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Poverty and Environment in Honduras

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This Policy Brief was written as a desk study, at the request of Sida's Latin America department (att: Hans Magnusson) and NATUR (att: Cecilia Scharp) by Daniel Slunge at the Environmental Economics Unit (EEU), Department of Economics, Göteborg University.[1] *The policy brief serves as an input to the poverty analysis conducted in relation to the revision of the Swedish cooperation strategy for Honduras. It aims at introducing the reader to key environment-poverty linkages in Honduras and points at issues to consider in the continued strategy process. The views in this policy brief are those of the authors and do not necessarily represent the views of Sida.*

1. Introduction

The prospects for sustained growth and poverty alleviation in Honduras are closely linked to improving the management of natural resources and reversing the trend of environmental degradation. This was recognized in the aftermath of Hurricane Mitch and in the formulation of the PRSP in 2001. However, efforts undertaken to halt environmental degradation have been far from sufficient to reverse negative trends. Rampant deforestation, degraded water resources and continued high vulnerability to natural disasters show that *MDG 7 Ensuring Environmental* Sustainability is far from being met[2].

The poor are most vulnerable to the effects of environmental degradation. Poor water and air quality lead to diarrheal and respiratory diseases; the degradation of land and water catchments due to deforestation threatens agricultural productivity and food security. Eight years after Mitch poor people, in rural as well as urban areas, continue to live in conditions of high vulnerability to environmental risks.

2. Economic development and environment

The Honduran economy is to a large extent based on natural resource extraction and processing in sectors such as agriculture, forestry, fisheries and mining[3]. The growing tourism sector is also strongly nature based. Insufficient efforts to halt environmental degradation and natural resources depletion threaten to become important constraints to growth in these key economic sectors. For instance, in the recent development of the ambitious tourism development strategy in Honduras, investments in waste management and sewage treatment

[1] As part of Sida-EEU's institutional collaboration on environmental economics and strategic environmental assessment. Constructive comments from SEI, the Sida EIA-helpdesk and Carlos Rivas at Sida in Tegiúcigalpa on an earlier draft are gratefully acknowledged.

[2] Sida´s initial planning document for the Honduras cooperation strategy, April 2006, states that the MDG 7 Ensuring Environmental Sustainability may be attainable. This is only true for the drinking water target. MDG 7 however includes a broad overall environment target to "*integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources"*. This is clearly not on track in Honduras.

[3] As share of GDP the agriculture sector constituted only 14 % 2005 (World Bank 2006). However industry (31% of GDP) is largely processing agricultural products. The significance of agriculture for exports is exemplified in the PRSP progress report: "growth of exports of goods in 2004 is mainly due to: bananas, coffee, shrimp, gold, silver, lead, sugar, pineapples, soap and detergent, wood, tilapia, and plants and vegetables" (Rep de Honduras, 2005).

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as well as reversing coastal degradation were identified as key priorities to ensure growth in the sector[4].

Contrary to the common belief that there is a simple trade off in Honduras (and developing countries in general) between ensuring long term sustainable development and the short term need for investments in health, education etc[5], improved natural resources management can lead to higher growth and greater state revenue. The most obvious case is the forestry sector, where pervasive tax evasion and other corrupt practices make the Honduran government loose out on much needed revenues[6]. According to one estimate the government losses from uncollected taxes of illegally extracted wood range between US$ 8 - 10 million per year. Similarly illegal logging implies around US$1.5 million in lost municipality tax income per year[7].

The potential for increased natural resource based exports within the framework of DR-CAFTA (agriculture, forestry, mining) can reduce poverty rates but may also result in environmental degradation and increased vulnerability, for instance by pushing poor farmers to convert forests to agriculture. However, it is not trade openness per se but policies and implementation within sectors that determine whether natural resources will be overexploited or not. Better regulations, property rights and incentives targeting poor farmers should be put in place to reduce negative outcomes.

3. Governance and Environment

Access to, and control over, natural resource assets, such as land, forests and fisheries, is a key governance issue of fundamental importance to the livelihoods of the rural poor. As much as 74 % of the poor and 86 % of those living in extreme poverty live in rural areas although the population as a whole is equally divided between rural and urban areas[8]. However, limited access to agricultural land is a serious problem for many rural households, which has forced a large majority of the rural population to cultivate low yielding hillside areas[9] susceptible to land degradation. More than 150 000 rural households are estimated to be landless or own land areas below one hectare[10]. In search for land to cultivate there has been a considerable migration to the Colón, Olancho and Gracias a Dios departments. This has contributed to deforestation and resulted in increased pressure on national parks and indigenous groups in these areas. The demand for agricultural land is likely to increase as a consequence of rapid population growth (2,5 % per year, considerably higher in rural areas).

Criminal activities, such as illegal logging and drug smuggling, are also frequent in these biodiversity rich areas. Illegal logging fuels corruption on local and state levels and is strongly contributing to the rampant deforestation in Honduras[11].

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[4] World Bank, 2005
[5] See for example Sida Country Report Honduras 2005, page 9.
[6] OECD DAC, 2005
[7] Gatto, 2003
[8] World Bank, 2006c
[9] 80 % of the rural population lives in hillside areas, i.e. areas with slopes more than 12 %. Being the most mountainous country in Central America, hillside areas account for roughly 80 % of the total land area (World Bank, 2005).
[10] Interforos, 2000
[11] In a recent assessment of illegal logging in Honduras, one timber company representative explained that "paying government officials and community representatives is just part of doing business in Honduras" (EIA, 2005).

Good governance reforms will be essential to halt deforestation and other types of environmental degradation in Honduras. Policy responses will need to go beyond environmental policy and the limited mandate of the ministry of environment and natural resources, SERNA. Politically sensitive issues such as inequality, in income and asset distribution (e.g. land), tenure security and corruption and other forms of bad governance will need to be addressed. Land reforms and other policies which decrease inequality and reforms that promote more transparent and accountable decision making, are likely to have positive impacts on natural resources management. On the contrary, policies that restrict poor people's use of natural resources in order to conserve natural resources risk being anti-poor, if alternative income sources are not created.

Widespread discontent with the lack of concrete government policies to address illegal logging and other issues, have led to big repeated civil society manifestations such as the "Marches for Life" in 2003 and 2004. Continued environmental degradation has lead to an exacerbation of social conflicts over natural resources management issues. The latest example being the July 2006 protests against mining concession granted to foreign companies. As in some other Latin American countries, natural resource related issues are becoming highly politicized in Honduras.

3. Health and environment

Poor water and air quality are important contributors to diarrhea and respiratory diseases, which are key causes of morbidity and mortality in Honduras. In rural as well as urban areas, the burning of firewood for cooking results in high concentrations of polluted indoor air. This affects mainly women and children and is a major cause of respiratory infections. 90 % of rural households and 50 % of urban households use these traditional methods for cooking[12]. Tegucigalpa is reported to have the most polluted air among the capitals in Central America, with pollution levels continuously exceeding permissible levels[13]. Emissions come from transport, industry, domestic households and forest fires.

The proportion of people with access to safe drinking water has increased from 83% 1990 to 90% in 2003, which is above regional average[14]. The differences between urban and (some) rural areas are however still very big. While over 90 % of the urban population has access to a safe water source, about 20 % of the rural population is estimated to collect their waters from rivers[15], which are vulnerable to the effects of industrial, agricultural and household pollution.

Access to sanitation facilities is considerably lower than for drinking water, 52% in rural areas and close to 90% in urban areas[16]. Leaching sanitation facilities (including treatment plants, septic tanks etc) are major causes of surface and groundwater pollution. Poor water quality is the main cause behind the estimated 200 000 annual cases of diarrhea in Honduras of which 85% affect children below the age of 15. Recent reports indicate an increase in diarrheal diseases[17].

Environmental degradation (e.g. soil erosion leading to decreased agricultural productivity) also aggravates food insecurity resulting in child malnutrition: Due mainly to poverty and

[12] SERNA, 2005
[13] SERNA, 2005
[14] World Bank, 2006
[15] Cabezas, 2006
[16] World bank, 2006
[17] Republica de Honduras, 2006

lack of food and other essential resources for survival, 29% of the children under age 5 are stunting (under-height for age). 22% of the total population is chronically undernourished[18].

The above examples have huge impacts on the health of the poor in Honduras. To address the causes of the problems, measures that go beyond the traditional health sector are needed.

4. Vulnerability to environmental degradation and natural hazards

In Honduras seismic events, landslides, tropical storms, hurricanes, floods, fires, and droughts are frequent phenomena. Hurricane Mitch, which in 1998 devastated large parts of the country[19], is the most obvious example of the extreme vulnerability of the Honduran population to natural disasters. The poorest were particularly vulnerable to the effects of Mitch. Key factors were environmental degradation (especially deforestation), rapid population growth, inadequate infrastructure (especially for flood management), and massive wealth disparities[20]. Poor land management and poor local awareness of hazard management responsibilities and procedures have also been identified as factors contributing to vulnerability[21].

Despite the efforts being made to mitigate environmental risks[22], large parts of the population, in both rural and urban areas, continue to live in conditions of high vulnerability. Street children, residents of illegal settlements and small farmers with houses on alluvial terraces and hillsides are examples of poor social groups especially vulnerable. Many new urban settlements have been established on steep land susceptible to landslides, or on floodplains susceptible to flooding. In rural areas, agricultural land on steep hillsides is at risk from landslides, while the valley land is affected by flooding[23].

Since Mitch, pronounced droughts as well as hurricanes have plagued Honduras. Climate change and climatic variation related to El Niño are likely to increase the frequency of extreme weather events, such as hurricanes, heavy rains and droughts. Stepped up efforts to reduce environmental risks is thus important from a poverty reduction perspective.

5. Deforestation

Honduras is experiencing rampant deforestation. With between 80 000 and 100 000 hectares being lost annually, the country has one of the highest annual deforestation rates in the world. Deforestation negatively affects many rural poor households since they derive substantial income from forest resources (food, fodder, fuels, medicine etc). It has also degraded critical ecosystem services such as soil fertility, watershed protection and climate regulation with huge implications for poor households, as well as the agriculture, energy and water sectors. Deforestation has been identified as one of the main factors as to why Honduras suffered such huge losses during hurricane Mitch.

[18] World Bank 2005b

[19] Hurricane Mitch is estimated to have caused damage equivalent to 70 of GDP and an increase in poverty from 63% to 66% (SEI and UNDP, 2006).

[20] Telford et. al. (2004)

[21] Segnestam et al, forthcoming

[22] A large number of measures are listed in the *Poverty Reduction Strategy Progress Report 2004* (Republic of Honduras, 2005).

[23] R.F. Benites Ramos, et al, 2005

Besides the widespread illegal logging, causes behind deforestation include conversion of forests for agriculture and cattle ranging, the use of firewood for cooking and forest fires[24]. The methods used to clear forestland for agricultural use is a key cause behind the many forest fires in the country. During 2005 more than 500 forest fires plagued the country. In one incidence a smoke cloud covered 90% of the country forcing closure of all four international airports[25]. Dryer local climate due to deforestation[26] and climate change, as well as the plague from pine beetles, affecting large areas of pine forests in the country[27], are plausible explanation behind the rapid increase in forest fires.
Only about six percent of Honduras land area is set aside for protected areas. Recent reports indicate that deforestation is affecting these areas as well[28]. Honduras natural forests are biodiversity rich and form an important part of the Meso-American biological corridor, the eight nation conservation corridor from Mexico to Panama.

Deforestation is recognized in the PSRP as the highest prioritized environmental issue. This commitment has however not been translated into action which curbs deforestation. On the contrary, recent reports claim that the rate of deforestation is higher now than before Mitch, and that corruption and illegalities within the sector are alarming[29]. Despite several years of debate around a new forestry law, it has still not passed congress.

6. Water Resource Management

With its many mountains and 19 major river systems as well as groundwater sources, there should be good opportunities for providing high quality water to households, agriculture and industry in Honduras[30]. However, mounting pressure from deforestation (causing soil losses and sedimentation) and increasing levels of organic and chemical pollution[31] have, in combination with poor water resources management, made water a critical development issue in Honduras.

Improved water management practices can potentially have big positive effects on the health of the poor (described above), and on agricultural productivity through improved irrigation. The problems suffered by hydroelectric power generation facilities due to sediment loading of rivers and streams may also decrease[32].

Recent assessments however conclude that water resources management in Honduras pays insufficient attention to upstream issues of watershed management, capture and storage, as well as downstream issues of treatment of liquid wastes and other measures to prevent water pollution[33]. Without an integrated approach to water management, which incorporates issues such as disaster risks, water pollution and the consequences of deforestation on watersheds, there is a risk that the benefits from investments in the water sector will be less than optimal.

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[24] SERNA, 2005
[25] EIA, 2005
[26] Ibid
[27] Billings et al, 2002
[28] EIA, 2005
[29] EIA, 2005
[30] Estimated freshwater availability is 13 500 m^3 per person and year compared to the 1000 m^3 per person and year indicator of water scarcity (SERNA, 2005)
[31] There exists no widespread systematic monitoring of water quality in Honduras. However, samples indicate high levels of organic as well as chemical pollution in lakes, ground water aquifers and rivers (SERNA, 2005).
[32] European Commission, 2005
[33] R.F. Benites Ramos, et al, 2005

Efforts to reform the water sector are currently gaining momentum. A new framework law for the water and sanitation sector was passed in 2003, and recently, the Honduran government presented a strategic plan for modernization of the water and sanitation sector (PEMAPS)[34]. Decentralization of responsibilities from the central authority (SANAA) to municipalities as well as strengthening of SANAA's capacity to set norms and regulate the sector are key features of PEMAPS. A key challenge for decentralization to be successful is to strengthen local governance to handle their increasing mandate. A focus on governance will also be central to address the fragmented institutional framework in the sector, with unclear mandates for the many different authorities involved. Cross sectoral collaboration between water providers and users as well as the ministries for agriculture, industry and commerce and environment and natural resources will be crucial in promoting an integrated approach to water management.

The PRSP sets the target of 95% coverage of potable water and sanitation by the year 2015. The water target seems attainable, but to reach the sanitation target increased efforts will be necessary.

7. Coastal Zone Degradation

Honduras has rich marine resources including coral reefs, sea grass banks and mangroves. These resources are under severe pressure from factors such as tourism development, fisheries, and biological and chemical pollution from industry, aquaculture and agriculture[35]. The Pacific coast has experienced severe environmental degradation and about half of its original mangroves have been lost[36]. Many of the poorest groups and ethnic minorities in Honduras live in coastal zones, where artesanal fisheries provide an important source of income and protein. The degradation of marine resources has negative implications to the livelihoods of these groups. Due to declining catches increased conflicts between artisanal and industrial fisheries are reported and the closure of many processing plants has increased unemployment[37].

8. The PRSP and institutional capacity for promoting environmental sustainability

The Honduran PRSP from 2001 integrates environment and natural resources management issues in a better way than average. It received a high score in a World Bank ranking of the extent of environmental integration and was commended for including long term environmental goals and for recognising poor people's vulnerability to natural disasters[38]. The Zelaya administration has endorsed the PRSP and it will continue to constitute an important framework for development efforts in Honduras[39].

However, in a recent review initiated by DFID, CIDA and Gtz, with the telling title "*Have the Lessons of Mitch been forgotten?"* it is claimed that the promising policy developments regarding environmental management after Mitch lost momentum during the Maduro government (2002-2006). Too little of the policy framework has been translated into practice

[34] Plan Estrategico de Modernización del Sector Agua Potable y Saneamiento (PEMAPS)
[35] SERNA, 2005
[36] European Commission, 2005
[37] European Commission, 2005
[38] R.F. Benites Ramos, et al, 2005.
[39] The government has identified environmental protection and risk management as one of four strategic pillars for its work. The other three being equitable economic growth for employment generation; good governance through state modernization and civic participation; and, development of human capital.

to reverse the trend of continued environmental degradation. The report claims that the a key explanation behind this lack of progress is that the government has failed to put environment issues into a political perspective were inequality and bad governance, rather than poverty, is treated as a key cause to environmental degradation[40].

Civil society organisations participated intensively in the process of formulating the PRSP. This initial interest has been replaced by civil society seeking non-government forums to express its disillusionment with the implementation of the PRSP (see also the section above about governance).

While awareness and recognition of the importance of improved natural resources management and environmental protection exist, implementation is the key challenge. Institutional strengthening of the ministry of natural resources and environment, SERNA, to formulate and enforce environmental policies as well as promoting the integration of environment into the sector commissions is needed[41]. However, policy responses will need to go beyond environmental policy and address broader political and governance issues. Key governance related challenges for pro-poor environmental management include addressing the overlapping mandates and poor coordination between different ministries, the fragmented legal framework and mistrust between government policies and civil society organizations.

The decentralization process provides and opportunity to address the strong centralization of the institutional responsibilities for natural resources management in Honduras. However, the risk of decentralization leading to overuse of natural resources by local elites need to be taken into consideration and responsibilities between different levels of government need to be clarified. Many civil society organizations see decentralization as an opportunity for poor people to improve their access and control over natural resources[42].

Several international development agencies are involved in support to improved natural resources management and environmental protection, examples include:

- GTZ - while chairing the G 16 group**,** GTZ had plans for pursuing a "greening of the PRSP" as well as environmental fiscal reform projects. GTZ is involved in institutional strengthening of SERNA as well as the forestry sector.
- DANIDA - as part of its regional environmental programme DANIDA is supporting decentralized environmental management.
- The World Bank - as part of the preparation of a new Country Assistance Strategy, a comprehensive Country Environmental Analysis will be undertaken during 2007.

An overview of different initiatives is included in appendix 2.

9. Key conclusions and issues for Sida to consider

Key conclusions:

- There are strong linkages between poverty and environmental degradation in Honduras. The poor are the first to suffer from water pollution, their livelihoods depend directly on the productivity of agricultural soils, forests and fisheries, and their vulnerability to natural disasters and environmental risks continues to be alarming.

[40] R.F. Benites Ramos, et al, 2005.
[41] Ibid
[42] Ibid

- Despite efforts to halt environmental degradation, the MDG 7 Ensuring Environmental Sustainability is clearly not on track. To reverse the trend of environmental degradation improved environmental policy will not be sufficient. Fundamental political and economic problems such as corruption and inequality will have to be addressed.

- There are large opportunities to improve the management of Honduras' rich natural resources. In some sectors, such as forestry, improved management could lead to the generation of important public revenue. Similarly, measures to improve water and air quality are likely to have large positive health effects. Ensuring environmental sustainability should thus form an integrated part any pro poor growth strategy in Honduras.

Issues for Sida to consider in the continued strategy process:

- How can environmental concerns be pro-actively built into proposed programs and supported sectors (e.g. decentralization, education, health, water supply and sanitation)? Can the use of Strategic Environmental Assessments be promoted (in line with the commitment in the Paris Declaration[43])?

- How can Sweden integrate environmental concerns in its dialogue with the Honduran government in relation to a possible budget support and other strategic issues? Can Sweden emphasis the links between governance, inequality and natural resources management?

- How can synergies between the Swedish regional programme in support of sustainable natural resources management in Central America and the bilateral cooperation with Honduras be strengthened? Can the competence of Sida´s regional environmental advisor be benefited from?

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[43] Strategic Environmental Assessments (SEA) are increasingly being used to integrate environment in sector strategies and other strategic level decision-making. In Honduras SEA has been successfully used in the Tourism sector (see below). In the Paris Declaration development agencies and partner countries jointly committed to "*…develop and apply common approaches for "strategic environmental assessment" at the sector and national levels.* OECD DAC has recently published Guidance on how to apply SEA in development cooperation (www.seataskteam.net).

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Annex 1 Selected Environmental indicators

	Honduras	Guatemala	Nicaragua	Latin America
Agricultural land (%) of land area	26	43	121	36
Forest area (%) of land area	41,5	36,3	42,7	45,6
Annual deforestation (% change, 1990-2005)	2,5	1,1	1,4	0,4
Nationally protected area (%) of total land area	6,4	20,0	17,8	11,1
CO2 emissions per capita (metric tons)	0,9	0,9	0,7	2,4
Particulate matter in air*	46	76	32	43

Rural access to water	82	92	65	69
Urban access to water	99	99	93	96
Rural access to sanitation	52	44	51	44
Urban access to sanitation	89	84	78	84
Under-five mortality rate (per 1000 live births)	41	45	38	31
Population (millions)	7,0	12,3	5,4	546
GNI per capita ($)	1040	2190	830	3576

*(urban population weighted average, particulate matter µg/cubic meter)
Source: World Bank, The Little Green Databook, 2006

Appendix 2

PROYECTO	ENFOQUE DE INTERÉS	FINANCIAMIENTO	MANEJO	DURACIÓN	MONTO
PRO-MESAS	Fortalecimiento Institucional descentralizada	ACDI	SERNA (ejecución)	2002-2005	42.9 millones de $
PRODDEL	Descentralización institucional	BID	Gobernación y Justicia (ejecución)	2004-2007	10,000 $
Programa de Desarrollo y Gestión Sostenible de las Cuencas de Honduras (FORCUENCAS)	Fortalecimiento Institucional descentralizada	EU HOND/B7-3100/01/0319 No. 5827	GOPA(ejecución)	12/2002 12/2009	31 millones de €
PRORENA-Componente Occidente	Fortalecimiento Institucional descentralizada	GTZ/KfW	AFE-COHDEFOR (EJECUCIÓN	2003-2007	2,111,700 millones de €
MARENA	DESARROLLO DE CAPACIDADES DE GESTIÓN MUNICIPAL	BID HO-0179	SAG (en ejecución)	2003-2007	27.800.000 millones de $
GESTIÓN AMBIENTAL	Apoyo a la gestión municipal Ambiental en 25 municipios	EU -Convenio ACR/B7-3130/1B/99/0302	FUNDAVIDA	2004-2006	
PROADES	Apoyo la descentralización municipal	EU EuropeAid/120937/C/SV/HN	Gobernación y Justicia (por ejecutarse)	2005-2007	34.000.000 millones de €
MIRA	Fortalecimiento Institucional descentralizada para manejo de cuencas	USAID	IRG (iniciando)	2005-2009	23.3 millones de $
Proyecto Mejoramiento Integral Urbano Barrio/Ciudad de Honduras	Mejoramiento de Barrios y prevención de crimen y violencia	Banco Mundial	Gobernación y Justicia, Secretaria de Seguridad, SPOTRAVI y FHIS(formulación)	2005-2009	

SOURCE, DANIDA, 2005