

III. STRATEGY FOR ACCELERATED, EQUITABLE, SUSTAINABLE AND PARTICIPATORY DEVELOPMENT

A. FUNDAMENTAL ASPECTS OF THE STRATEGY

1. VISION OF HONDURAS IN 2001 AND 2005

The Master Plan for National Reconstruction and Transformation (MPNRT) transcends short-term horizons because repairing the damages caused by Hurricane Mitch cannot be completed in only a few years. Thus, implementation of the development strategy that has been adopted requires a long process of transformation of the social, political, cultural and economic structures of the country.

As a result, a realistic vision of the country has been set forth that goes beyond a single period of government. In this sense, the Plan relies upon the broad support of different political sectors and, fundamentally, upon different groups representing civil society at both the national and local levels. In the implementation phase of the programs and projects, greater involvement by the municipalities, NGOs, beneficiaries and private enterprise is expected, primarily because concrete actions will be carried out, to a certain extent, by implementing entities outside the Central Government.

With the implementation of the proposed strategy, the country expects to recoup the majority of its losses in the medium term. In terms of economic growth, **it is reasonable to project that per capita GDP in 2001 will be roughly equivalent to what would have been achieved in 1998** in the absence of Mitch. This achievement should be compatible with having preserved macroeconomic stability; achieved the capitalization or privatization of certain services in the telecommunications, energy, port, airport, water and sewerage, and highway sectors; created a smaller, but better trained and more efficient public

administration; strengthened regional integration; and reduced the burden of the foreign debt.

In the area of **human development**, a reduction of 5 percentage points is expected in the incidence of national poverty, and even more of a reduction in rural indigence. The first positive results of the implementation of the initial phases of major reforms are expected to be evident in the year 2001 in the sectors of education, health and housing. Nevertheless, it is recognized that the process of reform will require several additional years for the country to achieve its desired transformations.

In order to mitigate the adverse effects on **natural resources and the environment**, the country should have in place by 2001 a National System of Protected Areas of Honduras (SINAPH); a decentralized system of land-use planning; an active participation by civil society in protective activities; and the incorporation of environmental themes in all levels of the educational system. Likewise, a **system of risk management** will be functioning efficiently under a new legal framework governing that area.

Also by the year 2001, major advances in all areas of **democratic participation** will have been consolidated, including a strong participation by civil society in social-auditing activities; a more efficient and trustworthy justice system; a significant reduction of public insecurity; an effective decentralization of public services; and a growing recognition of the ability of women and ethnic groups to participate in a full and constructive manner in all aspects of the social, political, economic and cultural life of the country.

Expectations for the year 2005 include:

- An annual sustained economic growth rate higher than 5%, facilitated by access to the Highly Indebted Poor Countries (HIPC) initiative;
- An additional decrease of 10 points in the incidence of poverty;
- Solid quantitative and qualitative improvements in the indicators for education, health, nutrition and housing;
- Consolidation of the processes of structural reform and modernization of the State;
- A substantial reduction in environmental deterioration; and
- Democratic participation recognized throughout the hemisphere as being at a high level.

2. KEY THEMES: POVERTY, ENVIRONMENT AND DEMOCRATIC PARTICIPATION.

The MPNRT is articulated and integrated by three key cross-cutting themes that permeate all areas of the Plan: combating poverty and promoting human development; the environment; and democratic participation. A specific, detailed approach to each of these themes is developed in this document.

The catastrophe caused by Hurricane Mitch has accentuated the economic and social backwardness of the country, specially in the rural sector. In addition, the effects of Mitch have fallen mainly on the lowest-income populations in both rural and urban areas. As a result, a central element of the Plan deals with **combating poverty**, through measures

that both lead to its immediate relief and achieve a sustained reduction in the medium and long run, and that improve the social indicators of human development. In this context, **the majority of the reconstruction programs are oriented towards the most affected sector of the population.**

With reference to the **environment**, it is important to recognize the close relationship that exists between natural phenomena such as Hurricane Mitch and climatic changes that occur on a global level, related to global warming and other environmental damages exogenous to Honduras. In addition, the magnitude of the disaster is related to a large extent to the high degree of vulnerability of the country, attributable in large part to inadequate development policies, improper land use, and the design and location of public and private infrastructure without the necessary environmental specifications and risk analysis. As part of the focus oriented toward reducing future risks, the MPNRT includes measures directed toward controlling land settlement and land use, and providing sustainable management of natural resources and environmental protection through agreements between the State and civil society, thus assuring an intergenerational commitment that favors sustainable development and looks toward the future.

In order to support the democratic development that began in 1981 and to give greater viability and legitimacy to the process of reconstruction and transformation, a broad participation of civil society in the preparation and implementation of the MPNRT is necessary. This process is congruent with the concept of **democratic participation**, which is based on recognizing the co-responsibility and complementarity of the State and civil society in the orientation, performance and management of the public good. In this respect, the MPNRT includes such essential aspects as democratic strengthening, improvement in the administration of justice and public safety, decentralization and local participation, and the establishment of conditions that would guarantee equality regardless of gender, age, religion, ethnic origin, political affiliation, or any other social category.

In addition to the preceding themes, gender equality is also a cross-cutting element, although of a different nature. While the latest report on human development shows a significant improvement in Honduras with respect to advances in the participation of women in professional and decision-making positions, it is essential also to reduce the socio-economic vulnerability of women, providing them access to property rights, assistance and training programs for productive activities, as well as higher degrees of participation in various other areas.

3. PRIORITIES OF THE MPNRT

The immediate priorities of the Plan are determined by the need to recover and improve the social, economic and environmental conditions that existed prior to Mitch. As previously made clear in the estimate of damages, the achievement of this objective greatly surpasses internal capabilities, especially as related to financial resources. In addition, implementation of the programs and projects related to the targets of the Plan will require several years. Thus, the recovery is expected to be gradual and differentiated according to the particular circumstances of each sector.

The MPNRT seeks to go beyond the simple recovery and reconstruction of physical works. It is obvious that the magnitude of the disaster is closely related to the socioeconomic vulnerability of the majority of the affected population, as well as to the fragility of the

infrastructure, the productive sectors and the natural-resource base. **Therefore, a second priority is to establish a firm foundation that will sustain a process of national transformation and build a country better prepared to confront future challenges.**

In this context, the MPNRT focuses on four thematic areas: 1) economic reactivation with productive employment; 2) combating poverty and promoting human development; 3) sustainable protection of natural resources; and 4) strengthening democratic participation. These four themes correspond to the **model of accelerated, equitable, sustainable and participatory economic development** to which the country aspires.

B. ECONOMIC REACTIVATION AND PRODUCTIVE EMPLOYMENT

In order to achieve a quick reactivation of the economy and consequently an improvement in socioeconomic conditions, the MPNRT contemplates direct activities aimed at the recovery and vitalization of the productive and service sectors, which in turn is closely related to the need for rebuilding infrastructure and consolidating sound macroeconomic policies and structural reforms. All these goals will be achieved within the context of the Extended Structural Adjustment Facility (ESAF) program supported by the International Monetary Fund (IMF).

1. PRODUCTIVE SECTORS AND SERVICES: RECOVERY AND VITALIZATION

a. Strategic Guidelines

For all productive sectors, the Plan seeks not only to reestablish production levels and capital stock, but also to promote investment and modern, efficient management systems. Opportunities for competitive production for domestic, regional and global markets will be sought so that the country might generate the sustained growth of productive employment it so desperately needs. Priority will be given to rural development, with attention to ethnic communities and gender equality, within a focus that emphasizes the strengthening of investment and productive infrastructure, as well as a modification of productive systems to provide greater diversity and improve food security.

b. Specific Objectives

Agriculture:

- ◆ Rehabilitate recoverable production units, primarily of small producers, by granting seed money, rescheduling debts and providing technical assistance;
- ◆ Increase in a sustainable manner the level of employment and income of the rural population, thus contributing to better food security, by stimulating sustainable and inclusive rural development activities that integrate technical assistance, financing and



marketing;

- ◆ Increase production, productivity and competitiveness in the agricultural and agri-industrial sectors in a sustained manner, based on a favorable framework for investment, strategic alliances with specialized centers for broader access to foreign markets, co-investment projects, contract-farming arrangements, better plant and livestock health and improvements in product quality;
- ◆ Improve basin management, in coordination with the Ministry of Natural Resources and the Environment, giving priority to the Choluteca, Humuya, Sulaco, Aguán, Guayape, Patuca, Chamelecón, Bonito and Cangrejal rivers;
- ◆ Stimulate institutional transformations in the areas of planning, research and technical assistance, enterprise development, and plant and animal health, all with the goal of elevating the efficiency and efficacy of the public agricultural sector in providing support services.

Forestry:

- ◆ Reform the legal and institutional framework to create a new State Forestry Administration that would permit a separation of the functions of productive forestry management and those of protected areas and biodiversity;
- ◆ Increase the sustainable exploitation of forest resources, broadening the system of timber auctions, licensing concessionary management units, and simplifying procedures;
- ◆ Promote equity in the distribution of benefits, by redefining the social forestry system in terms of sustainable development and social and gender equality; supporting community groups, including black and indigenous peoples; and granting options to people who live and own corroborated rights in productive forests made available for exploitation under the auction system;
- ◆ Promote technical assistance, marketing and financial services in order to elevate the aggregate value of forest products and to enhance the use of labor.

Manufacturing and Maquila:

- ◆ Broaden the industrial base and value added in industrial production, by promoting industrial integration and development of new industrial parks in the areas of the country with the greatest employment problems, as provided for by Law 131-98;
- ◆ Create an environment favorable to business, by promoting alliances between business owners and workers and by improving juridical security;
- ◆ Improve competitiveness in regional and global markets, by supporting investment in specific niches and clusters, with an emphasis on increasing local value added.

Micro, Small and Medium-Size Business:

- ◆ Provide for rapid reconstruction and development of micro, small and medium-sized businesses in a feasible manner, through an integrated system of technical assistance, improvements in land titling, and financial support;
- ◆ Improve the quality of human resources, permitting these businessmen and –women to use new technologies that improve their competitiveness;
- ◆ Coordinate, through a National Council, the support activities of the Central Government, decentralized programs, local governments, NGOs and private enterprise;

- ◆ Improve and broaden the integration of national production into regional and extraregional markets, by supporting the processes of integration and new trade agreements.

Mining:

- ◆ Promote more investment in the exploration and exploitation of mineral deposits, by applying the new Mining Law that provides fiscal incentives and juridical security;
- ◆ Prevent negative effects caused by nature and inappropriate production techniques, through efficient operation of the Directorate of Mining Promotion;
- ◆ Regulate the exploitation of mineral resources, by updating cadastral records.

Tourism:

- ◆ Restore the damaged ecotourism infrastructure, in particular the forest and basins of the island of Guanaja;
- ◆ Increasing private investment through application of the new Law for Tourism Incentives;
- ◆ Significantly increase domestic and foreign demand for tourism through the implementation of the Marketing Plan for Tourism and the program for the development of a culture of tourism;
- ◆ Achieve greater municipal and community participation by providing technical support for the development of favorable attitudes toward tourism services.



Financial Sectors:

- ◆ Stimulate the stability of the banking system, by providing adequate banking liquidity, adjusting capitalization in accordance with the Basle norms, and improving supervision and prudential regulation;
- ◆ Facilitate the financing of reconstruction, by providing medium- and long-term resources, strengthening microfinance and expanding the supply of low-cost housing;
- ◆ Modernize the sector, by strengthening and broadening regulation, approving a Law for Deposit Guarantees and reforming the pension and social security system.

c. Financing

Rebuilding and vitalizing the productive sectors requires total financing of US\$1,012.7 million. Of this amount, required external funds amount to US\$851.7 million, of which US\$491.9 million is expected to come from grants, and US\$359.8 millions from loans. The remaining US\$161 million will come from national funds. A high percentage of these funds (75%) is required by the agricultural sector (see the summary table on page 26).