

REPUBLIC OF HONDURAS

DETAIL DESIGN REPORT

ON

TRAINING FARM

FOR

AGRICULTURAL DEVELOPMENT TRAINING CENTER

(ANNEX III)

BACKGROUND INFORMATION ON HONDURAN AGRICULTURE

APRIL 1983

JAPAN INTERNATIONAL COOPERATION AGENCY



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ANNEX III BACKGROUND INFORMATION ON HONDURAN AGRICULTURE

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A. THE HONDURAN ECONOMY IN GENERAL

Honduras: a small and open agricultural economy

Two of the main characteristics of the Honduran economy are:

- a) its small size, with the limitations imposed by a weak domestic market, on the one hand, and
- b) its high degree of openness, which is an inevitable consequence of the former feature, on the other hand.

In effect, Honduras is a small economy, with a population of only 3.8 million inhabitants, and with a per capita Gross National Product (GNP) of only US\$530, in 1979. Obviously, the Honduran domestic market is very poor. With a narrow resource base and a weak domestic market, the country has correctly perceived that trade with other countries must act as the engine of economic growth and, as a result, during the past three decades, Honduras has consistently opted for a strategy of vigorous participation in international commerce.

Actually, during this century much of the impulse for growth has been provided by the export of agricultural commodities. The successive development of first bananas and coffee, and then lumber and meat exports, have yielded many of the dynamic benefits of specialization, raising the levels of domestic output and income, increasing the country's capacity to import, and providing the basis for some forward linkages to agricultural processing enterprises.

While raw and processed agricultural exports have represented about four-fifths of total exports, trade has also played an important role in the development of the country's industrial sector. In the early 1960's, Honduras joined the Central American Common Market and adopted the instruments of integration which, in essence, promoted a strategy of regional import substitution, behind protective tariff barriers. This

Source: An Assessment of Financial Markets for Agricultural
Credit in Honduras, Ohio State University Research Team, 1981

strategy has been responsible for the nature and rate of growth of Honduras' industrial sector. After this country withdrew from the Common Market, in 1970, its trade in manufactured goods continued to be regionally concentrated, under the auspices of the bilateral trade treaties signed with the other Central American countries and Panama.

Even within the framework of the Central American Common Market, however, Honduras remained strongly oriented towards agricultural exports. Some Hondurans actually perceived that their country was playing the role of supplier of agricultural products, particularly basic grains, to the other Central American countries, in exchange for the manufactured goods produced by other, more industrialized, partners in the integration process, behind the protective barriers of the Common Market. Correct or not, this perception was one of the arguments for withdrawal from the Common Market, at the end of 1970.

There can be little doubt that the future economic growth of Honduras, and with it the well being of the people, will depend upon the capacity to maintain a vigorous and competitive export thrust, in order to circumvent, through trade, the limitations imposed by the country's small size and narrow resource endowment. The exports of traditional commodities (bananas, coffee, lumber, and meat) will continue to play a crucial role in the development of the Honduran economy in the near future. These traditional products have constituted over two-thirds of total export earnings during the 1970's, and have represented an important underpin of Honduras' aggregate economic activity.

International trade has increased the productivity of Honduras' domestic resources, but it also has accentuated the country's dependency. The traditional exports of Honduras, in particular, have been most affected by highly volatile price fluctuations in international markets and, for this reason, have imparted a certain degree of instability to the domestic economy. That is, the fluctuations in the rate of economic growth of Honduras during the past three decades have, in a large measure, been a reflection of commodity trade cycles.

While diversification into different primary commodity exports (sugar, cotton, tobacco, shrimp and lobster, etc., as well as silver and

other metals) has, to some extent, dampened the effects of sudden, sharp changes in one market, nevertheless the repercussions from single commodity price swings are still pervasively felt. The impact, during recent years, of declining coffee prices, on the level of economic activity, is a good example of this influence.

Exports of manufactured goods and of other non-traditional products, on the other hand, have occurred within the narrow geographical setting and behind the high protective barriers of Central American trade. However, even this Central American market, tapped during the last two decades with relative success for the growth of the manufacturing sector, has now lost much of its dynamism. The first "easy" stages of import substitution have come to an end, the expansion of intra-regional trade has slowed significantly, and the demand impulse for the expansion of industry from regional sources has experienced considerable weakening. The inefficiencies and distortions brought about by the protectionist policies of import substitution are apparent in the structure of production, and continued adherence to this path of development is likely not only to exact increasingly onerous costs on domestic consumers, but also to place the economy upon a declining growth path, with diminishing foreign exchange availability exercising a severe constraint to rapid development.

In addition, the evolution of the social and political events in the area, with unrest and violence in several countries, and the definition of new institutional regimes in others, will hardly contribute to the reactivation of the regional trade flows. Many Central Americans are increasingly recognizing these facts, and in various countries new efforts are being directed towards the promotion of exports, particularly of non-traditional commodities to third markets outside the region. Honduras will not escape to this tendency.

Strategies of development and planning in Honduras

It has become generally accepted to divide the recent evolution of the Honduran economy into several periods, following a suggestion by the Planning Agency, CONSUPLANE. ^{1/} These periods are:

- a) 1950-1960: the period of outward-looking, export-led growth;
- b) 1960-1972: the period of import-substitution industrialization;
- c) 1974-1978: the initiation of the "long term strategy"; first National Development Plan; and
- d) 1979-1983: the continuation of the "long term strategy"; second National Development Plan.

During the 1950-1960 period, the Honduran economy was mainly linked to investment, output, and exports of the banana enclave, as well as of a few other crops exported mainly to the United States. By the end of this decade, bananas still represented between 10 and 15 percent of Gross Domestic Product (GDP), and about 50 percent of the total value of exports. The foreign exchanges earned and taxes paid by these activities financed the capital and current expenditures of the public sector and much of the private economic activity.

During 1960-1968 Honduras experienced high rates of growth, a consequence of the continued dynamism of exports and of expanding public investment, particularly in highways, ports, electricity and communications. Also, during this period Honduras joined the Central American Common Market, with its instruments of internal free trade, external common tariff barriers, and the special system of large "integration" industries. After joining, trade with the Central American countries, as well as the relative importance of the manufacturing sector, expanded rapidly. The crisis of the Central American Common Market, which started around 1969, as well as the war with El Salvador, brought this period to an end.

^{1/} Pablo Ulises Gómez. "El modelo hondureño de desarrollo", III Congreso Nacional de Economistas. San Pedro Sula. October, 1980.

With this background, in 1973 CONSUPLANE defined a 15 year "long term strategy", directed towards the exploitation of the country's comparative advantages, as well as of the then very low level of foreign indebtedness. This strategy, still being pursued, is supposed to extend the enjoyment of the fruits of development to wider sectors of the Honduran society and, particularly, to improve the economic welfare of the marginal sectors, through higher incomes and better employment opportunities.

The strategy's basic concept is that the natural resources of the Nation must be employed for the benefit of the Honduran society, as a whole, through their direct exploitation and through a wider access to the distribution of the surpluses generated. In addition, the public sector has been entrusted with an increasing role in the management and development of the economy. A particularly important element of the structural transformation sought is the agrarian reform efforts, as a mechanism to increase permanent employment opportunities and incomes for the rural population, and to enlarge the domestic market, in order to provide an incentive to the domestic productive sectors.

The 1974-1978 National Development Plan postulated ambitious goals, including an average annual rate of growth of GDP, in real terms, of 7.2 percent, in an attempt to double the annual rate of growth of income per capita. This target, in turn, implied average annual rates of growth, in real terms, of 8.1 percent for the agricultural sector (crops and livestock), 6.8 percent for forestry, 10.0 percent for fishing, and 10.1 percent for the industrial sector.

One of the goals of the Plan was to reach self-sufficiency in agricultural goods, except in the case of wheat. In order to achieve this, the area cultivated was to be expanded by 428 thousand additional hectares, while the process of agrarian reform was to be intensified.

Forestry was supposed to supply the raw materials for the development of the industrial sector. For this purpose, 16 projects were designed, for a total investment of 9 million Lempiras. ^{1/} These projects

^{1/} A constant rate of exchange of two Lempiras per US dollar prevailed during the whole period examined in the study.

were to generate surpluses for 162 million Lempiras, to be transferred to the public sector for the financing of the agrarian reform and housing programs, and for investment in industrial projects. A public agency, COHDEFOR, was entrusted with the control of the country's forests.

In the case of the industrial sector, the Plan contemplated 104 small and medium-size projects, for a total investment of 61.8 million Lempiras. Six large scale projects, including steel, glass, cement, and pulp and paper, would be started towards the end of the planning period. The public sector was made responsible for the sponsorship and/or undertaking of these projects, and to facilitate their financing, a new agency, CONADI, was created.

Gross domestic investment was projected to grow, in real terms, at an average annual rate of 11.7 percent. Due to this projected growth, the ratio of gross domestic investment to GDP was to increase from the historical value of 16.2 percent, observed during the previous decade, to 22.2 percent. This implied an average rate of growth of public sector investment of 14.2 percent per annum, while private sector investment was supposed to grow at an average rate of 10.5 percent per annum. That is, it was expected that 33.6 percent of total investment would be undertaken by the public sector. In addition, it was expected that 25.8 percent of total investment would be financed with foreign resources. Finally, 68.6 percent of this investment was to be directed towards the agricultural and industrial sectors. All of these projected rates of growth were well above their historical values.

On the other hand, exports were assigned a crucial role in making the achievement of the Plan target possible. While exports were projected to grow at an average annual rate of 11.0 percent, imports were projected to grow 9.0 percent per annum. Obviously, these rates of growth of trade were expected to increase the degree of openness of the economy. Moreover, it was expected that growing exports of industrial goods would be added to those of traditional commodities. Finally, domestic prices were supposed to increase, at a maximum 4.8 percent per annum.

A series of exogenous events made the targets of the 1974-1978 National Development Plan impossible to reach. Among the circumstances that affected the Honduran economy during this period were:

- a) Hurricane Fifi, the worst in the country's history, which in September of 1974 caused damages amounting over 1,000 million Lempiras. A significant portion of the resources considered by the Plan were devoted to the reconstruction. For example, before the hurricane, there were 21,530 hectares under banana cultivation, but this was reduced to 14,570 hectares by the hurricane. As a consequence of the recovery, however, the country's economic growth quickened.
- b) The significant and unexpected increases in oil prices, which substantially augmented the value of the country's imports, and thus contributed to the enlarging current account deficit. At the same time, these increases in oil prices contributed to the deterioration of Honduras' international terms of trade, despite some favorable increases in some of the prices of the country's exports (e.g. coffee, sugar, etc.). As a result, while in 1973 it took three pounds of coffee or 57 pounds of bananas to purchase one barrel of petroleum, in 1980 it took 35 pounds of coffee or 294 pounds of bananas to buy the same barrel.
- c) International inflation and the instability of the international monetary system, including high interest rates in international capital markets, which restricted the country's access to foreign savings.
- d) The sharp deterioration of the Central American political situation. Insurrection and violence in neighboring countries have weakened investors' confidence and have eventually led to significant capital outflows.

The 1979-1983 (second) National Development Plan attempts to continue with the implementation of the "long term" strategy adopted in 1973. This Plan actually includes several projects programmed for the previous period, which could not be carried out, such as the cement plant, as well as significant investments in infrastructure, including transportation, communications, and alternate sources of energy, as well as education, health care and agrarian reform.

At the heart of the Plan are the El Cajon hydroelectric project and the Olancho Paper and Pulp complex. Financing for El Cajon, which will cost more than US\$600 million, was contained at very concessionary terms, from a broad spectrum of multilateral and bilateral lenders, led by the World Bank and the Inter-American Development Bank. The venture consists of the construction of a 270 megawatt dam, that should furnish all of Honduras' electricity needs into the 1990's, eliminating dependence on fossil fuels. The US\$200 million Olancho Paper and Pulp complex, on the other hand, is developing an untapped 6,000 square mile forest reserve, and should give export earnings a substantial boost by the mid-1980's.

Output growth and structural transformation

Two different sets of national income accounts are used in this study. The Central Bank's publication, Cuentas Nacionales de Honduras, 1960-1975, is used for the 1960-1970 decade. Unpublished figures, revised by the Economic Studies Department of the Central Bank, are used for the 1970-1980 decade.

Table 1. Honduras: Average annual rates of growth, in real terms, of Gross Domestic Product, at market prices, and of Gross National Product. 1960-1980 (Percentages)

	<u>GDP</u>	<u>GNP</u>
1960-1970	4.84	4.37
1970-1980	4.33	4.10
1960-1965	5.45	4.24
1965-1970	4.23	4.51
1970-1975	2.04	2.33
1975-1980	6.67	6.00
1976	8.42	6.69
1977	8.72	8.30
1978	7.03	6.40
1979	6.73	6.18
1980	2.54	2.51

Economic growth was slightly less accelerated during the 1970's than during the 1960's. In effect, while between 1960 and 1970, in real terms, the average rate of growth of GDP, at market prices, was 4.8 percent per annum, between 1970 and 1980, it was 4.3 percent per annum.

Growth, however, has not been even. Between 1960 and 1968, GDP grew vigorously, at an average annual rate of 5.6 percent. (Annual rates of growth ranged between 2.8 percent, for 1961, and 10.3 percent, for 1965). Due to the war with El Salvador, withdrawal from the Central American Common Market, and adverse weather conditions, GDP completely stagnated in 1969 and grew very slowly in the early 1970's. The average annual rate of growth of GDP, in real terms, was 4.3 percent for 1969-1973.

Table 2. Honduras: Average annual rates of growth, in real terms, of some components of aggregate demand and supply. 1960-1980 (Percentages)

	<u>1960-65</u>	<u>1965-70</u>	<u>1970-75</u>	<u>1975-80</u>
Private consumption	4.93	3.84	2.40	5.72
Government consumption	3.60	5.77	4.35	9.66
Gross capital formation:				
Private	9.82	6.29	7.26	8.20
Public	2.71	28.47	5.84	12.45
Exports	11.41	6.34	- 0.26	9.30
Imports	10.32	10.11	1.16	12.82
GDP	5.45	4.23	2.04	6.67

Hurricane Fifi and a drought caused a declining GDP both in 1974 and 1975. With the recovery, Honduras experienced a significant surge in real economic growth. For 1975-1979, the average rate of growth of GDP was 7.7 percent per annum, in real terms. During 1980, however, the country experienced a sharp downturn of this growth tendency and GDP increased only 2.5 percent.

Table 1 presents the average annual rates of growth, in real terms, of GDP and, after adding net factor payments from the rest of the world, of GNP, for 1960 through 1980. In the long run, the rates of growth of GNP have shown slightly less variability than the rates of growth of GDP.

Table 2, in turn, present the average annual rates of growth, in real terms, of various components of aggregate demand and supply. Notice that the two sub-periods of more rapid economic growth, the first half of the 1960's and the second half of the 1970's, can be readily associated with periods of rapid export growth. On the other hand, private capital formation has shown much less instability than public investment, while government consumption has increased very rapidly during the last five years.

Finally, Table 3 presents the average annual rates of growth, in real terms, of GDP by sector of activity. The agricultural output grew

rapidly during the 1960's, at an average annual rate of 5.3 percent for the whole decade. This average growth was faster than the growth of total GDP, at factor costs, which averaged 4.9 percent per annum for the decade.

Within the decade of the 1960's, however, the agricultural output increased vigorously only until 1968, reaching its maximum annual rate of growth, of 15.7 percent, in 1965.

Table 3. Honduras: Average annual rates of growth, in real terms, of Gross Domestic Product, at factor costs, by sector of activity. 1960-1980 (Percentages)

	<u>1960-65</u>	<u>1965-70</u>	<u>1970-75</u>	<u>1975-80</u>
Agriculture, forestry and fisheries	7.74	1.13	- 1.37	5.37
Mining	7.21	6.47	4.88	- 1.89
Industry	6.35	6.17	2.78	8.78
Construction	3.04	9.06	3.40	4.88
Electricity and water	9.96	7.63	5.51	5.29
Transportation, storage and communications	2.71	2.42	5.86	6.22
Banking, insurance and real estate	5.92	5.15	8.92	7.49
Commerce, wholesale and retail	5.75	2.67	- 0.80	6.46
Private housing	4.48	3.76	4.81	4.52
Public administration	0.66	1.75	3.13	8.59
Services	3.43	0.34	4.78	3.24
GDP at factor costs	5.65	4.06	1.97	5.81

During 1969 and 1970, however, due to unfavorable weather conditions and the war with El Salvador, agricultural output actually declined.

In contrast with the 1960's, during the 1970's the growth of the agricultural sector was relatively slow, reaching an average annual rate of growth, in real terms, of 1.9 percent, which is significantly lower than the rate of growth of the total GDP, at factor costs, of 3.9 percent

per annum for the decade. This slower growth reflects the consequences of the extensive destruction, particularly of the banana plantations, caused by hurricane Fifi in 1974. Lack of growth, however, has also taken place in recent years, with respect to the domestic market-oriented crops of corn and beans. Actually, in the most recent years, corn, rice and milk have been imported, in sharp contrast with the 1960's and early 1970's, when exportable surpluses of corn and beans were produced.

Between 1970 and 1973, agricultural output grew at an average annual rate, in real terms, of 4.5 percent. Hurricane Fifi led to a decline of 9.7 percent in the output of 1974, in relation to the previous year, and, with the effects of a drought, caused a further drop of 9.3 percent in 1975. As a result, in 1975 the agricultural output was at 378 million of constant Lempiras of 1966, down from the 462 million level, corresponding to 1973, and comparable only to the 380 million already reached a decade earlier, in 1966. It was not until 1978, when the agricultural output amounted to 469 million of constant Lempiras of 1966, that the 1973 level of real output was regained.

Honduras is the fourth largest banana exporting country in the world, contributing 10 percent of the international trade of this product, although in the past (1971) it had accounted for up to 16 percent of the world market. Before the hurricane, bananas contributed over 50 percent of the country's total export earnings. The storm damage severely cut the contributions of the banana sector to the Honduran economy. The country, however, has made serious attempts to restore its productive capacity and, as a result, this sector has grown rapidly. By the end of the decade, exported volumes were very close to the pre-hurricane peak level and prices were twice as high.

In addition, coffee production recorded 50 percent increase in the late 1970's, in response to higher coffee prices, which doubled in 1976 and again in 1977, and which thereafter have remained above the 1976 level. Therefore, as a consequence of the recovery of banana exports and of the coffee boom, the agricultural sector grew at an average annual rate, in real terms, of 7.5 percent, between 1975 and 1979. During 1980, however, agricultural output declined by 2.8 percent, in comparison to the previous year. Production levels of the four leading commodities,

Table 4. Honduras: Ratios of several components of aggregate demand and supply to Gross Domestic Product, from nominal values and from values in real terms, at constant 1966 prices. 1960-1980 (Percentages).

	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>
<u>Ratios to GDP, in nominal terms:</u>					
Private consumption	77.1	74.1	74.2	78.4	67.0
Government consumption	10.9	10.0	11.5	12.6	13.4
Gross domestic capital formation:	12.4	13.0	18.5	21.9	25.6
Private	9.6	10.6	12.0	15.0	16.7
Public	2.8	2.4	6.5	6.9	8.9
Exports	21.6	27.8	27.3	30.7	35.8
Imports	23.2	26.5	33.9	40.2	44.4
Trade deficit	1.6	(1.3)	4.5	9.5	8.7
<u>Ratios to GDP, in real terms:</u>					
Private consumption	77.5	75.6	74.8	76.1	72.8
Government consumption	11.0	10.1	12.1	13.6	15.6
Gross domestic capital formation:	11.7	13.4	15.9	20.0	22.9
Private	9.1	11.1	10.8	13.9	15.0
Public	2.6	2.3	5.1	6.1	7.9
Exports	20.3	26.8	29.6	26.4	29.9
Imports	22.0	27.5	34.5	33.0	43.7
Trade deficit	1.6	0.8	4.9	6.6	13.8

accounting for 63 percent of export value, i.e., bananas, coffee, meat and lumber, declined, while production of the basic staples of the Honduran diet, i.e., corn, beans and rice, fell short of demand, requiring imports to close the gap.

While, on the average, between 1960 and 1965, the industrial sector grew more slowly than the agricultural sector, during the second half of this decade the industrial sector grew much faster and, as a result, its average rate of growth of 7.1 percent per annum, for the whole decade, was higher than the rate corresponding to the agricultural sector. Actually, industry was the most dynamic sector of the Honduran economy during the late 1960's, to a large extent as a result of the expansion of trade within the Central American Common Market.

During the first half of the decade of the 1970's, the industrial sector slowed down, due to the generally recessionary conditions of the Honduran economy, but it still increased more rapidly than total GDP. The rate of growth of this sector accelerated in the second half of the decade, reaching an annual average of 5.7 percent, in real terms, for the whole decade.

A certain degree of structural transformation has been the consequence of these different rates of growth of the various sectors of activity, as shown in Table 5. In particular, the relative importance of the agricultural sector, when measured in nominal terms, declined from 34.4 percent of GDP, at factor costs, for 1960, to 30.8 percent, for 1980. In real terms, on the other hand, the relative importance of the agricultural sector declined from 33.3 percent of GDP, for 1960, to 28.2 percent, for 1980. The Honduran economy, therefore, continues to be predominantly agricultural, while there has been much less structural transformation than in the other Central American countries. In the case of Costa Rica, for example, the relative importance of the agricultural sector declined from 26.0 percent, in 1960, to 18.8 percent in 1979.

Table 5. Honduras: Structural composition of Gross Domestic Product, by sector of activity. 1960-1980 (Percentages)

	<u>1960</u>	<u>1970</u>	<u>1980</u>
<u>Values in nominal terms:</u>			
Agriculture, forestry and fisheries	34.4	32.5	30.8
Mining	1.6	2.3	1.8
Industry	12.3	13.8	17.3
Construction	3.9	4.8	4.9
Electricity and water	0.7	1.4	1.6
Transportation, storage and communications	6.8	7.8	8.6
Commerce, wholesale and retail	13.2	13.1	13.0
Banking, insurance and real estate	1.6	3.1	4.2
Private housing	8.4	7.2	5.3
Public administration and defense	3.9	3.4	3.5
Services	13.2	10.6	8.9
GDP at factor costs	100.0	100.0	100.0
<u>Values in real terms:</u>			
Agriculture, forestry and fisheries ^r _Λ	33.3	33.9	28.2
Mining	1.7	2.2	1.7
Industry	12.0	14.2	17.0
Construction	4.3	3.7	3.8
Electricity and water	0.7	1.1	1.3
Transportation, storage and communications	7.8	7.9	9.7
Commerce, wholesale and retail	13.0	12.3	11.5
Banking, insurance and real estate	2.1	2.5	3.8
Private housing	7.4	6.9	7.5
Public administration and defense	4.2	3.5	4.2
Services	13.6	11.1	11.3

The differences between the two sets of figures presented in Table 5 (nominal and real) are due to changes in the domestic terms of trade among sectors of activity. In particular, between 1960 and 1970 the relative importance of the agricultural sector, in real terms, did not change, but both the international terms of trade as well as the domestic terms of trade were turned against this sector, as a consequence of the protectionist strategy of import substitution, in the latter case. As a consequence, the relative importance of the agricultural sector, in nominal terms, declined. Due to substantial increases in the international prices of some export crops, on the other hand, the terms of trade of this sector improved in the second half of the 1970's, so that the decline in relative importance of this sector was greater in real than in nominal terms.

Manufacturing industry, on the other hand, is the sector with the most impressive gains in relative importance, particularly in the second half of the 1970's, when it reached 17 percent of GDP. This has reflected, in part, the impact of CONADI and the substantial financing that has been channelled to the sector through this agency, as well as of other large investment projects.

Table 4, in turn, presents the relative importance of the various components of aggregate supply and demand, with respect to GDP. The relative importance of private consumption has declined, more in nominal than in real terms, while the relative importance of government consumption has increased, more in real than in nominal terms. Measured in real terms, private and public consumption represented 88.4 percent of GDP in 1980, while gross domestic capital formation represented 22.9 percent in the same year, up from 11.7 percent corresponding to 1960. The relative importance of gross domestic investment, however, increased more rapidly in nominal terms than in real terms, possibly due to the deterioration of the country's terms of trade. Obviously, all of these differences between nominal and real term trends are due to changes in relative prices.

Finally, the degree of openness of the economy has increased significantly. In real terms, the relative importance of exports has

augmented from 20.3 percent, for 1960, to 29.9 percent, for 1980, while the relative importance of imports has increased from 22.0 percent, for 1960, to 43.7 percent in 1980. The combined consequence of rapidly rising trade flows, at higher rates than the growth of output, and of the more rapid increases in imports than in exports, has been a rapidly expanding trade deficit. In 1960 this deficit, in real terms, represented only 1.6 percent of GDP. By 1970 the trade deficit already represented, in real terms, 4.9 percent of GDP and its relative importance had augmented to 13.8 percent of GDP by 1980. The rapid increase in the relative importance of the trade deficit, during recent years, has generated a balance of payments problem for Honduras which, combined with additional problems on the capital account, is exerting pressure on the rate of exchange of the Lempira, which has remained fixed, at two Lempiras per US dollar, since 1931.

Trade and balance of payments

The high degree of openness of the Honduran economy implies that international flows of goods and services, factor payments, capital and assets, have a significant impact, not only on the rate of growth of output and on the levels of economic activity and of employment, but also on monetary and price stability.

As most other young developing countries, the Honduran economy has experienced a trade deficit every year during the decade of the 1970's. In effect, the country started the decade with a relatively high trade deficit, of 134.7 million Lempiras, but this deficit had been quickly reduced to 38.3 million Lempiras by 1972. As a consequence of hurricane Fifi, this deficit jumped to 273.0 million Lempiras in 1974, increasing by 225.8 percent over the previous year, and remaining at a high level every year thereafter. By 1979 the trade deficit had already increased to 433.9 million Lempiras and, by 1980, it amounted to 691.0 million Lempiras, implying a growth of 62.6 percent over the previous year. The average rate of growth of the trade deficit, for the whole decade, had been of 17.8 percent per annum.

Table 6. Honduras: Balance of payments. 1970-1980
(Millions of Lempiras)

	<u>1970</u>	<u>1975</u>	<u>1980</u>
Trade balance	<u>- 134.7</u>	<u>- 259.6</u>	<u>- 691.0</u>
Exports:	<u>408.3</u>	<u>701.7</u>	<u>1,908.8</u>
Goods	366.9	619.3	1,669.1
Services	41.4	82.4	239.7
Imports:	<u>543.0</u>	<u>961.3</u>	<u>2,599.8</u>
Goods	406.8	744.7	1,911.8
Services	136.2	216.6	688.0
Transfers	<u>13.1</u>	<u>35.4</u>	<u>43.0</u>
Capital account	<u>97.8</u>	<u>257.7</u>	<u>534.5</u>
Long term capital:	<u>88.0</u>	<u>259.5</u>	<u>512.6</u>
Private	25.2	50.5	188.8
Public	56.0	12.4	265.6
Banking system	6.8	2.4	19.4
Compensatory	-	94.2	38.8
Short term capital	<u>9.8</u>	<u>- 1.8</u>	<u>21.9</u>
Errors and omissions	<u>- 4.2</u>	<u>0.3</u>	<u>- 8.6</u>
Change in international reserves (- increase)	<u>28.0</u>	<u>- 33.8</u>	<u>122.1</u>

Between 1970 and 1980, the value of the exports of goods and services increased at an average annual rate of 16.7 percent, while the value of the imports of goods and services increased at an average annual rate of 17.0 percent. The growth of trade, however, has been more accelerated during the second half of the decade. In effect, excluding the critical years of 1974 and 1975, the value of exports augmented at an average rate of 7.8 percent per annum between 1970 and 1973, while this value increased at an average rate of 22.4 percent per annum, between 1976 and 1979. During 1980, however, the value of exports increased only 11.1 percent over the previous year. The same behavior is true of imports. During 1970-1973, their value increased at an average rate of 7.7 percent per annum, while between 1976 and 1979, it increased at an average rate of 22.6 percent per annum. Imports, however, continue to increase rapidly during 1980, at a rate of 21.3 percent over the previous year.

The rapid growth of exports during the second half of the decade reflected the growth of agricultural exports resulting from high commodity prices and expanded production. This export growth represented the most dynamic factor spurring the favorable economic growth rate obtained in this period. Bananas, benefiting from higher yields and better prices, returned to their traditional position as leading export, narrowly edging out coffee, in 1979. Refrigerated meat also registered significant increases, adding to the coffee boom experienced during this period. Metals, particularly silver, lead and zinc, also increased significantly, taking advantage of high prices.

Petroleum imports registered dramatic increases during the second half of the decade, augmenting from 152 million Lempiras in 1978, to 224 million Lempiras in 1979, and to 342 million in 1980. That is, during this last year, petroleum imports represented more than half of the country's trade deficit. By 1979 petroleum products already accounted for 15 percent of the value of all imports.

Honduras' capital account showed an average rate of growth of 18.5 percent per annum during the 1970's. While long term capital increased an average annual rate of 19.3 percent, short term capital increased at an average rate of 13.1 percent per annum. The average annual rate of growth of private long term capital was 22.3 percent, while it was 16.8 percent in the case of long term capital for the public sector.

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B. SOME PROBLEMS EXISTENT IN PRESENT HONDURAN AGRICULTURE

1. Introduction

Honduras is a small independent Central American Republic. It is bounded by the Caribbean on the North, Nicaragua on the South, El Salvador on the Southwest, and Guatemala on the Northwest. It occupies an area of 112,100 square kilometers (11.2 million hectares).

The population is 3.8 million and growing 3.5 percent annually, one of the fastest growth rates in the world. Fully half of the population today is under 15 years of age. Over three-fifths of the population reside in rural areas, but the migration to the cities is relatively rapid. There are now nine cities with a population of over 20,000.

Overall literacy is estimated at 60 percent, much higher in the urban than in the rural areas. The average educational attainment is under two years of formal schooling. Of 1,000 first grade entrants, 100 will complete the 6th grade, 35 will complete high school, and only one will obtain a university degree.

Over one-half of all Hondurans have no access to health services beyond folk medicine. Mortality statistics indicate that lack of environmental sanitation is the single most serious health problem. Malnutrition is also a serious problem, with protein and vitamin A deficiencies prevalent. Over 80 percent of rural children and 60 percent of urban children under age 6 are malnourished.

Source: Report of the U.S. Presidential Agricultural Mission to Honduras, November 1982

Note: The Presidential Agricultural Mission to Honduras was created as a result of President Reagan's commitment at the Cancun Summit to assist in agricultural development in the Third World

Honduras is a heavily forested, mountainous country. Over two-thirds of the area is covered with trees, but only one-third has timber with commercial value. The Honduran economy is small; the Gross Domestic Product (GDP) in 1981 was \$2.7 billion, \$708 per capita. The agricultural sector is the largest of the economy, accounting for 30 percent of the GDP, 60 percent of the employment, and two-thirds of the export earnings. The economy is still largely based on primary product exports--bananas, coffee, sugar, and lumber. Exports constitute nearly one-third of the total demand, and imports about one-third of the supply. With this degree of openness, international trade and external forces have a major impact on national economic growth and employment, as well as on stability and prices.

2. Current Agriculture and Food Situation

Honduras has a wide range of climatic conditions that permits production of most warm and cool climate crops. It produces most staple food crops, except for wheat, which is produced only in very small quantities. Virtually all types of fruits and vegetables can be grown. Major exports crops include bananas, coffee, sugar, tobacco, and cotton. Livestock and forestry production also is important in Honduras, with beef and lumber being major export items.

Some 750,000 hectares of land are dedicated to annual and permanent crops and another one million hectares are used for pasture and range. Available information suggests that only about 20 percent of the land suitable for crop production is used for that purpose. Most of the unused agricultural land is located in the largely unsettled areas of the East and Northeast.

About half the land in crops is in basic grains, mostly corn produced by small farmers. Although Honduras regularly exported basic grains in the past, production now barely equals consumption in most years. Oil crops occupy another 30 percent of the cropland used, with the remainder in fruits, vegetables, and export crops.

Agricultural production in Honduras is generally high-risk, with considerable rainfall variation that results in periodic floods, droughts and/or storm (hurricane) damage. Little investment has been made in drainage, flood control, irrigation, soil and water conservation practices and land forming to reduce the risks of climatic variability. As a result, sustained profitability of crop agriculture is precarious at best.

Wheat is the only major imported foodstuff consumed in Honduras. Significant amounts of edible oils and fats, and non-fat dry milk, continue to be imported. Except for these items, Honduras is essentially self-sufficient in foodstuff production. Although malnutrition caused from diet deficiencies in both calories and proteins is prevalent, it essentially is a function of poverty rather than an inherent inability of the agricultural base to adequately feed the population.

Honduras has the agricultural resource base and the production potential not only to be self-sufficient in foodstuff production (except for wheat), but to become a major exporter of non-traditional fresh and processed foods, such as fruits and vegetables, as well as of livestock products such as pork and dairy. Potential markets exist for many of these products. In addition, some traditional export products have potential for expansion as market conditions permit. This apparently is true for tobacco, and possibly for cotton and beef, as well as for forestry products.

The remainder of this report discusses specific policy, institutional development, and investment issues that must be resolved to achieve the great agricultural potential that exists in Honduras.

3. Basic Grains Policy

The basic food crops in Honduras are corn, beans, rice, and sorghum (designated as "basic grains"). Corn, beans, and sorghum are grown primarily by small farmers, while rice is produced by the larger, commercial farmers. Although production varies greatly from year to year, it is only just sufficient to meet consumption needs in most years.

Corn is grown by more farmers and occupies more land (about 400 thousand hectares) than any other cultivated crop in the country. In recent years, production has declined and it has been necessary to import corn, sometimes in relatively large quantities. Beans (primarily red) are the second most important food in the diet. While Honduras was a net exporter for many years, production (on about 75,000 hectares) is now barely sufficient to meet domestic needs. Sorghum is used for both human and animal consumption. Grown on about 70,000 hectares, Honduras has in the past exported some small quantities, but not in recent years. Rice is a relatively less important foodstuff in Honduras than in other Latin American countries. Grown on about 15,000 hectares, production since 1978 has been insufficient to meet domestic demand and small amounts are imported.

These crops are subject to the pricing policies of the Honduran Institute for Agricultural Marketing (IHMA), one of the autonomous public sector agencies. IHMA is charged by law with ensuring the country has an adequate supply of basic food and feed grains. It is also responsible for operating a price support program. Through minimum guaranteed prices to producers, control of export licenses, and intervention in the market (buying and selling domestically and in international markets when necessary), IHMA attempts to stabilize prices and the supply of basic grains.

Before the planting season, IHMA announces the price at which it will purchase grains at harvest time. The purchases are linked to IHMA storage at 19 locations in the producing areas of the country. The storage capacity is presently sufficient for 30 to 40 percent of the grains that move in commercial markets (about half the annual production is consumed on the farms where grown). Much of the grains purchased through the price stabilization program is made available around the country to low income consumers through state-owned stores (BANASUPRO), often at subsidized prices. (In 1981, the food subsidy amounted to \$1.25 million.)

The success of IHMA in ensuring price stability and adequate supplies is mixed. It has lost credibility with farmers because of its

failure to meet its price guarantee. For example, IHMA established the 1981/82 price guarantee much higher than supply/demand conditions appeared to warrant (\$5.18/bushel for corn; \$27.50/cwt for beans; and \$13.30/cwt for rice). Farmers responded to the high prices, and harvest-time deliveries soon filled the available storage. IHMA ceased purchases, forcing many farmers, feeling betrayed by the government, to sell at much lower prices. These discouraged farmers are likely to reduce production in the following year. IHMA's purchase cost, plus storage and handling costs, are well above regional and world market prices, causing its political difficulties as well as the incurred losses in selling below cost.

The IHMA policies also create other distortions. It is alleged that in its grains purchasing, IHMA has at times given preference to farmers who had BANADESA credit. This has led farmers not needing credit to obtain it in the following year just to ensure they would be able to sell their grains to IHMA.

There is virtually no private grains storage in the country. Investment in storage is considered too risky because of the uncertainty created by the timing of IHMA's movements in the international markets. Potential investors fear that the rise in prices from harvest-time to before the next harvest necessary to recoup storage costs would be dampened frequently enough by IHMA imports to preclude a satisfactory return on the investment.

The uncertainty created by IHMA also affects the credit availability to farmers. Banks are reluctant to provide operating funds because of the price uncertainty in the market. The lack of operating credit is a major limitation to increased production of grains. The government is virtually the only source; about 90 percent of the government-provided credit is to grain producers.

4. Natural Resource Use and Conservation

Honduras has an abundant supply of agricultural land and water, the basic natural resource ingredients to a productive agriculture. The problem is that neither the land nor the water resource base is being efficiently utilized to achieve economic and social goals.

Many present land owners do not use their land efficiently. Additionally, a major portion of land suited for agriculture is still in the public domain. Constraints to efficient use of these resources are both institutional and technological.

Major constraints that could be alleviated through appropriate public policies and investment, combined with private initiatives and investment, are discussed in this section.

4.1 Drainage, Flood Control, and Irrigation

A considerable portion of the agricultural land is poorly drained, frequently floods, or is susceptible to drought during a part of the potential growing season. Because the necessary institutional structures and investments have not been realized, agricultural production on these lands is high risky and profitability is marginal.

Present policies are not conducive to private sector investments and commitments of future income required to manage water. For major agricultural areas in the Coastal Plains, large scale, multi-farm drainage, flood control, and irrigation works are required. Because of the large scale nature of required investments, and because the benefits from them accrue to individual landowners, as well as to the economy as a whole, a partnership between the government and landowners is necessary to make the required investments in appropriate infrastructure (dams, dikes, drainage and irrigation channels, pumps, land leveling, etc.). There is presently no enabling legislation to permit the institutionalization of such a partnership.

The Government has neither the organizational nor the financial capability to carry out the required investments alone. Furthermore, without the commitment of benefiting landowners to utilize future income from improved production resulting from the investments, as well as a commitment to maintain and operate the systems, anticipated benefits from such investments are not likely to be realized. Enabling legislation is required that provides a vehicle and incentives for landowners to organize themselves, finance the initial investments and tax themselves in order to have an income flow to amortize, initial investments and operate and maintain the system effectively.

In the past, the public sector has made investments in flood control and irrigation projects. These efforts have largely been unsuccessful; most existing public irrigation projects, for example, are greatly underutilized and poorly operated and maintained. The original investment has not been recouped and the infrastructure is steadily deteriorating. Major reasons for this poor performance appear to be:

- Benefiting landowners have not participated effectively, either financially or organizationally, in planning, implementing, and maintaining the works carried out, and
- Government capacity to effectively manage such projects is inadequate.

If private sector users are empowered to take the initiative and assume major responsibility for organizing the system, making required investments, maintaining and operating the system, and amortizing their fair share of the investment cost, the potential for success of such activities would be enhanced considerably.

Agricultural areas of the interior of the country are subject to serious soil erosion. In addition, a number of opportunities exist for greatly reducing risk of crop failure and extension of growing seasons through small scale irrigation. As in the case of water management in coastal agricultural areas, erosion control and small scale irrigation in the interior are feasible only if there is active participation and commitment by the landowners themselves. Experience in other countries,

such as Guatemala, suggests that small farmers will respond to opportunities to carry out soil conservation and supplemental mini-irrigation programs. They are willing to provide their labor in construction, commit a part of their future enhanced incomes to amortizing a part of the initial investment, and agree to maintain and operate the systems. Government must provide enabling legislation, make initial financing available, and underwrite an appropriate share of initial costs.

4.2 Land Distribution, Tenure, and Social Objectives

A system of agricultural production based on private ownership of land must provide security of tenure and adequate flexibility to enable land to be put to its most economical use. At the same time, the use of land must mesh with the social equity objective of improving the livelihood and enhancing the human dignity of the rural population.

It has been demonstrated amply throughout the world that an agricultural system based on private ownership of farmland, combined with an appropriate policy environment, can achieve high levels of production efficiency and output, and at the same time achieve social equity objectives. In contrast, other systems, based on state or collective ownership of the land base have had a poor record of production efficiency and output except in isolated cases where an overriding religious or social cohesiveness controls communal objectives. A number of experiments in state and collective enterprises in Latin America have poor, and generally disastrous, records of production efficiency and output.

An appropriate policy environment is critical to the success of a system of agriculture based on private landownership. The policy environment must achieve a balance between incentives to assure production efficiency and realization of social objectives. These objectives may, at times, be conflicting.

- Productive landownership is highly skewed, with 20 percent of the agricultural land being held by 279 large owners and 126,000 small subsistence farm families holding less than 4 hectares each. In addition, some 50 percent of the rural farm families own no land at

all, and are unable to find enough employment to earn sufficient income to cover basic needs.

- Only an estimated 3,000 farms are legally titled out of a total of 185,000 to 190,000 units in possession. A considerable amount of this land is legally classified as public domain, and a large amount of unsettled land suitable for agriculture is in the public domain. Most of this is inaccessible because of lack of roads.
- A number of policies have a negative impact on decisions of landowners to put their land to its most appropriate use. Because of the lack of legal title, owners are hesitant to make major medium and long term investments in land improvements. Land cannot be legally rented, thereby excluding a viable economic alternative for allowing land to be used by efficient farmers when it may be owned by inefficient farmers or non-farmers. And, to be exempted from agrarian reform, large farms must be planted to specified crops (such as sugarcane). These crops may not be the most effective use of land. Virtually no land market exists in Honduras, mainly because of the lack of clear titles to transfer and the lack of a system for financing land sales. In the past, the government has relied on direct intervention through agrarian reform to provide land to landless farmers. This requires a bureaucratic structure that is expensive and a management efficiency beyond the capabilities of government. It treats the land recipient largely as a passive onlooker in the process, thereby neutralizing many of the individual ownership incentives inherent in a private market. Land redistribution under the present system has been very expensive and has been at such a slow pace that it has not kept pace with the increase in new rural families entering the landless group.

5. Human Resources

The pressure on the food supply is presently great, and the rapid population growth ensures that this pressure will intensify. In addition to all of the factors previously discussed, perhaps the most critical to increasing the food supply space with the demands of the future is the development of the human resource. That resource is critical to the adaptation of existing technology, the creation of new technology for the future, and the dissemination and effective use of the scientific advancements.

The trained personnel in Honduras for agricultural research, extension, and teaching are few. Moreover, the public sector structure for research and extension is not organized in a way that will enable effective operation. Further, the system of higher education, especially for the agriculture sciences, appears woefully inadequate. While short-run gains in food production and availability can be achieved by the various measures suggested in this document, sustained long-run growth and improved welfare of the rural population are likely precluded without significant improvements in the research, training and education system.

5.1 Short Term

Some of the most immediate food production problems can be addressed through the borrowing and adaptation of existing technology, and through the use of outside technical assistance for specific problems. For example, enormous sums of public money have been spent in areas such as the Aguan Valley. However, severe production problems have been encountered, primarily because the required technology measures are not understood by the farmers resulting in their reluctance to participate in the needed physical operations. For example, too much of the citrus produced there is not commercially marketable. Total production could be increased substantially and quickly if minor element deficiencies and other agronomic problems, such as weed control and drainage, could be economically corrected. Some of the problems could be corrected by

intensive labor; most, however, can only be corrected through skilled management of technology and a willing labor force.

5.2 Long-Run Agricultural Education, Extension, and Research Needs

While certain stop-gap measures can sustain and even increase production, concerted action must be taken to generate the knowledge and secure its effective use for sustained, efficient food production. The present system of agricultural education, research, and extension can be substantially modified to achieve this result.

Continuity is an important ingredient to a good education system. The system is disrupted if the personnel serve only two to three years before moving to more lucrative positions in private enterprises or leave the country, as now frequently occurs.

Within the public sector agencies, the personnel should be selected on as nearly a nonpolitical basis as practical and a system devised to retain them through political changes.

It is urgent that Honduras organize its agricultural education to assure adequate food production over the next few decades. To do this will require some innovations and perhaps politically unpopular changes in institutional structures. There are several structures which might be considered as models.

Generally, agricultural education, research, and extension are supported by public funds with each country responsible for its own program. However, the Pan American Agricultural School with private funding sources is one of the best in the hemisphere. The students are rigorously selected with only 10 percent of applicants accepted. Discipline is a major part of the teaching process. In addition to their classes and laboratories, the students are taught to work with their hands and produce their own food and some to sell. The dignity of human labor is obvious to these students as they emerge, and many of the graduates of Zamorano are leaders in agriculture in a number of countries.

The government could well consider using this model. However, some ingredients are lacking. A school patterned after Zamorano would need to offer the Ingeniero Agronomo degree and an option to include a Masters and perhaps a Ph.D. degree in the future when numbers and quality of faculty permit. However, it is recognized that a university must be more than just a technical training institution.

The creation of an Agricultural Institute is another possible model. It too would require time, energy, and money, and would be effective only if it could be kept relatively free of political pressures. The government should not enter directly into the operations of the institute, leaving policies to be set by a board of directors that is informed and acts in concert with government policy.

Adaptive research should be emphasized in the first phases of an autonomous institute. Few problems will be encountered which will require basic research. However, staff with sufficient skill and training will identify these and seek help when needed.

An agricultural institute should make every effort to utilize all information from the international agricultural research centers and other sources, but to do so will require considerable effort. The international centers do not have the staffs nor budgets to serve all countries adequately. Therefore, Honduras should maintain a staff capable of obtaining and utilizing plant materials and information from these sources.

The international agricultural research centers can furnish plant materials and systems which can be adapted for direct use in Honduras. However, the attitude that nothing more needs to be done because the international centers have the varieties and necessary information is incorrect and should be discarded. The centers can help, but Honduras must aggressively seek valuable materials and maintain the program and staff which will utilize them to the maximum.

There is need in Honduras for trained personnel at all levels. Sufficient personnel trained at the university and graduate levels are not available. Every effort should be made to entice trained Hondurans to

return and work in the country. Even then outside technical assistance will undoubtedly be necessary if production programs are to be developed at an accelerated rate. Some of these programs are urgent.

There is equal need for the training of technical personnel. The efficient training of these people is not likely until the leaders are trained and in place and continuity and freedom from undue political pressures are attained. These personnel cannot function effectively unless they are supported with adequate budgets and autonomy to develop the needed training programs according to policies established by the government.

The same applies to the education of farmers. In fact, farmer education is the most difficult, and the part that requires the most immediate attention. With over 50 percent illiteracy, the job of effectively training and supplying information to farmers is a mammoth task.

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C. HISTORICAL OVERVIEW OF HONDURAN LAND REFORM *

Introduction

To understand the current state of Honduran land reform and the reformed sector it is important to place them in historical context. There are three readily discernible periods in the history of the country's land reform. The first, from 1898 to 1961 is a long period of legislative acts to settle idle public lands. However, it wasn't until 1951 that much action was taken. The second, from 1961 through 1972, occurred when Honduras, like many Latin American nations, established a taken land reform program to comply with the requirements of the Alliance for Progress. The third, after December 1972, is a period of a rapid land redistribution for the first two years followed by a period of much lesser land redistribution up to the present time (1981). Of particular importance in these periods is the attitude of the different administrations with respect to land reform, the role of farmer organizations in pressuring the government and the development of a legislative and institutional framework to administer and implement land reform.

Period I: 1898-1961

The Agrarian Law of 1898, to settle and develop public lands, was the first of a series of legislation to bring productive public land into cultivation. Between 1924 and 1949 there were thirty-four government decrees to set aside specific lands in family farm sized units. However, despite these many laws it wasn't before 1951 until the government undertook large projects to settle significant numbers of farm families. From 1951 through 1961 seven projects were established providing 33,300 hectares of land to 2,300 farm families. The Ministry of Natural Resources (MRN) was responsible for administering these projects.

* Agriculture Sector Assessment for Honduras, USAID, Aug. 1978

Period II: September 1962 - December 1972

The United States required that a Latin American country must have begun a land reform program in order to be eligible for foreign aid under the 1961 Alliance for Progress. To comply with these conditions, in March of that year the Honduran government of President Villeda Morales established the National Agrarian Reform Institute (INA) to develop land reform legislation and eventually to oversee the process, once it began. In September of 1962 the first Honduran Land Reform Law was passed. It contained provisions for redistributing public lands and idle private lands. In October of 1963 Villeda Morales was overthrown in a military coup headed by Col. López Arellano, a conservative who had little interest in promoting land reform. INA became virtually inactive.

By 1965 a relatively new farmers organization, the National Association of Honduran Campesinos (ANACH), disgusted with the inactivity of the land reform program began to bring pressure on the López government. An extensive propaganda campaign and the threat of a massive ANACH-organized hunger march on Tegucigalpa finally caused the government to give in and agree to revitalize INA and continue land reform.

By mid-1967 this was accomplished but it wasn't until 1969 that land redistribution began to accelerate; as shown in Table 1 between 1969 and 1972 a total of 154 groups were organized benefiting 8,176 farm families and redistributing 30,457 hectares of land. Compared to the 1962-1968 period this was enormous progress. In those six years only twenty-three groups had been formed. 900 families had been benefited, and 5,504 hectares redistributed.

However, the pace was not fast enough in the eyes of the farmers organizations, especially after the conservative civilian government of Ramon Ernesto Cruz came to power in the 1971 elections. Land invasions increased and ANACH, stronger than before, threatened another massive hunger march on Tegucigalpa for December 6, 1972. It did not come to pass because on December 4 General López Arellano again came to power in a military coup that would embark on the largest redistribution program in Honduran history.

Table 1 Reformed Sector: Number of Groups Formed, Number of Members and Land Adjudicated from 1962-1980

Year	Number of Groups Formed	Membership				Hectares				
		%	Initial	%	Current ^a	%	Adjudicated	%	Cultivable ^b	%
1962-1968	23	1.7	900	1.8	982 ^c	2.5	5,504	2.4	4,414	2.4
1969-1972	154	11.2	8,176	16.0	6,271	16.4	30,457	13.2	27,107	14.7
1973-1980	<u>1,192</u>	<u>87.1</u>	<u>42,110</u>	<u>82.2</u>	<u>31,043</u>	<u>81.1</u>	<u>194,637</u>	<u>84.4</u>	<u>153,189</u>	<u>82.9</u>
Total	1,369	100.0	51,186	100.0	38,296	100.0	230,598	100.0	184,710	100.0
1973	224		8,674		5,351		32,454		21,120	
1974	287		9,828		7,204		47,098		37,849	
1975	186		6,751		6,128		37,252		29,949	
1976	182		6,724		4,471		26,913		18,787	
1977	106		3,381		2,462		15,985		11,568	
1978	42		1,745		1,316		5,415		4,396	
1979	93		2,507		1,611		9,005		9,005	
1980	72		2,500		2,500		20,515		NA	

Source: 1962-1979, INA, Depto. de Planificación, Sección de Estadística e Información. 1980, Plan operativo anual y presupuesto 1981, Tegucigalpa: INA, p. 12.

a Current membership represents the number of members at the end of 1979 except for 1980. In 1980, current membership was not available so initial membership was used.

b Cultivable area was defined by group members and not by an agronomic study.

c The increase in current membership compared to initial membership in the 1962-1968 period came from one year, 1967. Initial membership in 1967 was 190, current membership was 373. In all other years current are less than initial members.

It is noteworthy that it was during the 1967 reorganization period that the land reform movement began to be highly biased toward the collective mode of farming. There are two principal reasons. First, lands which had been abandoned by the foreign banana companies were some of the major ones redistributed and the campesinos on those lands had been accustomed to collective-type operations. Second, it quickly was recognized by INA and the National Development Bank (BNF and BANADESA's predecessor) that there were considerable economies of scale in delivering services and credit in this mode.

Period III: December 1972 - Present

One of the first acts of the new military government was to issue Decree No. 8, which provided for a temporary program of land reform until a new land reform law could be enacted. In January of 1975 the new Land Reform Law was issued as Decree No. 170. In the intervening period under Decree No. 8, land reform exploded. Some 623 groups were formed on 76,262 hectares of land that benefited 23,627 families. Much of this redistribution came about as a result of massive land invasions organized by the campesino organizations. As of 1980 about 45 percent of the groups and families benefited and one-third of the redistributed land are attributable to the activity during this two-year period.

Only 18 percent of the land redistributed came from private property and much of this was from the banana plantations abandoned by the foreign companies after the 1974 Hurricane Fifi destroyed many of the banana trees. The remainder of the redistributed lands came from public property.

Decree No. 170 was much more complete and complicated than the 1962 Land Reform Law. It specified conditions for privately held lands that would make them ineligible for redistribution. Important were limits on farm size depending on land quality, geographical location and production potential. While appearing to set limits on privately held land the Decree actually benefited these landowners by including provisions for time-consuming appeals in adjudicated cases. Moreover, the upper size

limits on landholdings were announced in advance such that many owners had time to make appropriate adjustments in their land titles.

The new law also gave INA a stronger position by elevating its director to membership on the president's cabinet. However, at the same time a National Agrarian Council was formed to advise INA on implementing land reform in accordance with national development plans. In effect this relegated INA to a subordinate role under the Council.

More conservative forces were gaining influence in Honduras and in 1975 López Arellano was overthrown in a coup led by Juan Alberto Melgar Castro. The combination of the new complicated law and more conservative leadership caused the pace of land reform to slow considerably, much to the dismay of the campesino organizations. In October of 1975 in an unprecedented event, ANACH and two other competing organizations, The National Campesino Union (UNC) and the Honduran Federation of Reformed Sector Cooperatives (FECORAH), joined to form the Campesino Unity Front (FUNC) to protest the Melgar government's lack of concern for campesino needs and demands. A new director of INA was named but he was unsuccessful in meeting the campesinos' demands and in 1977 the number of new reformed groups created fell by almost 72 percent compared to the previous two years.

In August of 1978 the Melgar government was replaced by General Policarpo Paz Garcia who has remained in power to date. Under his administration the land reform fell to annual levels similar to 1969-1972 period. The campesino organizations again voiced their protests. In November 1979 for the second time, the competing organizations, joined together under the Honduran National Campesino Front (FUNACPMH) to place their demands before the government. As in 1975 they were successful in replacing the head of INA, but little else. In March 1980, FUNACPMH organized a massive land invasion on some 6,000 hectares of unoccupied lands located in four departments which resulted in many new groups being formed in that year.

Regional Distribution of Reform Groups

As shown in Table 2 the land reform process has been concentrated in three regions of the country. In January 1980, 46 percent of the groups were in the North and Atlantic Coast regions and accounted for 65 percent of the total redistributed land. This concentration is because it was in these regions that lands were formerly under control of the foreign banana companies and where the campesino organizations concentrated these land reform activities. The South, near Choluleca, is the third region where land has been heavily redistributed.

Table 2 Regional Distribution of Reform Groups
(January 1980)

Region	Groups	Land Ajudicated (Has)	Cultivable (Has)
Atlantic coast	208	64,941	62,994
North	410	56,603	40,176
West	138	12,988	8,239
Center	106	20,400	10,891
South	222	26,557	18,313
East	108	19,982	12,835
Olancho	<u>105</u>	<u>8,612</u>	<u>6,333</u>
Total	1,297	210,083	159,781

Source: INA, Depto. de Planificación, Sección de Estadística e Información

Summary

It is clear that land reform is a relatively new phenomenon in Honduras. As a process it has ebbed and waned depending upon the administration in power. The campesino organizations, especially ANACH, have played important roles in championing the campesinos' causes and pressuring for land reform.

Since over 98 percent of the reform groups were established since 1969 this has been a period of efforts to not only to redistribute land and organize the individual groups but also create an infrastructure to administer the land reform process and provide the complementary economic and social services necessary for it to succeed. There has been considerable pressure on the government to provide these services, a difficult task in light of their limited human and financial capital. This situation is still very real today, especially in view of the apparent need for continued land reform, as described in the Introduction to this paper. The growing strength of the campesino organizations will be a factor in speeding this process along. The future problem is likely to be made more complex by the need to begin to redistribute domestically owned private lands, which to date have not been heavily impacted by the land reform process.

The fact that many groups were settled on marginal lands has created many problems that have impacted both on the stability of the groups and their economic productivity. A symptom of the former, shown in Table 1, is that only 75 percent of the number of farm family units initially benefiting from land reform remain within the reformed sector. The others have left, presumably dissatisfied. Another symptom is the large numbers of groups who were not able to repay loans to BANADESA and, as such, are ineligible to receive additional credit until the delinquent loans are repayed. This practically immobilizes their potential for growth and makes them victims of the vicious circle of poverty for lack of access to investment capital.

In short, much has been done. However, much has not been effective in creating a viable reformed sector capable of long-term

growth. To be sure there are many very viable reform groups, but they are the exception rather than the rule. Therefore, current efforts need to be developed to correct wherever possible the deficiencies of the past, and, where that is impossible to better cope with the inherent problems. Moreover, it is necessary to develop an infrastructure and a set of policies that will avoid these problems for land distributed in the future.

D. AGRICULTURAL CREDIT IN HONDURAS *

1. The growth of agricultural credit in real terms

The amounts of agricultural credit granted can be measured as a stock, at a given moment in time, (i.e., as the loans outstanding at the end of each year), or as a flow during a given period of time, (i.e., as the new loans granted during the year). These amounts can also be measured in nominal terms, (i.e., in current Lempiras), or in real terms, (i.e., in Lempiras of constant purchasing power, at prices of 1966). Finally, the figures presented here correspond to the banking system, which includes the private commercial banks, the public development banks, and the specialized savings institutions. These savings institutions have been ignored, due to their minor relative importance. For this reason, the figures for the commercial and development banks do not add up to the total figures for the banking system.

Table 1. Average annual rates of growth of agricultural credit of the banking system, in real terms. 1960-1980 (Percentages)

	<u>1960-70</u>	<u>1970-1980</u>	<u>1970-75</u>	<u>1975-80</u>
Loans outstanding:				
Banking system	-	4.89	7.38	2.46
Commercial banks	-	7.44	8.61	6.29
Development banks	-	3.78	8.82	- 1.02
New loans:				
Banking system	24.42	1.31	- 0.10	2.74
Commercial banks	33.29	1.08	- 2.29	4.58
Development banks	13.48	3.37	7.03	- 0.17

Sources: Studies in Rural Finance, Ohio State University, 1981

The value of the agricultural loans of the banking system, outstanding at the end of the year, increased from 96.9 millions of constant Lempiras of 1966, for 1970, to 156.3 millions, for 1980. This represents an average annual rate of growth of 4.9 percent for the decade, which compares favorably with the rate of 1.9 percent per annum, averaged by the real agricultural output during the same period. This average rate of growth was higher for the first half than for the second half of this decade, as reflected in Table 1.

Actually, the value of the agricultural loans of the banking system, outstanding at the end of the year, increased each year between 1970 and 1978, to reach 174.2 millions of constant Lempiras of 1966. Afterwards, however, this real value declined by 6.3 percent, during 1979, and by 4.2 percent, during 1980. As a result, the 1980 level was only 89.7 percent of the 1978 level.

In real terms, the value of the agricultural loans of the private commercial banks, outstanding at the end of the year, increased at an average rate of 7.4 percent per annum, which is significantly higher than the rate of 4.9 percent per annum associated with all the banking system, for the 1970's. That is, these loans increased from 41.6 millions of constant Lempiras of 1966, for 1970, to 94.9 million, for 1978, and then declined to 85.2 million, in 1980. This implies negative rates of growth of 5.1 and 5.4 percent, respectively, for the two last years of the decade.

In real terms, the value of the agricultural loans of the public development banks, outstanding at the end of the year, increased at an average annual rate of only 3.8 percent, between 1970 and 1980. However, the average annual rate of growth of these outstanding loans was 8.8 percent for the first half of the decade, and a negative 1.0 percent, for the second half.

In effect, the value of the agricultural loans outstanding at the end of the year increased, for the development banks, from 49.0 millions of constant Lempiras of 1966, for 1970, to 78.9 millions, in 1976. This real value declined in 1977 and then reached 79.3 millions of constant Lempiras in 1978, to decline to 71.1 millions, in 1980. This

implies negative annual rates of growth of 7.7 and 2.8 percent, respectively, for the last two years of the decade.

While the loans outstanding at the end of the year have been deflated by the December value of the general consumer price index, the flow of new loans granted during the year must be deflated, for consistency, by the annual average of the index. The real values of these new loans show much less rapid growth than the stocks of outstanding loans, during the 1970's.

Particularly conspicuous is the difference between the real rates of growth corresponding to the 1960-1970 decade, and those corresponding to the 1970-1980 decade, as shown in Table 1. In effect, the flow of new loans granted by the banking system to the agricultural sector grew at an average annual rate of 24.4 percent, during the first decade, and at an average annual rate of only 1.3 percent, during the second decade. Moreover, between 1970 and 1975, this real value declined at an average rate of 0.1 percent, but between 1975 and 1980, it increased at an average rate of 2.7 percent.

The real value of the new agricultural loans granted by the banking system increased from 12.0 millions of constant Lempiras, for 1960, to 45.0 millions in 1965, and to 106.6 millions, in 1970. This value had reached the level of 126.4 millions of constant Lempiras by 1973, but then declined during 1974 and 1975, as a consequence of the reduction in agricultural activity caused by hurricane Fifi. The real value of these new agricultural loans reached a peak of 224.0 millions of constant Lempiras in 1977. This value declined, however, by 16.1 percent, during 1978, and by 37.7 percent, during 1980, to reach the level of 121.4 millions of constant Lempiras. This level corresponds to only 54.2 percent of the level already reached in 1977.

While during the 1960's, the real value of the new agricultural loans granted by the commercial banks increased at an average annual rate of 33.3 percent, during the decade of the 1970's it increased at an average annual rate of only 1.1 percent, as shown in Table 1. That is, this real value increased from 4.2 millions of constant Lempiras, in 1960, to 16.6 million, in 1965, and to 74.6 millions, in 1970. After reaching

the level of 88.4 millions of constant Lempiras, in 1972, this real value declined for three consecutive years, down to 66.4 millions. It rapidly increased afterwards, to reach a peak of 160.9 millions of constant Lempiras, in 1977.

The real value of the new agricultural loans granted by the commercial banks each year declined by 15.1 percent in 1978, by 0.3 percent in 1979, and by 39.0 percent, in 1980. As a result, the 1980 level, of 83.1 millions of constant Lempiras, was only 51.6 percent of the value already reached in 1977, and less than the 88.4 millions already reached in 1972.

While during the 1960's, the real value of the new agricultural loans granted by the public development banks increased at an average annual rate of 13.5 percent, during the 1970's this value increased at an average annual rate of 3.4 percent. The difference between the two decades, therefore, is less pronounced than in the case of the private commercial banks. On the other hand, contrary to what happened in the case of the commercial banks, the real value of the new agricultural loans granted by the development banks increased, at an average annual rate of 7.0 percent, during the first half of the decade of the 1970's, but then declined, at an average rate of 0.2 percent per annum, during the second half.

The real value of the new agricultural loans granted by the development banks increased from 7.8 millions of constant Lempiras, in 1960, to 29.3 millions, in 1966, and then declined, to 27.6 million, in 1970. This value reached a peak of 63.1 millions of constant Lempiras in 1977, but declined by 19.6 percent, during 1978, and by 34.7 percent, during 1980.

Table 2. Honduras: Proportions of the agricultural credit of the banking system granted by the commercial and the development banks. 1960-1980 (Percentages)

	<u>Commercial banks</u>		<u>Development banks</u>	
	<u>Agriculture</u>	<u>Total</u>	<u>Agriculture</u>	<u>Total</u>
Loans outstanding:				
1960	41.0	64.5	58.9	18.5
1965	30.2	60.4	67.0	25.7
1970	42.9	68.4	50.6	21.8
1975	45.4	72.9	54.1	20.3
1980	54.5	66.2	45.5	24.8
New loans:				
1960	35.1	77.6	64.9	16.9
1965	36.8	70.5	61.0	21.2
1970	70.0	82.3	25.8	10.4
1975	62.6	86.8	36.5	9.2
1980	68.4	82.3	31.6	16.6

2. Relative importance of the commercial and development banks.

By 1980, the largest proportion of the agricultural credit of the banking system, both in terms of stocks and of flows, was being granted by the private commercial banks. The proportion of the total agricultural credit granted by these banks, however, was lower than the proportion of total credit granted by them. This predominant position of the commercial banks was reached during the 1970's, reversing the situation observed during the 1960's, as shown in Table 2.

The relative importance of the portfolio of agricultural loans of the commercial banks, outstanding at the end of each year, with respect to the portfolio of agricultural loans of the banking system, has ranged between a minimum of 30.2 percent, for 1965, and a maximum of 55.2 percent, for 1979. While there was a tendency for this relative

importance to decline, during the first half of the 1960's, after 1968 it has been, increasing in general. Since 1977, the private commercial banks have represented more than half of the agricultural credit portfolio of the system. Moreover, the growth in the relative importance of the commercial banks with respect to agricultural credit has been more rapid than the growth of their relative importance with respect to total credit. That is, while between 1965 and 1980, their relative importance with respect to the portfolio of agricultural loans increased by 24.3 percentage points, their relative importance with respect to the total portfolio increased by only 5.8 percentage points.

The relative importance of the portfolio of agricultural loans of the development banks, outstanding at the end of each year, with respect to the portfolio of agricultural loans of the banking system, has ranged between a maximum of 68.9 percent, for 1964, and 44.8 percent, for 1979. Only after 1977 has this portfolio represented less than half of the total.

The proportion of the total of new loans granted by each of the two classes of institutions, however, seems to be a better measure of their relative importance. On the one hand, the portfolios of outstanding loans include medium and long term loans, granted in previous periods, while on the other hand, these portfolios also include delinquent loans, that have not been repaid and that have not been written off from the portfolios, particularly in the case of the public development banks.

The relative importance of the private commercial banks, from the point of view of the new agricultural loans granted during each year, has shown much variability during the past two decades. This relative importance has ranged from a minimum of 35.1 percent, for 1960, to a maximum of 76.8 percent, for 1976. The minimum level reached during the decade of the 1970's was 61.4 percent, for 1973. During the second half of the 1970's, this relative importance declined, from the peak reached in 1976, to 68.4 percent, in 1980.

The relative importance of the flow of new agricultural loans granted by the development banks, with respect to the total granted by the whole banking system, ranged between a minimum of 21.7 percent, for 1976,

and a maximum of 64.9 percent, for 1960. While before 1968 these banks represented over 45.0 percent of the total, each year, afterwards they have represented less than 35.0 percent of the total, each year.

Table 3. Honduras: Relative importance of agricultural credit, as a proportion of the total credit of the banking system 1960-1980 (Percentages)

	<u>Banking system</u>	<u>Commercial banks</u>	<u>Development banks</u>
Loans outstanding:			
1960	20.0	12.6	63.3
1965	31.5	15.7	81.9
1970	31.6	19.8	73.4
1975	31.2	19.4	83.1
1980	27.4	22.6	50.2
New loans:			
1960	17.5	7.9	67.3
1965	29.8	15.5	85.7
1970	27.4	23.3	67.8
1975	21.9	15.8	86.6
1980	20.7	18.0	39.5

3. Relative importance of agricultural credit

In general, the relative importance of agricultural credit, both stocks and flows, as a proportion of total credit, has been lower than the relative importance of the agricultural sector, in terms of its contribution to GDP. Agricultural credit represents a major proportion of the credit granted by the development banks, but their weight is not sufficiently large. The commercial banks, on the other hand, have devoted to this sector less than one-quarter of their loanable funds.

The relative importance of the portfolio of agricultural loans, outstanding at the end of each year, with respect to the total portfolio of the banking system, has ranged between a minimum of 20.0 percent, for

1960, and a maximum of 32.9 percent, for 1971. This relative importance increased steadily during the 1960's, to reach the 1971 peak, and has been declining thereafter. In 1980 it represented 27.4 percent, the lowest value of the decade. The decline has been particularly pronounced after 1976, when the relative importance of the outstanding portfolio of agricultural loans was 30.5 percent of the total portfolio. This decline in relative importance may reflect the declining importance of the agricultural sector, per se. It may also reflect the fact that, during inflationary periods, as the real value of the total portfolio declines, the proportion devoted to more costly and risky clienteles declines even faster. That is, there is a redistribution of loan portfolios towards less costly and safer borrower classes, known as the iron law of interest rate restrictions. 1/

The relative share of the portfolio of industrial loans, outstanding at the end of each year, with respect to the total portfolio of the banking system, on the other hand, increased from 9.8 percent, for 1960, to 24.5 percent, for 1971, and then declined to 19.2 percent, in 1980. The other two sectors receiving important shares of the stocks of credit are commerce and real estate activities. The relative importance of the portfolio of outstanding loans for commerce declined, from 27.7 percent, in 1963, to 12.8 percent, in 1971, increased again to 20.0 percent, in 1977, and then declined to 16.4 percent, in 1980. The relative importance of the portfolio of real estate loans declined, from 35.2 percent, for 1960, to 15.2 percent, in 1967, and then increased to 19.3 percent, in 1980.

The relative importance of the portfolio of agricultural loans of the commercial banks, with respect to their total portfolio, increased, with minor annual variations, from 12.6 percent, in 1960, to 19.8 percent in 1970, and to 22.6 percent, in 1980, reflecting the increasing importance accorded by the commercial banks to this sector. The relative importance of the portfolio of industrial loans of the commercial banks,

1/ Claudio Gonzalez-Vega. On the Iron Law of Interest Rate Restrictions. Ph.D. Dissertation. Stanford University, 1976

with respect to their total portfolio, on the other hand, increased from 12.7 percent, in 1960, to 27.8 percent, in 1971, and then declined to 16.7 percent, in 1980.

The relative importance of the portfolio of agricultural loans of the development banks, with respect to their total portfolio, has shown much variability during the past two decades, as the financial viability of some of these banks, e.g. BANAFON, first, and BANADESA, later, has fluctuated, and as new development banks, oriented towards other sectors of activity, have been created (e.g. CONADI and the municipal bank).

In effect, the relative importance of the outstanding portfolio of agricultural loans of the development banks has ranged between a maximum of 85.1 percent, for 1964, and a minimum of 50.2 percent, for 1980. Between 1962 and 1976, the portfolio of agricultural loans had represented over three-quarters of the resources loaned by the development banks. As indicated, this proportion had declined to only one-half, by 1980, reflecting the desire of the public sector to channel proportionately less resources to agriculture and more to other sectors, particularly manufacturing industry, through CONADI. In effect, the relative importance of the outstanding portfolio of industrial loans, with respect to the total portfolio of the development banks, increased from 6.8 percent, in 1961, to 14.7 percent, in 1971, and to 32.7 percent, in 1980.

As it has been explained already, the relative importance of a particular kind of credit can be measured better by the flows of new loans granted than by the outstanding stocks. The relative importance of the flow of new agricultural loans granted by the banking system each year, with respect to their total flow of credit, has fluctuated much during the past two decades. This relative importance increased, from 17.5 percent, for 1960, to 29.6 percent, for 1963, and remained over 25.0 percent during a decade, until 1973, except in 1966 and 1967. After hurricane Fifi, it declined to 21.9 percent, for 1975, to reach a peak of 30.1 percent, during the coffee boom of 1977, and to decline rapidly, to 20.7 percent, by 1980. This relative share of the agricultural sector in the flow of new loans granted by the banking system was lower in 1980 than in any

other year since 1961. The relative share of the industrial sector in this flow, on the other hand, increased from 10.4 percent, for 1960, to 24.8 percent, for 1971, and then declined, to 19.6 percent, for 1980. During this last year, commerce received 28.0 percent, real estate captured 9.7 percent, and services received 16.7 percent of the total flows of credit.

The relative importance of the annual flow of agricultural credit, with respect to the total flow of credit of the commercial banks, increased from 7.9 percent, in 1960, to 18.9 percent, in 1963. Afterwards, it declined to 11.8 percent, in 1967, and fluctuated wildly in the following years, with a generally increasing trend, to reach a peak in 1977, when it represented 25.8 percent. After this peak, the relative importance of the flow of agricultural loans, with respect to the total flow of commercial bank credit, rapidly declined, to 18.0 percent, by 1980. The annual flow of new industrial loans, on the other hand, represented 12.4 percent of the flow of commercial bank credit, in 1960. Its relative importance increased to 26.0 percent, by 1973, and then declined, to 18.3 percent, for 1980.

The relative importance of the annual flow of agricultural credit, with respect to the total flow of credit of the development banks, increased from 67.3 percent, for 1960, to 89.9 percent, for 1964, and then declined to 67.8 percent, for 1970. During the 1970's, this proportion increased again, to 86.6 percent, in 1975, but then declined very rapidly, and by 1980 it was only 39.5 percent. This decline reflects not only the inability of BANADESA, which succeeded BANAFON, to maintain the real value of its portfolio and to collect its loans, but also the significant support that the public sector has accorded to CONADI. As a result, the relative importance of the flow of new industrial loans, with respect to the flow of credit of the development banks, increased from 4.9 percent, in 1960, to 35.2 percent, in 1979, to slightly decline and represent 31.2 percent, in 1980.

4. Bank credit for crops

The largest portion of the credit volumes granted by the Honduran banking system to the agricultural sector has been devoted to the financing of crops. In effect, during 1980, crops received 75.3 percent of the flow of new agricultural loans from the banking system, and credit for crops represented 70.9 percent of the portfolio of outstanding agricultural loans. These proportions reflected a significant increment in the relative importance of credit for crops during the decade of the 1970s. That is, in 1970, loans for crops represented only 55.3 percent of the flow of new agricultural loans and only 50.6 percent of the stock of outstanding agricultural credit.

As a proportion of the total portfolio of the banking system, the relative importance of credit for crops increased from 13.2 percent, in 1973, to 19.4 percent, in 1980, despite the fact that the share of agricultural credit, with respect to the total, declined during the same period. This was not the case, however, with respect to the total flow of new loans. The relative importance of new loans for crops increased, from 12.4 percent, in 1973, to 24.7 percent, in 1977, but then declined to 15.6 percent, in 1980. This difference reflected both the sharp reduction in the relative importance of new loans for the agricultural sector, that took place during the most recent years, as well as the shorter terms of the loans for crops as compared with loans for livestock.

The private commercial banks have granted less than one half of the outstanding portfolio of loans for crops. Their relative contribution increased from 36.0 percent, in 1974, to 48.1 percent, in 1977, and slightly declined to 46.9 percent, in 1980. The private commercial banks, however, have granted more than one half of the flow of new loans for crops, every year. This contribution increased from 56.0 percent, in 1974, to 74.6 percent, in 1976, but then declined, to 60.6 percent, in 1980.

On the other hand, the relative contribution of the public development banks to the outstanding portfolio of loans for crops declined, from 64.0 percent, in 1974, to 53.1 percent, in 1980. At the

same time, their contribution to the flow of new loans for crops, declined from 44.0 percent, in 1974, to 24.2 percent, in 1977, and increased, to 39.4 percent, in 1980.

The private commercial banks have been devoting an increasing share of their total portfolio to crops. The relative importance of these loans increased, from 6.9 percent of the outstanding portfolio of the commercial banks, in 1973, to 13.8 percent, in 1980. As a result, the importance of crops with respect to the portfolio of outstanding

Table 4. Relative importance of credit for crops, as a proportion of total credit. 1960-1980 (Percentages)

	<u>Banking system</u>	<u>Commercial banks</u>	<u>Development banks</u>
Loans outstanding:			
1960	15.9	10.7	48.8
1965	21.5	11.8	54.7
1970	16.0	10.2	39.4
1975	16.6	9.1	48.5
1980	19.4	13.8	41.6
New loans:			
1960	15.0	6.5	59.3
1965	24.2	12.8	70.6
1970	15.1	12.9	38.9
1975	14.7	9.8	66.3
1977	24.7	20.4	54.0
1980	15.6	12.0	37.1

agricultural loans increased, from 36.7 percent, in 1973, to 60.9 percent, in 1980. A different evolution has taken place with respect to the flows of new loans. Crops represented 7.9 percent of the total flow, in 1974. This proportion increased to 20.4 percent of the total flow of new commercial bank loans, in 1977, but declined to 12.0 percent, in 1980. As a result, new loans for crops which had represented 79.0 percent of the flow of new agricultural loans, in 1977, represented only 66.7 percent, in 1980.

Finally, the relative importance of crops in the portfolio of the development banks declined, from 51.7 percent, in 1976, to 41.6 percent, in 1980. The reduction in relative importance was even more pronounced in the case of the flow of new loans. The flow of new loans for crops represented 66.3 percent of the flow of credit from the development banks, in 1975. This proportion declined to 37.1 percent, in 1980.

In real terms, the outstanding portfolio of credit for crops, from the banking system, remained stagnant, at the level of 111 millions of constant Lempiras of 1966, during the three most recent years. As a result, while in real terms this portfolio increased at an annual average rate of 10.4 percent, between 1971 and 1976; it increased at a rate of 6.1 percent per annum, between 1976 and 1980. This recent stagnation is reflected both in the portfolio of loans for crops of the commercial banks, at the level of 52 millions of constant 1966 Lempiras, and of the development banks, at the level of 59 millions of constant 1966 Lempiras.

On the other hand, the flows of new loans for crops have declined, both in nominal and in real terms. The nominal value of the flow of new loans for crops, from the banking system, declined from 308 million Lempiras, in 1977, to 210 million Lempiras, in 1980. The real value of this flow, on the other hand, declined from 183 millions of constant 1966 Lempiras, during 1977, to 91 millions, in 1980. That is, during 1980, the real purchasing power of the new loans granted was only 49.9 percent of its level in 1977.

The nominal value of the flow of new loans for crops, from the private commercial banks, declined from 213 million Lempiras during 1977, to 127 million Lempiras, during 1980. In real terms, this evolution implied a reduction, from 127 millions of constant 1966 Lempiras, lent during 1977, to 55 millions lent during 1980. That is, the real flow of new loans for crops during 1980 reached only 43.6 percent of its 1977 level.

Finally, the real value of the flow of new loans for crops, from the public development banks, declined from 56 millions of constant 1966 Lempiras, for 1977, to 36 millions, for 1980. That is, during the last year its level was 64.0 percent of its 1977 level,

Table 5. Average Annual Rates of Growth of Credit for Crops, in Real Terms, 1974 - 1980. (Percentages).

	<u>Banking system</u>	<u>Commercial banks</u>	<u>Development banks</u>
Loans outstanding:			
1974 - 77	20.2	32.4	12.2
1977 - 80	2.4	1.5	3.2
New Loans:			
1974 - 77	50.0	61.0	33.1
1977 - 80	-20.7	-24.2	-13.8

of the banking system, and between 1 and 3 percent of the annual flow of new loans. The commercial banks have granted over 90 percent of this credit since 1976. The real value of the portfolio of these loans declined from 22 millions of constant 1966 Lempiras, for 1978, to 12 millions, for 1980; while the real value of the corresponding annual flow declined, from 21 millions, in 1976, to 7 millions, in 1980. Fishing has been most affected.

5. Credit for particular crops

With respect to the portfolio of outstanding agricultural loans of the banking system, coffee has been the crop with the highest share: it represented 23.3 percent of this portfolio in 1980; that is, 38.3 percent of the balances of credit for crops. Sugar cane has received the next highest share, followed by the three basic grains: mainly rice, as well as corn and beans. The share of coffee was highest in 1977, during the "coffee boom", when it reached 27.0 percent of the agricultural credit portfolio.

With respect to the annual flow of new agricultural loans, the predominance of coffee has been more marked. Coffee received 61.4 percent of the flow of agricultural loans from the banking system, in 1977. This share, however, dropped to 28.5 percent in 1980.

In addition to coffee, sugar cane, and basic grains, the Honduras banking system finances bananas (less than one percent of the agricultural portfolio): tobacco (7.0%) and cotton (3.7%).

E. DESCRIPTION OF PRINCIPLE FARMER TRAINING PROGRAMS

MINISTRY OF NATURAL RESOURCES: DEPARTMENT OF HUMAN RESOURCES

The Ministry of Natural Resources is organized in eight departments; Human Resources Development, Agricultural Extension, Use and Management of Water, Use and Management of Soil, Animal Health and Production, Plant Health and Production, Hydrology, and Agricultural Research. The tasks which might be defined as educational are carried out by the first two departments mentioned.^{above}
^

Type of Activity:

The Department of Human Resources of the Ministry of Natural Resources essentially takes care of the training of its own personnel through formal and non-formal programs. For the year 1976, the Department has determined the following goals for each of its two principal programs:^{1/}

A. Non-Formal Education

- 1) To establish the training. Units of the Ministry of Natural Resources as a part of⁴ this coordination.
- 2) To form the training teams for the three Agricultural Training Centers.
- 3) To train in the areas of Social Promotion and Technical Fulfillment, 150 agricultural extensionists and 16 development promoters.
- 4) To organize the regional coordination for Human Resources Development in the 7 Regional Directorates.
- 5) To begin the social training and technical formation of 1,928 voluntary promoters.

^{1/} Ministry of Natural Resources, Coordination of the Program for Human Resources: 1976 Operating Plan, Tegucigalpa, D.C., 1976, p 4-5

Source: Agriculture Sector Assessment for Honduras, USAID, 1978

- 6) To increase the existence of institutions in the country offering training facilities, in order that they might be used in the implementation of the Program.

B. Formal Education (summary)

1) National School of Agriculture

- a. To continue the social training and technical fulfillment of the School's Technical and Administrative staff.
- b. To graduate 32 "Bachillers" in the agricultural sciences.

2) Scholarship Program:

- a. To determine the professionalization needs of the Ministry staff so that they may be programmed.

The most outstanding activity which the Department of Human Resources Development is planning to undertake, is without a doubt, the social training and technical formation of volunteer promoters. During the next five years, 3,000 volunteers are expected to be trained. This activity was designed "... in consideration that the present number of extensionists is limited and that communication among human beings, is more spontaneous among members of the same socio-economic group, (and for this reason) it is necessary to recur to an action whose multiplier effect will satisfy both the qualitative and quantitative aspects of the demands of the beneficiaries. Thus, the response to the expectations of this program is the formation of native Volunteer Promoters, of both sexes, at the community level, provided that their training be supplemented with an adequate follow-up of their community work as well as with a true material and moral support of their efforts."

Six criteria have been determined for the selection of voluntary promoters:

- 1) A minimum of a third grade education or equivalent.
- 2) Males between 20 and 35 years of age and females between 18 and 30 years of age.

- 3) Preferably married.
- 4) Must live and work in the community.
- 5) Must demonstrate the following leadership characteristics:
 - Be accepted in the community
 - Maintain good relationships
 - Have communication skills
 - Demonstrate spirit of service
- 6) Must show interest and ability in the technical area in which he (or she) will be trained.

Target Population:

As pointed out in the description of goals, a total of 166 agricultural extension employees and 1,928 volunteer promoters are expected to be trained in 1976. Of the total number of volunteer promoters 1,200 will be women, 228 will be men and 500 youths of both sexes. The training for all will be in Social Promotion, Organization and Training and in Health and Nutrition.

Location of Activities:

The Department will have three of its own training centers by the end of the construction stage: in Catacamas, La Esperanza and Choluteca. It also uses facilities of the Ministry of Natural Resources throughout the country. In addition, an inventory has been taken of national and private centers in the country available for training purposes. Eleven centers are mentioned throughout the country.

Human Resources:

The Department has 65 employees stationed in four areas of the country: The Central Office in Tegucigalpa, the Training Center in La Esperanza, the Training Center at La Lujosa in Choluteca, the Training Center in Catacamas and the National School of Agriculture in Catacamas.

Of the total number of employees, eight have technical and administrative functions, one is a training technician, three are rural development promoters, 12 are instructors at the ENA, 12 are assistants and 29 carry out lesser functions (22 work at the ENA).

The Director has Masters and Licenciado (B.A) Degrees, his assistant also has a Licenciado (B.A) Degree and the Training Officer is a social worker. The other administrative officers have degrees as Agronomist, "Bachillers" in agricultural sciences and Peritos Agricolas.

Installations, Materials and Equipment:

The Department is currently carrying out the construction stage of three centers financed by the World Bank. Meanwhile, in other areas, Ministry and other facilities are used to give the courses. In Juticalpa, a course in progress was observed at the Community Center of the National Social Welfare Board. It is felt that once the construction of the centers has been finished, they can be endowed with all the materials and equipment necessary.

Mobilization:

The Ministry has available a sufficient number of vehicles for the mobilization of its personnel. The Directors of the Training Centers also have vehicles as does the Administrative Management of the Department.

Funds have been budgeted to pay for transportation and room and board for the voluntary promoters during their training.

Budget:

An amount totalling L.389,000.00 has been budgeted for the training of extensionists and volunteer promoters. AID will contribute L.80,000 of this total.

Means of Delivery:

All training will be carried out at fixed centers. It is hoped that land will be available for demonstrations and practical exercises. Extensionists, once trained, will serve as instructors in the courses for volunteer promoters.

Relations With Other Institutions:

With respect to the Non-formal Program, there exists very little relationship between the Department of Human Resource Development and other national or private institutios. Only a limited degree of collaboration is observed on a regional level especially due to the fact that the centers are not yet finished, and training must necessarily be carried out elsewhere (such as in the example of the National Social Welfare Board mentioned above).

NATIONAL AGRARIAN INSTITUTE (INA): CAMPESINO PROMOTION PROGRAM

One of the main objectives of agrarian reform in Honduras is the formation of campesino settlements: agricultural enterprises established on land rented from the government by groups of campesinos who form groups under the protection of INA. The object is to promote the cooperative movement through the massive participation of the campesinos in productive associations. Eventually, titles of ownership are issued to the cooperatives.

In January, 1975 a total of 23,627 families had occupied a total of 108,946 manzanas of land in various regions of the country.

In 1975, the Department of Campesino Promotion of INA Provided attention to 757 production base groups or units. These groups of campesinos are generally affiliated with three campesino organizations in the country: ANACH (334 groups representing 44% of the total), UNC (199 groups or 26%) and FECORAH (42 groups representing 6%). The remaining 182 groups or 24% do not belong to any campesino organizations.

Types of Activities:

The Campesino Promotion Program is oriented toward the teaching of organization, administration and cooperativism among the campesinos who received land. Moreover, the work of the promoters begins before the delivery of the land: they investigate idle land suitable for agrarian reform and survey, identify and classify possible beneficiaries. Once the asentamientos have been established, the promoters maintain data files on

the use of the land and on the personal data of the beneficiaries. They also carry out surveys on school age children in order to petition for schools.

The promoters organize a variety of activities for providing training to the new campesino in the asentamientos. They deal with topics such as:

- a. How to organize and operate a cooperative;
- b. Agrarian reform (what it is, what it does, how and why);
- c. Social motivation;
- d. How to utilize credit;
- e. Agricultural aspects;
- f. The preparation of cooperative administrators and secretaries, etc.

Activity planning in the asentamientos is done weekly. Communication is seen as the necessary response to an immediate need. As a result, promoters do not follow a predetermined pattern of activities, although the topics on organization and administration are presented sequentially.

If a need is detected to solve a technical problem with respect to particular crop, the promoter takes it upon himself to seek out the collaboration of an agronomist from INA or the Ministry of Natural Resources. Likewise, the promoters seek out the collaboration of other government, autonomous and private institutions to help solve certain needs which arise.

Target Population:

In 1975, the Campesino Promotion Program attended to 11,603 campesinos, almost all men between 16 and 44 years of age. This figure reflects the number of persons who received the benefits of training courses:

<u>Number</u>	<u>Courses</u>	<u>Beneficiaries</u>
48	Laboratories	2,439
55	Cooperativism	1,877
68	Associative Enterprises	2,054
89	Organization	2,657
20	Technical Administration	528
25	Agricultural Techniques	807
6	Social Motivation	1,241
<hr/> 311		<hr/> 11,603

Location of Activities:

INA's headquarters are located in Tegucigalpa. The Campesino Promotion offices are located in a house across the street from headquarters. In eight locations throughout the country, INA operates regional offices: San Pedro Sula Rosa de Copán, La Ceiba, Comayagua, Juticalpa, Danlí, Choluteca and Tocoa in the Bajo Aguán.

Human Resources:

In May 1976, the Campesino Promotion Program at INA had a total of 64 officers: 2 administrators, 3 national supervisors, 7 regional supervisors, 51 promotars and 1 auxiliary.*

Of this total, excluding the auxiliary, 51 are grade school teachers, 10 are experts and 3 are social workers. The director of the program is a teacher and the assistant director is a social worker.

INA has provided its employees with a variety of training and improvement courses through its own training service, PROCCARA.

Since early this year, INA has been undergoing an internal reformation with respect to its staff. Many employees have been dismissed and it is hoped that by the end of the year, the Campesino Promotion Program will be reinforced by the addition of a substantial number of new

* Secretarial service at INA is centralized in a pool, both in the central and regional offices.

promoters. In all of the regional offices mention is made of the lack of promoters to deal with the increasing demands of the agrarian reform beneficiaries.

Installations, Materials and Equipment:

The Campesino Promotion Program has adequate offices, both centrally and regionally. It is also endowed with the materials and equipment needed to carry out its tasks.

Mobilization:

In order that promoters may move about with greater ease - to save time and thus be able to travel to more places and attend to a greater number of people - INA has provided them with motorcycles. The promoter acquires the motorcycle by means of a monthly deduction of L.100.00 from his salary. On the other hand, INA provides them with L.87.00 monthly for travel expenses. In this way, the promoter acquires a vehicle to provide services for INA.

The regional supervisors have vehicles available to them at the INA regional offices.

Budget:

For the current year, the Campesino Promotion Program has a budget of L.1,197,868.00. Of this total, L.591,122.00 is earmarked for the payment of salaries, L.522,875.00 for administrative expenses (per diem, fuel, rent, stationery, etc.) and L.83,871.00 for material and equipment.

The regional supervisor has a monthly salary of L.602.00, promoters with a diploma as a Technician in Rural Development (a three month course given by PROCCARA), earn L. 525.00 and the remaining promoters earn L.420.00.

Means of Delivery

As previously mentioned, the Campesino Promotion Program has as its main purpose helping the campesino to organize himself, learn to manage and put into production the land which is given to him by INA. It was pointed out that although efforts are made to present the topics of organization, administration and cooperativism sequentially, the promoter must respond to the immediate needs of the campesino groups. Talks, demonstrations and short courses are organized using the technical services of INA and other institutions.

The promoter is a very mobile individual: he is assigned an average of three or four asentamientos which he visits daily. The degree of rapport between the promoter and the campesino in the asentamientos is fairly high and represents an important factor in the development of mutual trust and respect essential for maintaining good communication.

Relations with Other Institutions:

At the national level, the Campesino Promotion Program has no formal relationships with other institutions. At the regional level, the relationship varies from region to region. In all regions, the institution with which it relates most is Natural Resources, whose extensionists collaborate regularly with the promotion program by providing talks, demonstrations and short courses, especially with respect to the growing of basic grains.

There is a close coordination between INA and the Banco Nacional de Fomento, which provides funds for the credit program. Bank technicians work closely with credit officers and promoters in the approval and supervision of loans.

There is also collaboration between the Campesino Promotion Progra, the National Social Welfare Board and the Ministry of Health. These institutions provide materials and equipment to improve the environment of the campesino living on the asentamiento (see the sections on Health/Rural Penetration and on National Social Welfare Board).

In two places, INA grants office spare for promoters of adult education/development round tables.

In this way, literacy courses are organized for campesinos on the asentamientos. It is worth mentioning that one of the most critical problems in the Campesino Promotion Program, is the high degree of illiteracy among campesinos: it is estimated that it reaches between 80 to 90% of the beneficiaries in many cases.

1. General observations of the Program of Human Resources (PRH)

The present Program of Human Resources of the SRN, has evolved out of the Department of Agricultural Education within DESARRURAL and DESAGRO, a department primarily concerned with the orientation of new extensionists and the in-service training of extensionists. (The scholarship program of the agricultural sector was also handled by this department). With the reorganization of the MNR in 1975, this department became a program under the National Office of Agricultural Operations (Dirección General de Operaciones Agrícolas). Since 1975, the PRH has assumed the direction of the campesino training program which had been in the planning stages since 1973.

At present, the PRH administers the formal and informal educational activities of the MNR at four levels:

- a) The training of campesinos in short courses of social motivation and technical agricultural production at two levels:
 - courses in the local community for participants in agricultural enterprises of the reformed sector, in rural women's clubs, and 4-s clubs;
 - courses for a selection of volunteer agricultural promoters and other leaders in three training centers (Cholulteca, La Esperanza, and Olancho).

- b) In-service training for employees of the MNR -- especially the agricultural extensionists -- and employees of other institutions of the public sector in fields related to the MNR.
- c) The professional education of agronomists in the National Agricultural School (ENA) at Catacamas.
- d) Formation of specialists in the agricultural sciences at the university level through the scholarship program, both in the country and abroad.

The central focus of the PRH -- occupying some 80 percent of personnel and resources -- is the training of campesinos at the regional level. Throughout 1977, the PRH has been redefining and reorganizing its program in an attempt to develop a plan which will integrate the education of the campesino, extensionists, and postgraduate specialists in an overall strategy of human resources development, and which will be closely coordinated with current reorganization with the SRN, such as the reorganization in the National Program of Agricultural Research.

2. The Basic Educational Strategy of the PRH

There is a widespread concern voiced by administrators and field personnel of the SRN that in the last four or five years the agricultural extension program and other programs of the SRN have focused too exclusively on production for its own sake and have lost the original orientation of education of the farmer and the farm family. It is also maintained, that the professional ethics of the extensionist and the morale of the extension program has declined. Certainly, as is noted in the analysis of the extension program, the training program for new extensionists as they enter the SRN which was maintained under DESARRURAL, has deteriorated since the reorganization and regionalization of the SRN.

The present approach to the formation of human resources at all levels of personnel -- from the campesino volunteer promoter to the

postgraduate student -- is based on a concept of agricultural education which fosters the increasing capacity of campesino groups to make decisions regarding the adoption of agricultural technology on the basis of their own analysis and experimentation, not simply accepting passively the production plans which the extensionist or other agent of exchange proposes. By stressing not simply transfer of technology but the education of the campesino to actively experiment, look for ways to reduce risk and to be aware of innovations through the mass media, it is expected that the campesino will gradually become able to continually improve his agriculture with progressively less dependence on the extensionists. The PRH proposes to develop the innovative capacity of campesino groups in developing production systems, which are continually more efficient and better adapted to the circumstances of a particular area. This strategy will be closely related to the farm-centered approach currently being adopted by the National Research Program of the SRN.

The courses at the community level, will attempt to introduce a methodology for independent analysis of agricultural problems and to develop an internal leadership for experimentation and adoption of agricultural technology. This leadership selected by the group, will then be trained in the regional centers as "volunteer agricultural promoters", so that the group will have within it, its own technical capacity and a direct link to outside resources. The focus of the in-service training of the extensionists, is a methodology of training campesinos in technical decision-making not simply applying recipes. Extension is defined as a process of human and group development, not development of plants and animals. The current reformulation of the curriculum of ENA in Catacamas also places greater emphasis on this extension methodology, on a greater knowledge of the social reality of Honduras, and on a professional ethics of the agronomist.

3. The Training Program at the Campesino Level

The central focus of the campesino training program, has been the formation of volunteer agricultural promoters within the groups of the

reformed sector as a type of agricultural paraprofessional. Originally, the idea was that one or two local leaders would be selected by the extensionist as a kind of assistant to the extensionist. The training has consisted mainly of a week-long course of social motivation.

The course in "social motivation for more effective achievement of goals", was developed by the PRH in 1976 and 1977 as the basic training instrument for the personnel of SRN, for the agricultural promoters, and for other rural leaders. The course emphasizes group dynamics and has as objectives bringing individuals to a higher level of commitment to individual excellence in work, greater ability to coordinate in groups, and commitment to achieving institutional goals. This course has been rated as especially successful in developing a higher degree of professional ethics and personal responsibility among SRN employees and, among campesino leaders, greater commitment toward tasks of the group.

The development of agricultural promoters has received greatest emphasis in the southern region, but even there it is still at an experimental stage. The regional director of the PRH team in Choluteca, is optimistic about the contribution of the volunteer promoters and has the backing of the regional director. However, only a few extensionists have really responded to the idea, in great part for reasons of inertia since it represents a change in the structure and strategy of extension. The regional team of the PRH in Choluteca prefers to work closely with a few interested extensionists, developing the method and using these agencies as demonstration zones.

In the Yusguare agency of the Choluteca region where the extensionist has been very interested and the team has worked intensively to introduce agricultural promoters, there are approximately 8 groups where promoters are active. The 15 or so promoters, meet with the extensionist of this agency every fifteen days, and they are presently intended to serve as a link between the extensionist and the group in the technology transfer process. Limited conversations with some of these promoters, indicate considerable motivation, but the promoter do not appear to be clear on their functions and it was not evident that they were playing a significant role in technology transfer or other planning

functions apart from their existing leadership in the asentamientos. A major problem appears to be that the promoters have been selected by the extensionists, and the groups have not integrated the role of "agricultural promoter" into their leadership structure, in the way they accept the president or treasurer of a board of officers.

The team in Choluteca, is planning to expand the agricultural promoters to two or three more agencies -- training up to 100 or more promoters in 1978. Efforts in La Esperanza and Olancho, (where the response to the promoters has not been so good, even on the part of the PRH team) to introduce agricultural promoters will also be increased.

However, the central office staff and the regional teams of the PRH are rethinking the concept of the agricultural promoters, in line with the new strategy of agricultural education discussed above. Instead of having the extensionist pick the promoter, the process will begin with courses in 9 selected asentamientos in each of three regions: (South, Comayagua, and Olancho). The course will introduce very concrete tasks:

- 1) Decision-making regarding investment plans, introduction of new technology, use of credit, and goals of production;
- 2) The identification of areas where the group needs more information and assistance (the request for assistance comes from the initiative of the group);
- 3) The selection by the group of 3 to 5 candidates for relatively technical courses in the crops which are of interest to the group according to the production plans discussed in the course. These candidates will serve as a team of agricultural promoters in the asentamiento.

The objective of this course is to make the introduction of agricultural technology the result of discussions and initiative from the group. The decision of whether to have agricultural promoters, who will be the candidates for courses, what their functions and authority in the group will be, and what courses they are to receive is to be the result of the group decision-making.

Ideally, in the planning of the PRH, the promoters would be recognized "officers" in the group with the following functions:

- a) An information source to the group in the particular crop in which the promoter has been trained, a link with the extensionist and with the specialist in the crop in the regional experimentation station;
- b) An organizer of the process of trials and experimentation within the group, in order to test new methods and greater cost-efficiency in particular crops before adopting these methods on a larger scale; the promoter might be in charge of simple demonstration plots which would serve as the basis of decisions by the group;
- c) A special consultant to the extensionists and to the regional experimentation station providing feedback on field results in new varieties and method introduced. Insofar as the farm centered agricultural research methodology is introduced, the agricultural promoter could be a special support in this.
- d) In some cases, one of the promoters might serve as the basis for introducing other organizations, such as the campesino women's groups and the 4-S clubs (a current plan of the Cholteca team of the PRH).

Whatever might be planned, the specific functions which the volunteer promoters will perform in a given community as well as the crop specialization and training, will be defined by the members of the campesino enterprise. In general, the great advantage of this approach of the PRH, is that it provides a basis for initiating the process of agricultural development in the group. This reverses a tendency of extensionists -- and the administrators and planners in the SRN -- to impose investment plans and production goals established at national and regional levels on a local group with often negative results, because of

the failure levels on a local group to understand and take into account the risks involved. The present method would encourage farmers to intelligently analyze the technological changes necessary to achieve production goals the changes in their own rhythm of work, and allow greater responsibility for credit. Although, in the short run this will imply a specific effort on the part of the extensionist (working with and training promoters), in the long run it will mean that the group will be more independent, and the promoters will serve as multipliers of the extensionist.

In addition to the social motivation course, the PRH has coordinated courses in the production of specific crops, usually in conjunction with the introduction of a special project in a region. The coordination of the PRH consists of obtaining teaching staff, attending to lodging, and other administrative details. However, in the coming year, the local campesino enterprises would be involved in deciding their involvement in specific projects and will be selecting the candidates for volunteer promoters, assisting in the introduction of a special production project within the community.

For the current year, 1978, the PRH plans the formation of 550 campesinos as volunteer promoters in the regional centers; each promoter will have the opportunity of six courses of a week in the regional center during the year. In addition 2,206 other campesinos involved in special projects, will have an opportunity to participate in technical courses in the centers. Each regional center will offer the following number of courses of a week in six different areas: farm management (administración rural), 8 courses; livestock production, 9 courses; crop production, 12 courses; agro-industry, 8 courses; family life, 5 courses; agricultural mechanization, 3 courses. Each regional team will also give the basic organizational course in nine communities of each region.

4. The Use of Mass Media

The PRH is also responsible for the daily radio programs which are broadcast through the regional radio stations. In the southern region

it is a half-hour program. The PRH determines the programming and obtains the expositors from among the regional staff of SRN. The program tries to be timely **explaining the means of controlling a plant disease or attack of insects when this breaks out in the region or a particular aspect of production during the crop cycle. Although PREDIA is providing some technical assistance, the SRN lacks specialized personnel and equipment for this and the programming as well as the production is relatively unimaginative. For example, the regional office in Choluteca does not have a portable recording set for interviewing campesinos regarding concrete experiences -- a technique which has proved effective in many such programs. At times, it is not possible to meet the daily schedule so that the program is intermittent. It is difficult to build up a regular radio audience, when programs are not regular and the programming is monotonous and without focus. There is little idea of what the audience is and what the possible impact of the radio program might be.

Observations on INA/PROCCARA Farmer Training

The activities of resettlement and organizational support for the creation of the reformed sector within the agricultural sector is largely the responsibility of INA's Dept. of Campesino Organization and Training (Capacitación) with some activity of DIFOCOOP and INFOP in this area. INA has recently joined its Departments of Promotion and Training (PROCCARA) to form one coordinated activity between promotion, training courses in the community, and the three PROCCARA centers. INA presently has about 90 promoters for the 1,088 listed asentamientos and plans to add 30 more promoters this year to supervise an expected additional 384 groups. However, promoters in the special projects such as the Bajo Aguán may have only four or five groups while promoters in the Sector of Consolidation may be expected to give assistance to as many as 15 or 20 groups and the groups in the Sector of "The Rest" (at least one-third of the groups) receive no supervision at all.

There exists no comprehensive, up-to-date field studies describing accurately what percentage of the 1,088 groups have serious organizational and administrative problems. However, estimates indicate that in approximately 70 percent of the groups, there are administrative

deficiencies which seriously hamper effective productive planning and effective management of finances -- a situation which is indicated in the rate of delinquency in loans. The beneficiaries from a small-farm background have the greatest difficulty in establishing a collective enterprise, while those with experience as agricultural laborers in large-scale agribusiness (the fruit companies) are effective in establishing a modern production enterprise (Guanchías, Ltd. and Isletas are examples).

As far as the field studies of this assessment could detect, the promoters are currently making little or no effective contribution to organizational support, except perhaps in the area of concentrated rural development. When promoters do visit the groups (many of the groups interviewed rarely if ever see the promoters), these visits are hurried and superficial. The courses given in the community by promoters, have been vague and unrelated to the real problems of the group -- or at least not implemented by the group. The promoters do seem to have been more effective until last year, but with the recent change of director of INA (and the change of the director of Promotion), there has been massive dismissals of personnel, and many new, inexperienced personnel or experienced personnel advanced to supervisory positions. Consequently, there are many administrative deficiencies.

Nearly 95 percent of the promoters are recent secondary school graduates trained for primary school teaching, and have little or no previous experience with the campesino sector. They receive superficial initial training and the in-service training has been very deficient. By their own admission in field interviews, promoters claim that their training is weakest, in precisely the area where their services are most demanded -- the area of organizational and administrative support of campesino groups.

The promotional methodology is deficient in that it does not encourage promoters to make a careful in-depth analysis of the social background of the groups, or to spend much time with the group in order to establish an understanding of the problems and an identification with the members of the group. Promoters are expected to be involved in virtually every aspect of INA's work -- from land affectation to helping obtain

credit and technical assistance -- and it is difficult to establish priorities for supervision of groups in the administrative problems. Often, too, promoters are called away to handle emergencies so that planning a work program is difficult. Administrators complain that they often do not know where the promoters are or what they are doing.

The new administration of Promotion and Training gives promise of greater efficiency. This year, promoters are being asked to fill out a daily sheet describing exactly what they do each day, and they are being asked to live in the area of the group, so that less time is wasted traveling back and forth from the regional city to the area of their groups.

With the recent integration of the Dept. of Promotion and PROCCARA, the Division of Training has three sections: Social Participation, giving courses primarily promoting basic organization and solidarity, cooperativism, and improved health and nutrition; Technical Administration, giving courses in systems of financial control, accounting, administration of agricultural enterprises, and marketing; and Technical Production, providing a series of courses in various types of crop production. PROCCARA has developed two basic courses in administration of campesino enterprises: a ten-day introductory course in administration for presidents, and in accounting for treasurers and a five-month course for managers of enterprises (usually the president). The ten-day course, spends much of the time on arithmetic and would need a great deal of follow-up of the promoters to insure that the system is implemented --something which is presently not done. The five-month course was much too long for campesinos in residence, and has been cut back to a month. In general the PROCCARA staff for giving courses in administration and many of the courses programmed were not given; even the Center "David Funes" near Guanchias was not fully utilized.

Of the 1,088 campesino enterprises, 231 have legal title as cooperatives and there is presently a rapid increase in the number of asentamientos which are seeking legal title (to facilitate loans from the BNF) as cooperatives are adopting the cooperative form of administration. The need for training campesinos in the administration of their enterprises through the structure will be necessary in the coming years.

1. Dirección de Fomento Cooperativo (DIFOCOOP)

This is an autonomous organization of the Government reporting to the Minister of Economy and Commerce. Its responsibilities are essentially the development of cooperatives (including assistance in their formation and in the subsequent conduct of their educational and operational program), the legalization of cooperatives, auditing and inspection of cooperatives, and general administration of the cooperative law.

The total budget of the office for 1977, including L.412,900 of foreign donations, is L.1,893,000 and the total staff (including some regional offices) is 112, including six contract employees.

The growth in the thnumber of legalized cooperatives and federations from only a handful in 1960 to over 600 indicates it has been active in working with cooperatives to achieve legal personality. There have also been significant numbers of cooperative failures which have involved the office in a considerable amount of the unglamorous work of winding up their affairs.

With respect to cooperative development, DIFOCOOP has been endeavoring with 12 cooperative extensionists to cover the following cooperative fields: agriculture, livestock, forestry, fishing, small industry, commerce, transport and rural housing. In agriculture one of its labors over recent years has been to sustain the insolvent cooperative federation FECOAGROH (described above). While as indicated above it has had plans and hopes to revitalize FECOAGROH, it has not had resources to do more than provide limited help to the remaining federation members.

In terms of concrete results, DIFOCOOP's greatest success in recent years has been in the organization of forestry cooperatives. There are now some 114 forestry cooperatives, of which 26 have legal personality. DIFOCOOP is currently endeavoring to consolidate many of the existing groups into larger regional cooperatives. On these cooperatives DIFOCOOP works in close association with Corporación Hondureña de Desarrollo Forestal (COHDEFOR). In view of DIFOCOOP's limited resources, COHDEFOR has provided it with L.100,000 in supplemental funds.

DIFOCOOP has recently been working with 20 ANACH groups (consisting of 400 or more campesinos) in Jamastrán that wish to form a regional cooperative organization. The work has consisted of developing a plan of organization and operation that would include credit and technical assistance for farm development and production as well as marketing and storage programs and facilities, a machinery pool, accounting center, and other facilities. If such a plan could be financed and realized, DIFOCOOP hopes that it would provide a pattern for organization of regional agrarian reform cooperatives throughout the country.

Cooperatives organized under the cooperative law are subject to periodic inspection by DIFOCOOP. This inspection takes two forms. The first is a general inspection to determine whether the cooperative as a whole and its various organizational entities and officers are functioning effectively, whether it is developing its program, whether it maintains current books of account, to what extent it maintains an educational program, etc. The second is a detailed auditing of the books of the cooperative.

DIFOCOOP's División de Inspección y Auditoría Schedules approximately 100 inspections and 100 audits per year, with a staff of four inspectors and thirteen auditors. In practice it accomplishes more, so that it may be able to reach each cooperative and cooperative federation about every third year. The cooperatives to be inspected or audited are chosen in part on a rotation basis. In addition some are selected because they have a particular need or desire to be audited --for example, if they have a financial or management plan or wish to negotiate for credit.

Some cooperatives are not audited because they have failed to maintain current books or have never really established them. This is usually the situation with respect to agrarian reform cooperatives.

In the course of its work over the years, DIFOCOOP has been able to identify a number of promising possibilities for development of cooperative agricultural activities that would benefit small farmers. These include such projects as vegetable marketing, construction of storage facilities, production of fibers (henequen, junco and ramio) and

their processing into finished products, a cacao processing facility, a resin plant, and honey production and marketing. While DIFOCOOP has been able to achieve some construction results on some of these projects, it lacks the capital or access to capital necessary either for export feasibility studies or for carrying out adequately financed developments.

The Dept. of Management Formation of the Division of Education of DIFOCOOP has designed, with the technical support of Agricultural Cooperative Development International, two five-day courses, for treasurers of agricultural enterprises in accounting and for presidents in investment plans. In general, the courses present very practical systems and drill the participants in these so that the material should be easily applicable in the concrete circumstances of the campesino enterprise. Four to six weeks after the course, the team of ten which forms this department (five in the area of accounting and five in management) spend about a month visiting the group for about a day or two) and helping the course participants in the application of systems taught in the course. In 1977 DIFOCOOP gave eight courses to 574 treasurers and presidents representing approximately 250 campesino enterprises (not necessarily cooperatives).

DIFOCOOP is also establishing a Dept. of Cooperative Education with a team of ten for giving courses specifically in cooperativism and emhasizing agricultural cooperatives.

In general, one of the most urgent needs of the campesino agricultural enterprise of the reformed sector is greater ability in administering the work force of a collective enterprise, planning of production and investment, and proper financial controls. But in precisely this area of organizational support the training and the supervision is among the weakest of the agricultural sector. With reason, organizational solidarity and administrative problems are pointed out as the cause of many other problems in agricultural enterprises such as delinquency in loans.

NATIONAL INSTITUTE FOR MANPOWER DEVELOPMENT (INFOP)

The National Institution for Manpower Development was created in 1972 to contribute to the improvement of national productivity and socio-economic development through the establishment of a regional training system for all sectors of the economy and all levels of employment.

During its first two years, INFOP concerned itself with the preparation of its own personnel. It offered 26 courses for 259 participants, 200 of which were future instructors or administrative and technical staff of the institution.

The Board of Directors of INFOP determines policy for the institution. It is made up of the Ministers of Labor, Education, Treasury and the Executive Secretary of CONSUPLANE. In addition, two representatives of labor and two representatives of the private sector also participate. The Executive Director of INFOP is a non-voting member of the Board.

Types of Activities:

INFOP's activities are organized and implemented through several departments: Administration and Finance, Personnel, Planning and Research, Manpower Development, and the Northern Regional Office.

Three types of training are offered: complementary, qualifying and apprenticeship. Complementary training refers to the perfecting of skills through short courses for currently employed workers. Qualifying training is in-service training given to new workers for periods of between 300 and 600 hours.

Through apprenticeship courses, qualified workers are trained. This type of training lasts approximately 3 years and participants must have a work contract with a firm stipulating salary, level and the commitment of the firm during the period of apprenticeship. As of the present moment, INFOP has not yet begun any apprenticeship programs.

For the year 1976, INFOP has programmed 355 courses for an average of 15 to 20 participants each. Of this total, 294 courses will be

of the complementary type, 15 of the qualifying type, 1 of the apprenticeship type and 45 will be of the "previous level" type. (See Table below).

The Manpower Development Section of INFOP maintains a close relationship with industrial, commercial and agricultural enterprises. It investigates the labor training needs and determines the courses to be organized.

For courses offered in INFOP centers, the institution takes charge of promotion by means of newspaper ads and visits to firms.

Target Population:

In 1975, 7,545 persons passed INFOP courses: 2,948 from the industrial sector, 2,200 from the commercial sector and 2,397 from the agricultural sector. Of the 7,545 who passed the courses, 6,260 were men and 1,285 were women. Some 90% of the beneficiaries were between the ages of 16 and 45.

Location of Activities:

The majority of INFOP's activities are concentrated in Tegucigalpa and San Pedro Sula. The Agricultural Sector operates the mobile centers which provide services to groups of campesinos in various parts of the country, principally the Bajo Aguán, Olancho (Juticalpa-Catacamas), San Marcos de Ocotepeque and La Paz.

The Central offices and principal training centers are in Tegucigalpa. INFOP opened a regional office in San Pedro Sula in 1974. In June of this year construction was begun on a training center in that city.

Human Resources:

In 1976, INFOP had a total of 184 functionaries: 13 executives, 36 auxiliaries, 28 service employees and 107 technicians. Of the total number of functionaries, 67 are instructors. According to future plans, the number of instructors will increase annually by an average of 32

instructors per year according to the budgetary increase. From the beginning it was deemed necessary to set up the administrative apparatus of the institution.

Table 1 ACTIVITIES PROGRAMMED FOR THE RURAL MOBILE CENTER
DURING 1976

Number of Courses	Category	Number of Instructors	Cost	Number of Participants
69	Agricultural Practices	14	L.210,000	1,163
4	Qualification in Agricultural Practices *	2	60,000	68
62	Practices	10	136,500	1,054
15	Chicken Farming	(1) ⁺	23,000	255
11	Forestry Courses	3	21,500	187
14	Machinery Maintenance	3	58,000	238
1	Qualification in Machinery Maintenance *	(1) ⁺	6,000	17
1	Vocational Training	(1) ⁺	3,000	17
8	Carpentry and Construction	2	41,136	12
12	Farm Administration	2	23,000	204
197	TOTAL	36	L.582,660	3,349

* The Qualifying Course in Agriculture lasts 5 months full-time; Course in Machinery Maintenance lasts 13 weeks full-time.

+ The figures in parentheses indicate that the instructors also teach courses.

Note: An average of 17 participants per course is estimated

SOURCE: INFOP Courses for 1976

The agricultural sector has 3 supervisors and 30 instructors, all of which are peritos mercantiles (commercial experts). All of INFOP's instructors receive 300 hours of training before taking up their posts.

Most of the industrial sector instructors are peritos, although some are skilled workers whose educational background stops short of sixth grade.

At this time, July 1976, INFOP is undergoing a crisis in its top management. Almost all of the executive personnel have turned in their resignations. Most of the individuals in these positions have an education at the level of masters degree and a considerable number of years of experience which qualifies them to occupy positions and earn high salaries which INFOP is unable, or unwilling, to pay at this time.

Means of Delivery:

The delivery system used for the agricultural programs consists of the rural mobile unit. Each unit has one perito agrónomo (agricultural expert) along with teaching and demonstration material. It moves from town to town in accordance with a predetermined program, "taking the classroom to the students".

Courses at private firms are carried out at the firms' installations. The instructor takes his material with him to the site of the course. The courses given at INFOP are done so using classroom space especially equipped with materials and equipment. One instructor is charged with giving classes.

Other Activities:

INFOP, especially through its Northern Regional Center, has set up relationships with several labor unions. It currently offers complementary training courses for FESITRANH union leaders in management and administration. A course is also being offered at the level of the board of directors of ANACH on criteria for business administration.

Relationships with Other Institutions:

At the national level, INFOP has very few relationships with other public institutions. Its relationships are principally with private enterprises and some union or campesino associations who represent their potential beneficiaries.

At the course level, relationships exist with institutions such as the Ministry of Natural Resources and INA which provide equipment and transportation for the rural courses.

Observations on Farmer Training by INFOP

Since February, 1977 the Rural Promotion division of INFOP works through regional teams called "mobile units" working out of Tegucigalpa, San Pedro Sula, Juticalpa (Olancho), San Marcos de Ocotepeque, Bajo Aguán, and (in 1978) Marcala in the Dept. of La Paz. Each team has a supervisor (agronomist), an administrator (perito mercantil) and 8 to 12 agronomist instructors. These teams are termed "mobile units" because, in contrast with the industrial and commercial training in fixed classroom centers, the agronomists move out into the communities with the basic teaching equipment and teach three to six week courses in rural communities. With the inauguration of the mobile units in early 1977 (before, instructors worked out of Tegucigalpa), both the demand and the number of courses given has expanded rapidly; in the first 10 months of 1977, more courses were given and students taught than in all of the first three years of the Rural Formation division (See Table 2).

Table 2 NUMBER OF COURSES GIVEN AND STUDENTS PASSED IN
AGRICULTURAL TRAINING COURSES BY INFOP DURING 1977

Courses	Introductory		Elementary		Technical	
	Courses	Passed	Courses	Passed	Courses	Passed
<u>Agriculture</u>						
Cultivation of Maize					20	167
Cultivation of Beans					8	87
Cultivation of Rice					20	203
Cultivation of Sugar Cane				13	152	
Cultivation of Home Gardens	24	283	25	308	55	676
Cultivation of Onions					2	24
Cultivation of Basic Grains	3	103	5	57	3	31
Seedbeds for Coffee					20	244
Pruning of Coffee Tree					7	92
Use of Agro-chemicals					2	15
<u>Livestock</u>						
Preventive veterinary					57	710
Breeding and Care of Pigs					9	106
Breeding of Rabbits					3	34
Laying Hns					6	88
Beekeeping			1	16	14	210
Selection, Preparation, and Exposition of Cattle					1	13
Agricultural Workshop					22	796
<u>Forestry</u>						
Resin Collection					6	74
<u>Agricultural Mechanization</u>						
Agricultural Mechanics	1	13	7	110	8	99
Electrical System of Tractors					1	22
Total	28	399	38	491	277	3,843

Total courses: 343
Participant passed: 4,733

Source: División Formación Rural, INFOP

Table 3 NUMBER OF COURSES GIVEN AND STUDENTS PASSED
IN AGRICULTURAL TRAINING COURSES BY INFOP DURING 1977
ACCORDING TO DEPARTMENT

Department of Honduras	Introductory		Elementary		Technical	
	Courses	Passed	Courses	Passed	Courses	Passed
Atlántida	5	40			18	270
Colón	5	57	13	163	39	546
Comayagua	1	15	1	15	18	252
Copán	-	-	-	-	11	146
Cortés	4	52	4	54	17	252
Choluteca	-	-	-	-	10	246
El Paraíso	-	-	-	-	15	210
Francisco Morazn	3	45	3	37	17	265
Gracias a Dios	-	-	-	-	-	-
Intibucá	-	-	-	-	-	-
Islas de la Bahía	-	-	-	-	-	-
La Paz	3	60	5	44	-	-
Lempira	-	-	-	-	13	177
Ocotepeque	3	60	5	71	18	258
Olancho	2	33	4	58	42	498
Santa Bárbara	1	18	1	13	29	323
Valle	-	-	-	-	4	56
Yoro	1	19	2	36	26	344

Source: División Formación rural: INFOP

INFOP also has one agricultural training center for youth in La Paz (a resident center using facilities loaned by the National Council for Social Welfare, JNBS) with technical and financial support from the German government and is preparing to open two other such centers for young campesinos: in Juticalpa using the buildings and land provided by the UNC and in Isletas, with possible assistance from the Austrian government. These centers are open in after work hours to adult classes.

The Rural Formation division of INFOP presently has a central offices staff of director, assistant director, and secretary; 6 mobile team supervisors, 6 administrators, and 68 agronomist instructors (about 80 planned for 1979). The training program for new instructors is a carefully programmed 205 hours given over a period of approximately two months. Salaries of agronomist instructors in INFOP are higher than in other public institutions: L.685 base salary with L.11.00 subsistence for each day in the rural community for ENA graduates and L.815 and L.13.00 subsistence for CURLA graduates (an average total monthly salary of about L.850 and L.1,000 respectively). The total budget for the Rural Formation division in 1978 is L.1,154,822 and L.292,000 for the three resident training centers.

The Rural Formation division presently has a bank of 50 courses in areas of agricultural and forestry (See Table 4). Courses usually last a minimum of three weeks and a maximum of six weeks. Some courses are given at the petition of extensionists or of campesino organizations (INFOP has formal training agreements with ANACH and the UNC). An important feature of the INFOP method is the careful investigation of training needs and the planning of courses on the basis of visits of agronomist instructors to the communities in the area to which they are assigned within the region of a mobile team. In meetings with the leaders in asentamientos and in other groups, the priority training needs are established, the most opportune time of the year is chosen, and conditions for the courses are outlined -- all a year or more in advance of the course. For example, each agronomist-instructor of INFOP has a complete day-by-day calendar of courses established for 1978. During the stay of the instructor in the community for a course, the need for further courses in the community or in nearby communities is investigated and plans made.

The only condition for courses are a clear commitment on th part of 12 to 18 students per course and some interest in and capacity fo implementing the practices taught in the courses.

At the time of the course the instructor with the necessary equipment is brought to the community by the supervisor. The instructor lives in the community (except for week-ends) for the duration of the three to six week course, sharing the life of the community as much as possible. INFOP furnishes all materials for the course: blackboard; demonstration equipment and supplies such as sprayers, syringes forinjections, insecticides; manuals, paper, etc. Since the course is given in the community, INFOP has no expenses for meals or lodging for the participants. During the month or six weeks in the community, the instructor usually discusses with the campesinos a broad range of agricultural problems beyond the immediate material of the course. Courses usually run a half day so that work of famrers is not completely interrupted and an attempt is made to program two courses at the same time, morning and afternoon, so that the instructor is fully occupied.

A second feature of the INFOP training courses is the careful programming of the material in units and subunits with a thorough theoretical and practical testing at the end of each unit. However, the illiteracy of many campesinos is proving to be a serious problem in many of the courses.

There is presently a heavy concentration of the courses in the north coast and the Aguán areas. It is estimated that approximately 60 percent of the courses are given to groups in the reformed sector and 20 to 25 percent to groups of small independent farmers with the rest to laborers in larger commercial farms. The mobile unit in San Marcos de Ocotepeque (where supposedly there are fewer groups of the reformed sector) tends to work principally with small independent farmers and it is likely that the unit in Marcala will do the same. However, training of small independent farmers presents a serious problem since these do not have access to agricultural credit or yield-increasing inputs, making implementation difficult if not impossible.

Table 4 BANK OF COURSE OFFERINGS IN THE AREA OF
AGRICULTURE AND FORESTRY CURRENTLY AVAILABLE FROM INFOP (1978)

Name of Course	Level	No. of Hours Course Requires
<u>Coffee</u>		
Seedbeds for Coffee	Technical	40
Pruning of Coffee Trees	"	50
Coffee Seedlings	"	40
Fertilization of Coffee Trees	"	60
Diseases of Coffee Trees	"	60
<u>Vegetables</u>		
Vegetable raising (gardens)	Elementary	500
Cultivation of Garlic and Onions	Technical	60
Cultivation of Tomatoes	"	60
Basic Grains	Technical	300
<u>Specific Crops</u>		
Cultivation of Rice	Technical	60
Cultivation of Beans	"	60
Cultivation of Sorghum	"	60
Cultivation of Sugar Cane	"	60
Cultivation of Sesame	"	60
Cultivation of Maize	"	60
Cultivation of Potatoes	"	60
Cultivation of Tabacco	"	60
Sampling and Conservation of Soils	"	56
<u>Forestry</u>		
American System of Resin Collection	Technical	60
Sharpening of Saws	"	60
Planting and Care of Trees (Forestry)	"	60
<u>Farm Administration</u>		
Practices of Agricultural Administration for Asentamientos	"	60
Farm Record Keeping	"	60
Records and Production Control in Cattle Enterprises	"	60
Planning of Cattle Enterprises	"	60

BANK OF COURSE OFFERINGS OF INFOP (cont.)

Name of Course	Level	No. of Hours Course Requires
<u>Livestock Management</u>		
Clinical Veterinary Diagnosis	Technical	65
Silage and Henification	"	60
Artificial Insemination in Bulls	"	100
Preventive Veterinary I and II	"	72
Basic Course in Beekeeping	"	68
Prevention and Control of Diseases in Cattle	"	41
Care of Bulls	"	60
Hand Milking	"	55
Breeding and Care of Miling Livestock	"	70
Breeding and Care of Livestock for Meat Production	"	60
Breeding and Care of Goats	"	60
Care of Chickens	"	60
Breeding and Care of Rabbits	"	60
Care of Laying Hens	"	60
<u>Agricultural Machinery</u>		
Preventive Maintenance for Farm Tractors	"	60
Maintenance of Agricultural Implements	"	60
Electrical Systems of Tractors	"	60
Operation of Farm Tractors	"	60
Operation of Tractors and Preparation of Soil	"	60
<u>Carpentry</u>		
Construction of Roofs	"	60
Construction of Doors and Windows	"	60
Construction of Wood Floors	"	66
Knowledge and Use of Carpentry Tools	"	60
Construction of Walls	"	70
Technical Drawing for Carpentry	"	65

Source: Division of Rural Formation, INFOP

The rural formation divisions of INFOP and SRN are working in the same area of technical agricultural training oriented toward increased production and with roughly the same group of producers. INFOP and the SRN do have a formal agreement for coordination with detailed norms for collaboration from the administrative level to the level of the field personnel, but in actual practice there is little or no coordination. An agreement was made with the former director of the PRH that the PRH would provide the basic social motivation courses preparing a basis for further technical courses which INFOP would give. However, presently there is some feeling in the PRH that the methodology of INFOP may not be compatible with the current general strategy and educational methods of PRH.

Instructors of INFOP plan and give courses in groups with little or no coordination with the extensionist attending these groups and there is no attempt to plan the follow-up of courses with the extensionist who supposedly is supervising the annual investment plan with the BNF. The director of the division of Rural Formation of INFOP feels that in spite of the formal agreement, there was little interest in coordination on the part of SRN except on a personal level with individual extensionsists (especially extensionists who have been employees of INFOP). There apparently has been no systematic attempt to inform extensionsists regarding the plan and method of the INFOP program, and the regional supervisors of INFOP do not regularly participate in the CAR. It is difficult to see how the training courses of INFOP can be coordinated with a regional agricultural development plan without some more systematic communication with the SRN. For example, if the training of INFOP does not take into consideration the on-going research program plans for introducing new varieties, crop diversification, and especially marketing opportunities, the long-range impact of INFOP may be much less effective. The INFOP mobile unit training program is little more than a year old and is primarily concerned with establishing itself more solidly. However, more systematic coordination with other institutions of the agricultural sector should have greater priority.

INFOP recognizes that the follow-up of the courses is a problem. Since the instructors usually work within a limited area of 4 to 10 communities in a region and are moving from community to community giving courses, they are able to give some follow-up attention, especially since they are in a community for a longer period of time. However, it appears that if there were more coordination between INFOP, SRN, and the BNF, there would be more assurance that the course recipients would have the credit and other resources necessary to support the implementation of training.

It is difficult to judge the overall impact of INFOP without greater field evaluation. During 1977 the division of Rural Formation gave courses to 4,733 students and in 1978, 568 courses are programmed.

Given the flexibility of the INFOP program and its relative success with small independent farmers in highland communities, INFOP might well give greater attention to this part of the agricultural sector which, at present, receives little assistance from the MNR extension system. The plan of the extension system for gradually reaching more of the small highland farmers -- establishing more agencies -- is a slow and expensive process of expansion. The INFOP training program might well fit into a more flexible credit-technical assistance approach to small independent farmers.

There is an increasing demand for the courses of INFOP. However, it is likely that with the present rapid expansion the program will soon reach roll taxes. If INFOP is to expand its services according to the demand, it may have to seek external funds or find a new source of government funding.

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