

**Danish International Development Assistance  
Danida**

**Danish Ministry of Foreign Affairs  
Technical Advisory Services**

**Regional Environment Programme for Central America  
Programa Regional de Medio Ambiente en Centroamérica  
PREMACA**

**Revisión Anual 2006 del  
Programa Regional De Medio Ambiente En Centro América  
PREMACA**

*Assessment of Sub-Component 4.b:*

## Table of Content

1.	EXECUTIVE SUMMARY .....	1
2.	INTRODUCTION.....	1
3.	BRIEF SUMMARY OF THE PROPOSAL.....	2
4.	ASSESSMENT OF THE PREPARATION PROCESS.....	5
5.	ALIGNMENT TO THE NATIONAL AND SECTOR CONTEXT.....	7
5.	ASSESSMENT OF THE PROPOSAL .....	8
6	OUTLINE OF RECOMMENDED MODIFICATIONS TO THE DESIGN .....	13
7	PROCESS ACTION PLAN .....	16

## ANNEXES

Annex 1	Detailed Budget according to Draft Proposal
Annex 2	Brief Assessment of FIDE and FUNDER
Annex 3	Budget Outline for Recommended Design Modification
Annex 4	Structure of the Original Proposal and the Recommended Design Modification

## Abbreviations

ARM	Regional Monitoring Advisory Unit (for PREMACA)
AWPB	Annual Work Plan and Budget
BDS	Business Development Services
CABEI	Central American Bank for Economic Integration
CNC	National Commission of Competitiveness
Danida	Danish International Development Assistance
DEM	Decentralised Environmental Management
EEF	Eco Enterprise Fund

CApmeonoDe2(venesl8(on )p(e)-38(t)7.2(p)-B.2(nk )-110 -1.2677 TD0.0007 T41.6643 5-(FIDMFI8(nd -1777.1(Ec)M

## **EXECUTIVE SUMMARY**

*Based on the appraisal report of 2005, on the assessment of a proposal presented to the team, as well as on discussions with stakeholders in Honduras, the team finds that support to “Eco-empresas” in Honduras is highly relevant to the context of Honduras. The basic idea of PREMACA’s component 4 is to improve the environment using the demand for organic products or products produced in processes that are environmentally sustainable as “pull factor”. The team recommends a modification of the design in order to improve the prospects of efficiency and*

January 2006, and covering sub-components 4.a and 4.b with base in the Regional Monitoring Advisory Unit (ARM) in Guatemala City.

2. Based on meetings with the Honduras Office of the Danish NGO, Nepenthes, the Appraisal Team considered that there could be three options for involving Nepenthes in sub-component 4.b, viz.: (i) as consultants to develop and formulate 4.b; (ii) provide financial support from 4.b to Nepenthes for enhancing Nepenthes' programme in Honduras; and (iii) as an Executing Agency for the sub-component. These options were, however, not fully pursued (see section 3). Instead the International Advisor on Eco Enterprises (IAEE) of ARM was assigned to formulate a draft proposal which was submitted on 5<sup>th</sup> November 2006 to Danida's Technical Advisory Services (TAS) for appraisal.

3. As part of the annual review of PREMACA, 22 November- 12 December 2006, led by Ms Elsebeth Tarp, DANIDA and Mr. Danielo Saravia, CCAD the proposal for a sub-component 4.b was assessed. During the period 4-8 December 2006, part of the team worked in Honduras and met with relevant agencies of government, civil society and the private sector, including the proposed Executing Agency: Fundación para la Inversión y Desarrollo de Exportaciones (FIDE) which together with other partners provided valuable support to the team. Preliminary findings were presented to key partners and stakeholders in Honduras, and subsequently to a meeting in Managua with members of the Regional Steering Committee of PREMACA.

## **2. BRIEF SUMMARY OF THE DRAFT PROPOSAL PRESENTED TO THE TEAM**

4. Strategy and Objectives: As for sub-component 4.a, the basic strategy of sub-component 4.b is to identify markets, demand, and buyers for products that are produced in an "environmentally friendly way" and then on this basis to assist the producers and suppliers, within the value or supply chain, with satisfying the demand and requirements of the buyers. In this way, it is envisaged that the increasing demand for environmentally friendly products will influence production towards becoming environmentally sustainable, while at the same time being profitable and creating employment and income for the poor. The development objective is defined as,

"Generation of employment and income in poor communities in Honduras, through creation of successful enterprises based on environmental conservation and sustainable management of the natural resources"

5. Targets: The Logical Framework defines the targets/indicators for the three main aspects of the objective:

- a) Poverty reduction: (a.1) more than 5,000 jobs of which more than 40% are for women; and (a.2) family incomes increased by USD 3 million.
- b) Successful enterprises: (b.1) sales increased by USD 6 million; and (b.2) more than USD 300,000 of generated profits are reinvested to strengthen the capitalisation of the enterprises.

c) Improved environment



13. Inputs and Budget: The total Danida contribution over the 4-year period 2007-2010 is proposed at DKK 18 million (~USD 3 million). The major Danida inputs are: (i) The EEF (DKK 11.9 million); (ii) budget for FIDE for equipment and operations and for contracting a coordinator, three value chain specialists and three administrators (total staff costs to be financed by Danida amount to DKK 3,842,000); and (iii) the contract with SNV (DKK 356,000 ) for capacity development. In addition, budget is allocated for learning networks, electronic platforms, and promotional activities. The detailed budget of the proposal is presented in Annex 1, together with the comments and questions of the Appraisal. It should be highlighted that this budget includes some outcomes which are expected produced through FIDE's contribution but that the value of this contribution is not estimated. Thus, the actual contribution of FIDE remains unclear.

### **3. ASSESSMENT OF THE PREPARATION PROCESS**

14. The preparation of the proposal has taken place in two stages. During the period 6-10 March 2006, a Danish consultant, assisted by a consultant/representative of Nepenthes in Central America, undertook a preliminary mapping of organisations and other actors relevant to sub-component 4.b<sup>2</sup>. This work followed up on the work done for preparation of PREMACA and formulation of Component 4, which, however, for Honduras had not resulted in a proposal for a Sub-component 4.b. In May 2006, the International Advisor on Eco Enterprises (IAEE) was fielded to ARM in Guatemala and after completion of work required to initiate implementation of sub-component 4.a, he prepared, during September-October 2006, the proposal on 4.b. A preliminary draft was presented to partners and stakeholders at a workshop held at the premises of FIDE on 24 October 2006. Based on the comments received, tfd



			cooperation	
<b>Activities with Eco Enterprises</b>	Little	Little	Some beneficiary SMEs are “eco”	None (apparently)
<b>Poverty Reduction income and employment generation</b>	Indirect (not the main focus)	Indirect (not the main focus)	Main objective	Main objective
<b>Market search and linkages Exports</b>	Yes	Yes	Some	Yes
<b>Work with SMEs</b>	Some, but not main focus	Some, but not main focus	Yes	Yes
<b>Preliminary conclusion: Is it relevant to consider the organisation as candidate?</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

The mapping is not conclusive with respect to whom to select as executing agency. Further studies were recommended. Yet, the text provides indirect suggestions (see below) that FUNDER (Foundation for Rural Enterprise Development) might be the favoured candidate, and it remains unclear why the subsequent formulation only pursued “the FIDE track”.

16. On FPX (Federación de agroexportadores de Honduras), the mapping study states “FPX seems to be a relevant organisation for the component although one needs to analyse in more depth the real commitment and capacity of FPX to promote eco enterprises” and “FPX is an institution much smaller and weaker than AGEXPRONT” (the executing agency in Guatemala). On FIDE, it is stated that “the organisation appears to be relevant to the component”, and that “interviewed persons recognised the professionalism and administrative capacity of FIDE but that they found that FIDE was an organisation representing the interests of big enterprises, without1( )thouin.4( bi534ove

18. The inadequate time for the consultation process is due to unforeseen developments in the circumstances. While it was agreed to appraise sub-component 4.b during the first annual review, it was at the same time assumed that the IAEE would be in position by January 2006. However, this was only achieved in May 2006, which reduced the time available for the formulation process, if the proposal were to be appraised during the annual review. Two or three more months would have provided for an adequate process but this might have delayed the approval process by some six months and thus reduced the implementation period. And as seen in section 5, the length of the implementation period is crucial for the cost-effectiveness and feasibility of this sub-component.

#### **4. ALIGNMENT TO THE NATIONAL AND SECTOR CONTEXT**

19. Overall, the proposal is well aligned and relevant to the national context. The basic idea of Component 4 is to improve the environment using (as “pull factor”) the demand for organic products or products produced in processes that are environmentally sustainable. This is also relevant in Honduras, where such demand exists and is increasing. The demand for organic food products and environmentally certified forest products mostly originates from the USA and EU. However, domestically there is an increasing demand (requirement) from the big international supermarket chains (e.g. Walmart) for “safe products”, e.g. food products that, though not organic, are produced under “good agricultural practices”, without the use of prohibited pesticides. Chapter 17 of the Free Trade Agreement with the USA is likely to enforce the trend as it requires that the traded products comply with national environmental regulations and international agreements. The recently initiated trade negotiations between the EU and Central America also include an environmental agenda.

20. While the demand for environmentally certified forest products largely is based on the “idealistic consumer”, the demand for certain agricultural products, produced under an environmentally sustainable regime, is not only based on consumers’ wish to contribute to improving the environment. Markets for coffee, coco and certain horticultural crops are developing characteristics similar to those of the wine sector where high-income consumers pay high prices for quality and taste and where the product’s origin and the name of the producer matter for the price level. This offers a possibility for smaller producers to multiply their prices and income. Exploitation of these “niche markets” is rapidly increasing in Honduras as it is in Central America. Also within tourism, there is an expanding niche for eco/biodiversity/cultural tourism, which Honduras has not yet exploited to the same extent as for example Costa Rica.

21. The proposal does not limit the support to production based on the renewable natural resource (RNR) sectors but opens for the possibility of supporting light industries and the concept of “cleaner technology”. The basic idea of this concept is to introduce less polluting processes and reduce the use of raw materials and energy per unit of output, thereby increasing profits. However, products produced with cleaner technology do usually not obtain any significant price premium or other advantages in the markets, and therefore this option appears to be outside the basic strategy of the sub-component. Furthermore, with the limited time and resources available for this sub-component, it would be prudent to exclude this option as it will require mobilisation

22. A major concern of the team was that the support is limited to technical assistance while investments and incremental working capital are supposed financed from other sources. However, the team was able to confirm that such sources do exist, notably the CABI/GEF CamBIO project which starts early 2007. This regional project will provide lending capital to financial institutions

employment), thus strengthening the jobs. Finally, it is suggested to test if reliable information for monitoring the indicators can be obtained at reasonable costs, and if not so, if “cheaper proxy indicators” can be identified. Indicators such as “family income” and “re-investment of generated profits” could face problems.

26. Strategies and Approaches: The team confirms the potential for using, as the starting point, the demand for environmentally friendly products to expand profits, employment and incomes generated by eco enterprises. However, the strategy to achieve this by only offering technical assistance, while assuming that capital requirements will be met from other sources, does entail a major risk. Conversion and expansion plans do require capital, and most international experiences suggest that farmers and MSMEs are unlikely to demand and co-finance advisory services unless these services are linked to credit or facilitates the access to credit. To reduce this risk it is therefore crucial that major efforts are invested in linking up with financial institutions, including microfinance institutions (MFIs). During the first months of implementation, it is suggested to scan the financial sector with the view to finding institutional partners. A few banks could be candidates as well as some of MFIs<sup>4</sup>.

27. Supply and Demand Issues: Demand-driven technical assistance schemes entail the risk that the service providers pro-actively define and generate the demand of the beneficiaries, and in this case, this type of risk seems high as it generally will be the service providers who spot a market opportunity and convince the producers and enterprises to pursue it. It is therefore appropriate that the proposal introduces co-financing or counterpart contributions by the beneficiaries to ensure that the beneficiaries really want the advisory services that they are being offered. However, the counterpart contribution does seem high (50%) though some of it may be paid in kind. As experience is gained more work may be needed to arrive at an appropriate definition of the counterpart contribution, which perhaps needs to be differentiated according to the capacity to pay. Another challenge in this type schemes is to ensure the quality of the supply. Quality control mechanisms can be costly and may also entail a risk of corrupt practices (a need for service providers to pay bribes for being certified and obtaining contracts).

28. Alignment to Danish Development Aid Policies: The strategy of the sub-component is well aligned to Danish aid policies on poverty reduction, the environment and private sector development. By excluding credit from the support menu, one avoids the risk of directed and subsidised credit that may distort financial sector markets; however, the absence of credit in the tool box does create other challenges.

## **5.2 Institutional and Management Issues**

29. Executing Agency: FIDE was established in 1984 as non-profit foundation with financing from USAID. During the 1980s and 1990s FIDE played a major role in attracting large foreign direct investments, mainly in contract production of garments (maquila), but in recent years more emphasis has been given to promotion of exports and development of conglomerates (clusters) that also involve small and medium enterprises. FIDE is serving as secretariat for the National Programme of Competitiveness that is financially supported by the World Bank and the IDB. Though FIDE recently has given increased attention to small and medium enterprises,

---

<sup>4</sup> Honduras has several very large MFIs, for example, Organización de Desarrollo Empresarial Feminino (ODEF) which is among the biggest ones and which supports the development of enterprises owned by women

government and civil society/private institutions in Honduras perceive FIDE as an organisation for big business, mainly urban industries, and not as an organisation for development of MSMEs, poor rural communities, and environmental issues (for further details, please refer to Annex 2).

30. In the proposal, FIDE is envisaged to play two roles, one as an executing agency responsible for development of two or more clusters where FIDE does have experience, and another as manager of the Eco Enterprise Fund (EEF) where producers, service providers and other development organisations may apply for support for development of eco enterprises based on the value chain approach. While FIDE does have experience in fund management, its experience with environmental interventions, the rural poor, rural producer groups and small enterprises is limited. Secondly, though a non-profit organisation, FIDE has many similarities with a consultancy firm. It is not a membership organisation and obtains all its operational income from the funds and projects it manages. There could therefore be a case for criticising a direct award of a fund management contract to FIDE, justifying arguments for a tendering process. Anyway, FIDE's management and administration of the funds is proposed done through a contracted team (1 coordinator, 3 value chain specialists and 3 admin staff) financed by the sub-component. Tendering would delay implementation by close to one year and thus reduce the implementation period with the result that the cost of managing/administering the delivery of services to the target group would surpass the value of services delivered which would not be possible to justify.

31. SNV and Capacity Development: The proposed pre-allocation of a budget for SNV to provide capacity development support to FIDE raises a number of issues. SNV is a Dutch NGO largely funded by the Dutch government but it has recently been decided that public funding of its activities in Latin America will be significantly reduced. To address this situation SNV/Honduras is seeking financing of its MSME and BDS activities from other sources, including charging for its services which gradually will make SNV/Honduras resemble a consultancy firm. It can at this stage not be estimated exactly what services FIDE will require. The need for capacity and organisational development is determined by the strategy and the current capacity of the organisation. FIDE does at present not have a clear organisational strategy but should be able to develop such on its own if it wanted to. And finally, FIDE's capacity is fluctuating according to the projects it is assigned or contracted to manage. During 2007-2008, major funding from IDB

34. Selection Committee: It is proposed that the RDE as well as Danida, i.e. ARM, will be permanent members of the Selection Committee for the EEF. Considering that the Committee will have six or more meetings per year, it is doubtful if RDE will be able to fully participate. Furthermore, as the Committee will deal with detailed implementation issues it may be questioned whether RDE should be a member; it may be sufficient to have ARM representing Danida. Finally, it may be questioned whether the Committee, as proposed, should approve the initial selection of groups and value chains or whether this could be done administratively, leaving only the approval of support to the Committee.

35. Procurement: As indicated in paragraph 27, a competitive technical assistance fund does entail a number of risks related to procurement and further work is required to detail guidelines that may mitigate such risks.

36. Monitoring System: It is recommended to review/revise the indicators to ensure they be relevant and  
Furt36.9(he-5.5(8.2(ore, (d)6.1( tsub- reco5.5(4i)1.1e6(c)6n9(u)-9Furt36)7(9(u)-9

production towards a new situation that provides higher incomes, more employment and a better environment. However, development of strong linkages to financial sector institutions is crucial to ensuring the demand for and the success of the technical assistance being offered by the sub-component.

40. Sustainability

subcomponent 4.b, however subject to a modification of the design with the view to improve the prospects of efficiency and effectiveness. An outline of the modified design is provided in the following.

## **6 OUTLINE OF RECOMMENDED MODIFICATIONS TO THE DESIGN**

### **6.1 Overall Structure and Budget**

45. A rough outline of the budget and an illustration of the recommended design structure are presented in Annexes 3 and 4. The proposed modification is based on the above assessment and takes into account the views and comments presented by concerned government institutions and other stakeholders. During the annual review mission a rough outline of the recommended revision was presented to representatives of the Government of Honduras and to members of the regional steering committee of PREMACA, who welcomed the recommendation to introduce FUNDER as a second executing agency. The main features of the recommended modification are:

1. The EEF is abolished and instead two executing agencies are introduced: (i) FIDE with responsibility for development of two clusters; and (ii) FUNDER with responsibility for developing value chains with participation of poor rural producers, indigenous peoples, and women.
2. FIDE and FUNDER receive a pre-allocated technical assistance budget while an unallocated budget is reserved for later allocation to FIDE and/or FUNDER according their performance.
3. FIDE and FUNDER receive an administrative overhead of 15% of their technical assistance budget for administration and operational expenses.
4. A third party is introduced to monitor and evaluate, analyse experiences and produce lessons learnt. This could be SNV and/or a national consultancy firms.
5. A minor budget for financing specific capacity development support to FIDE and FUNDER according to demand and need is introduced. The provider of these services could be SNV or other organisations specialised in the service that is being demanded.

46. FIDE's role is thus reduced to development of two clusters, where FIDE does have experience and expertise. For development and implementation of the cluster plans, FIDE will contract three long-term technical specialists as well as short-term BDS providers. The budget for the latter has been developed based on number of person-months (at USD 2,000 per p/m) that FIDE estimates to contract.

47. The role of the "third party" is to assist CCAD and ARM with monitoring activities in the field, to maintain a data base of monitoring data, and to analyse why some interventions and approaches succeed while others are less successful, thus providing information that is useful and suitable for sharing with others in Honduras and in the region. The input for this is budgeted at



three full person-months per year plus related travel and other operational expenses. During the work on revising the proposal, it is suggested that the reformulation team meets with SNV to explore if SNV could assume this role. Additionally, SNV may, on demand, provide capacity development services to FIDE and FUNDER but some of these services may also be provided by other specialised service providers.

48. Why not a competitive fund (EEF)? While a competitive technical assistance fund, such as the EEF, has many merits, it does require time to bring into full operation and it is management intensive. Secondly, a direct award of a fund-management-contract to FIDE may meet procedural obstacles in the Danish system, and government institutions in Honduras have expressed their concerns about selecting FIDE as fund manager. Finally, it is the assessment of the team that Honduras does not have a large number of organisations specialised in the field of work financed by 4.b and therefore that the competition that the fund will promote would anyway be modest.

49. Even though the EEF is recommended abolished and “replaced” by FUNDER as a second executing agency, many organisations will have the possibility of contributing to the implementation. It is expected that FIDE will make extensive use of other institutions to provide specialised technical assistance services for the clusters. FUNDER will partly use the allocated technical assistance budget to assign some its staff to work on eco-value-chains but FUNDER will also contract specialists and other institutions to assist with the implementation

50. Why FUNDER as the second executing agency? In view of the above, the team undertook a rapid survey to find an organisation which had the capacity and experience to “quick-start” the activities and which is specialised in rural enterprise development with focus on the rural poor, women and indigenous peoples. The non-profit organisation, FUNDER (Foundation for Rural Enterprise Development) met these requirements, and stands out among others as the main organisation in Honduras in this field. FUNDER has 46 employees of whom 15 are professionals specialised in assisting poor rural producers and rural micro and small enterprises with business development services (BDS) including finding buyers for their products. Some of this support is already being provided to eco-enterprises and environmentally friendly value chains. In addition, FUNDER has a financial services division that assists rural groups (with women accounting for 50%) with establishment and operation of savings and credit schemes. Finally, FUNDER also invests risk capital in rural enterprises during their development and consolidation phase (please refer to Annex 2 for further details). The team finds that the combination of a strong BDS capacity and financial services provides a valuable basis for supporting the development of “eco-value chains”.

51. Why an unallocated technical assistance reserve? At the design stage, it is difficult to foresee the performance and disbursements of the two executing agencies. One may be a high performer with rapid disbursements while the other may be slow. Pre-allocation of the entire budget could therefore create problems. An unallocated reserve would address such a situation, and the mere existence of s seme e3( esese.5(a.7(y)-9.1e )dbl6.6(3(.8( ).1(al9reser( eseset(al9r1(al9r3(tiact(al9ri)6.7o)-

Committee for approval as well as through the follow-up based on progress, monitoring and financial reports. The AWPBs will propose the clusters and value chains to be supported, and the activities and the budgets for these activities. The RDE and ARM will be relieved from the heavy workload of participating in micro management and frequent meetings of the Selection Committee.

53. Steering Committee: Though two executing agencies, there should be one common Steering Committee. This would further facilitate cooperation between FIDE and FUNDER which, however, already exists, e.g. FIDE is represented in the governing structure of FUNDER. Options for synergies include that FIDE assists FUNDER with its knowledge of international markets while FUNDER assists FIDE with its knowledge of rural producer groups. It is recommended that neither FIDE nor FUNDER chair the Steering Committee. A “neutral” party should be identified and the options include: SERNA (Ministry of Environment and Natural Resources), SETCO (external cooperation) and the President’s Commissioner for the National Programme on Competitiveness (PNC). ARM would serve as secretariat for the Steering Committee but be assisted by a contracted monitoring agency.

54. Monitoring

5. Negotiations with government and stakeholders to obtain an agreement on the role, membership and chairpersonship of the steering committee
6. Risk monitoring

## 7 PROCESS ACTION PLAN

56. The main actions up to the start of implementation are outlined below.

<b>What</b>	<b>Who</b>	<b>When</b>
Contracting of Reformulation Team (RT), including TOR	ARM/RDE	Before 31 Dec 2006
Field work of RT	RT supported by IAEE	12-29 Jan 2007
Presentation of first draft to stakeholders	RT	29 Jan 2007
Final Draft	RT	16 Feb 2007
Review and comments on Final Draft	PREMACA Steering Committee, including RDE and GoH, FIDE, FUNDER,	19 Feb – 2 March 2007
Final Document	RT	9 March 2007
Approval of sub-component	Regional Steering Committee/PREMACA	March 2007

Approval and signature of Cooperation Agreements

a7238(ti)6t1(DER.6.3)-6.6t1()7(U)-5.UTJ1.8-49..8(2Mar2(Nc-4.810)-84ET8)-6(a)0-84ET

**Annex 1/  
Detailed Budget according to Draft Proposal**

**Component 4.b Proposed Budget 2007-2010**

	DKK'000	USD'000	Comments of the appraisal
<b>Result 1: Implementation of the Eco Enterprise Fund (EEF)</b>			
1.1 The Fund - Disbursements	11,900	1,983	
1.2 Technical Secretariat for Selection Committee=offices and provisions	-	-	- why have the budget line when the contribution is not estimated The USD amount is given as 209,000 implying an exchange rate different than USD1=DKK6. Each of the 3 specialists will be employed for a period of 45 months and with the proposed budget this implies a person-month rate of USD 2,311. 42 months would be more realistic considering that it is unlikely that the specialists will be in position before mid 2007.
1.3 Technical assistance=3 value chain specialists	1,871	312	Each of the 3 administrators will be employed for a period of 45 months and with the proposed budget this implies a person-month rate of USD 1,111.
1.4 Administration= 3 administrators	945	158	Two, instead of three, administrators would seem sufficient
1.5 Electronic Platform	24	4	
1.6 Monitoring and Evaluation of initiatives	29	5	Workshops, meetings, field visits. Seems very low?
<b>Sub-total for Result 1</b>	<b>14,769</b>	<b>2,462</b>	
<b>Result 2: Business Development Services for the Chains</b>			
2.1 Portfolio of BDS	-	-	- What are the costs/contributions involved? why have the budget line? B eady hy .9(n9056 3(t)-105046 056 3B2013969(iireW nBed )9.31.3(t)-o6)9.9( b -52.0247 -1.5497 7 7 72)ID0.
2.2 Portfolio of Financial Services	-	-	



**Annex 2/  
Brief Assessment of FIDE and FUNDER**

**FIDE – Fundación para la Inversión y Desarrollo de Exportaciones**

9. It is the perception that FIDE has good knowledge of markets, based on past studies and work, especially the markets in the USA for “nostalgic products” (i.e. products which once were a traditional part of the diet or consumption of emigrants from Honduras working in the USA).
10. It is by some perceived that FIDE has not fully achieved the results that were expected from the funds that FIDE manages under the PNC.

### **FUNDER – Fundación para el Desarrollo Empresarial Rural**

FUNDER is a non-profit organisation, established in 1994 with funds from the Dutch cooperation and with the objective to develop rural enterprises of the population below the poverty line. FUNDER is directed by a general assembly which has representatives of small rural producers, farmer enterprises of the agrarian reform programme, ethnical minorities, government, and private business. In addition, there is an advisory level comprising (i) a “Users’ Committee” which advises on policies and strategies and follows the implementation and which has direct representatives of users, farmer and branch organisations, and organisations representing indigenous peoples and *garifunas*; (ii) an Advisory and Support Committee which advises on plans and budgets and follows the implementation and which has representatives from the ministries of agriculture and livestock (SAG) and the technical secretariat and international cooperation (SETCO), the National Agrarian Institute (INA), and the Embassy of Holland. Below the advisory level there is a “board of governors” under this, there is the executive level, i.e. the executive director. The advisory committees assist FUNDER with focusing its activities on the target group and with the selection of projects.

FUNDER’s basic strategy is to support rural families with transforming their



1. An “overhead” received for managing projects financed by international partners
2. Direct grants from the Government of Honduras.
3. Donations from international institutions.
4. Service charges from “sale” of business development services.

Some of the main observations on FUNDER that emerged during the interviews include:

- 1- FUNDER works directly with the target group of sub-component 4.b, i.e. the rural poor
- 2- However, the target group, though represented in the general assembly and the users’ committee, is not represented in the executive management
- 3-

**Annex 3/  
Budget Outline for  
Recommended Design Modification**

## Modified Design of Sub-component 4.b - Rough Outline of Budget

	2007	2008	2009	2010	Total	Total
	USD	USD	USD	USD	USD	DKK
<b>1 FIDE</b>						
<b>1.1 Cluster Development - Technical Assistance</b>						
1.1.1 Technical Assistance Fund for cluster development	46,000	248,000	200,000	100,000	594,000	3,564,000
1.2.1 Main Coordinator	30,400	45,600	45,600	45,600	167,200	1,003,200
1.1.3 Two Cluster Managers (field)	24,000	48,000	48,000	48,000	168,000	1,008,000
<b>Sub-total 1.1: Cluster Development</b>	<b>100,400</b>	<b>341,600</b>	<b>293,600</b>	<b>193,600</b>	<b>929,200</b>	<b>5,575,200</b>
<b>1.2 Administrative Overhead (15% of sub-total 1.1)</b>	<b>15,060</b>	<b>51,240</b>	<b>44,040</b>	<b>29,040</b>	<b>139,380</b>	<b>836,280</b>
<b>TOTAL FIDE</b>	<b>115,460</b>	<b>392,840</b>	<b>337,640</b>	<b>222,640</b>	<b>1,068,580</b>	<b>6,411,480</b>
<b>2. FUNDER</b>						
2.1 Technical Assistance for Value Chain Development	100,000	300,000	333,000	200,000	933,000	5,598,000
2.2 Administrative Overhead: 15% of 2.1	15,000	45,000	49,950	30,000	139,950	839,700
<b>TOTAL FUNDER</b>	<b>115,000</b>	<b>345,000</b>	<b>382,950</b>	<b>230,000</b>	<b>1,072,950</b>	<b>6,437,700</b>
<b>3. Monitoring, Evaluation, Lessons Learned, CD</b>						
3.1 M&E Consultant (national + including expenses)	15,000	15,000	15,000	15,000	60,000	360,000
3.2 Capacity Development Support on Demand	15,000	15,000	15,000		45,000	270,000
3.2 Workshops		3,000	3,000	3,000	9,000	54,000
3.3 Exchange Visits in Region		5,000	5,000	5,000	15,000	90,000
<b>TOTAL MONITORING, EVALUATION, LESSONS L.</b>	<b>30,000</b>	<b>38,000</b>	<b>38,000</b>	<b>23,000</b>	<b>129,000</b>	<b>774,000</b>
<b>4. OTHER COSTS AND CONTINGENCIES</b>						
4.1 Audits	10,000	10,000	10,000	10,000	40,000	240,000
4.2 Provisions for Steering Committees	2,000	2,000	2,000	2,000	8,000	48,000
4.3 Contingencies (10% of items 3, 4.1, and 4.2)	4,200	5,000	5,000	3,500	17,700	106,200
<b>TOTAL OTHER COSTS AND CONTINGENCIES</b>	<b>16,200</b>	<b>17,000</b>	<b>17,000</b>	<b>15,500</b>	<b>65,700</b>	<b>394,200</b>
<b>5. RESERVE FUND: TECHNICAL ASSISTANCE</b>			<b>400,000</b>	<b>263,770</b>	<b>663,770</b>	<b>3,982,620</b>
<b>GRAND TOTAL</b>	<b>276,660</b>	<b>792,840</b>	<b>1,175,590</b>	<b>754,910</b>	<b>3,000,000</b>	<b>18,000,000</b>

**Annex 4/  
Structure of the Original Proposal and  
the Recommended Design Modification**

<b>Sub-component 4.b according to the proposal</b>	
Fundación para la Inversión y Desarrollo de Exportaciones	
<b>FIDE</b>	
<b>FIDE's own execution of support for value chains in selected cluster</b>	<b>Management of Competitive Funds</b>
<i>Focus on value chains in + 2 selected clusters (zones/sub-sector)</i>	<i>Focus on value chains Proposals and execution by others</i>
Execution of support to two or more clusters through: (a) equipo técnico de FIDE contratado por FIDE y financiado por Danida; (b) proveedores de SDE	Analysis of applications, contracts with NGOs and BDS providers, monitoring and control
<b>Selection Committee</b>	
<b>Technical Team (4) + Administrative Team (3)</b>	
<b>Lessons Learnt and Monitoring and Evaluation</b>	
<b>Institutional/Capacity Development</b>	
↑ <b>SNV</b>	

