Quality	The quality of the PCR is fairly good, although it is affected by the lack of quantitative data, especially with concern to the section on impact domains, which is mainly built on the results of a survey.	5
Lessons	Although relevant, the lessons learned are too few compared to the overall intense project's life. A more in-depth reflection on the whole Programme's implementation period would have been advisable.	3
Candour	The analyses is too biased towards the positive achievements. In addition, the Programme does only briefly mentions the first period (before the 2006 MTR) of the project's implementation, which was characterized by huge difficulties.	4