

URBAN DEVELOPMENT

DRAFT SECTION FOR USAID HONDURAS  
DAP REVISIONS

Prepared for

USAID HONDURAS

by

Eric Chetwynd, Jr.  
Office of Urban Development  
Development Support Bureau  
U.S. Agency for International Development  
Washington, D.C.

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Note: This report is a supplement to and is based primarily upon a report prepared for USAID Honduras by Michael Conroy, Department of Economic, University of Texas, and Eric Chetwynd, DS/UD. This report is entitled "Recent Trends in Urban and Regional Development in Honduras: Background, Alternative Strategies and a Proposal for an Urban Assessment."

## URBAN DEVELOPMENT

Draft Section for USAID Honduras

DAP Revision

Background. Honduras is beginning to enter a period of rapid urbanization marked by the concentrated growth of a small number of urban areas. At present, the small size of the Honduran population, its relatively low level of urbanization, and the presence of several agricultural frontier growth areas within the nation suggest that the patterns of urban growth be considerably different from those encountered in other Latin American nations. The rates of migration appear to be quite high, but the predominant direction of migration appears to be toward areas of markedly improved development potential and away from the areas characterized by very old settlement, high density, low agricultural potential and relatively low levels of socio-economic achievement to date.

The role which the emerging system of cities in Honduras will play in support of the movement of population toward more productive areas and into industry may be crucial. This is a major factor in the Mission's decision to examine more closely the urbanization process in Honduras and explore prospects for an urban development program.

Already there is evidence that the urban areas are falling behind in their ability to accommodate migration, leading to deterioration in the quality of urban life. For example, among the ten most rapidly growing areas, four already show signs of severe infrastructure shortages and several of the seven largest centers are in similar straights. Moreover,

urban unemployment rates are persistently higher than rural rates; the unofficial rate for Tegucigalpa is 17%.

These conditions may be leading to deterioration in the quality of urban life. The danger here is that the incentive structure for apparently productive migration may be reduced, stymying expansion of the industrial sector and the agricultural frontiers. The net result could be some return to the stagnation long characteristics of Honduras.

On the positive side, there does seem to be growing government concern for and understanding of these problems. Several significant studies in the area of regional analysis and planning have been completed in recent years and CONSUPLAN is developing a competent professional core in this area. It appears likely that the five year development plan for 1979 to 1983 will contain increased emphasis on regional development and greater support for local-urban development. This too is a factor in the Mission's decision to undertake an assessment of the urban sector. There is an opportunity to respond to a major new initiative in national development and at the same time to help give it more direction and substance.

The Urban Structure and Pattern of Urbanization. The urban structure of Honduras is relatively simple. As of 1974 it possessed 24 cities with 5,000 or more inhabitants of which 13 had a population in excess of 10,000, six were larger than 20,000 and only two were larger than 40,000: San Pedro Sula (148,000) and the Central District of Tegucigalpa and Comayagua (271,000). Honduras has a higher percentage of its population in rural areas (63%) and a lower percentage of its urban population residing in the capital city

(43%) than any other central American country.

Despite the highest rate of overall population growth in Latin America for more than 25 years, urban population only increased from 30 to 37% over the period 1961 - 1973. Rapid urban growth is a relatively recent phenomenon but it is highly variable from center to center. For example, for the 24 cities larger than 5,000, the range is 1.86% to 7.70% with 10 of these in excess of 5.0%. The range is accounted for in part by the fact that much of the migration in Honduras is urban to urban. The propensity of the rural population to migrate is only half that of the urban population.

The focus of urban growth is in the north, in and around San Pedro Sula (an IDB study suggests that San Pedro Sula soon will be the fastest growing city in Central America). The cities of El Progreso, Choloma, and Porrerillos are all within a 40 km. radius of San Pedro Sula, and they experienced growth of 5.4%, 5.7% and 6.2% respectively. This new and very pronounced concentration of population in the Sula agro-industrial valley is likely to lead to considerable adjustment problems.

There are fast growing centers in all major areas except the western departments, indicating that there are prospects for regional development at locations other than in the vicinity of San Pedro Sula. Examples are Chulateca in the south, Siguatepeque in the central area, and Danli and Catacamos in the east-central area.

The Regional Context. Preliminary and partial evidence suggests that the rapid growth of cities in Honduras is an integral part of a broader movement of the population out of the less-productive and more-densely-populated regions of the south and the west and toward those urban areas and agricultural frontier zones where opportunities are considerably better.

To the extent that the current pattern of growth of modern sector employment is considered appropriate, the observed resettlement patterns appear to follow and facilitate that sectoral change. To that extent there appears to be little reason to discourage the migration now underway. If, on the other hand, greater decentralization of industry were desired, the present migration patterns might be deemed inappropriate.

There is some evidence that urban and rural unemployment are greatest at the principal destinations of the migrants, often the most rapidly growing cities. It also appears that much of the migration is tending toward smaller communities with substantial infrastructure deficits and limited capacity to respond to the demands of rapid urban growth

#### Honduran Government Interest and Activity in Urban and Regional Development

There are four national government agencies concerned with general questions of urban development. They are:

1. The Regional Planning Department and the Local Development Department of the technical secretariate of CONSUPLANE, the National Economic Planning Council;

2. The National Directorate of Urbanism in the Ministry of Public Works and Transport (DGU).

3. The National Directorate of Municipal Technical Assistance, in the Ministry of Government and Justice; and

4. The National Autonomous Municipal Bank (BANMA).

In addition there are numerous agencies, such as the electrical energy agency (E.N.E.E.) and the water works agency (S.A.N.A.A.), which are concerned with specific types of urban infrastructure. The division of labor among these agencies is not clear, and there appears to have been considerable overlap and some competition among them in recent years.

Regional and urban planning and development have not been high on the list of planning and development priorities of the Honduran government, partially, it appears, because they were not of high priority for the international agencies toward which much of the planning to date has been directed. However, there is evidence that the present Honduran government is very interested in both more rational regional planning and greater local development planning and assistance. CONSUPLANE has been active for more than three years in developing background and bases for local and regional planning, and there reportedly is a distinct section of the draft national plan for 1979-1983 ostensibly providing formal recognition and funding for this new focus.

There have been isolated attempts in the past to do regional planning or to develop bases for such, but it appears that little has come of them. For example, there was considerable interest in 1967 and 1968, but the costs in terms of the "surrender of autonomy" imposed on entrenched ministries vitiated the efforts and little was implemented. Fairly large scale regional development plans were prepared for the Bajo Aguan valley and for the whole South of the country at that time. Individual projects from those studies have been implemented, but not as a part of a generalized regional approach.

DGU (Direccion General de Urbanismo) has been active since late 1973 in activities related to urban physical planning and, since about 1976, in some local area socioeconomic planning. To the extent that local planning has taken place in the small and intermediate towns and cities of Honduras, DGU has been the agent responsible.

In theory CONSUPLANE has responsibility for devising the guidelines and background legislation within which an agency such as DGU would function. In practice, DGU has been "freewheeling" because of the absence of guidelines and has probably been as influential as any group in pressuring CONSUPLANE to develop general plans and legislation.

The National Directorate of Urbanism (Direction General de Asesoría y Asistencia Técnica Municipal) has been created very recently and its function appears to be the supervision of the legal formalities of the nations 283 municipal government bodies.

BANMA (Autonomous Municipal Bank) was created in 1961 to provide local governments with financial and technical assistance, to serve as depository for municipal funds, and to serve as financial agent, purchasing agent, and administrator for municipal governments. BANMA is the implementing agency for the Mission's Municipal Development Program (\$4.1 million) underway since 1974 and due to be completed by mid-1978.

Because of its legal status, BANMA may have to be used as an intermediary in any attempts to provide financial assistance for urban development at the local level. Furthermore, given the severity of urban infrastructure deficits, it may be appropriate to extend and expand the present BANMA program as a component of any future Mission urban development strategy.

Other Programs of Potential Relevance. There are several ongoing Honduran Government programs which must be considered central to assessment of urban development strategies. One such is the recently released Master Roads Plan (PMV). The PMV is important to an urban development strategy for at least two reasons: First, the 21 valleys evaluated under the plan differ substantially in the extent of development to date of a set of settlements. Agricultural expansion in those valleys will require attention to the patterns of increased town growth, resettlement, and, in general, new urban infrastructure which will be needed to facilitate (or, at the extreme, to permit) agricultural growth. Second, it may prove true that inclusion of urban infrastructure, both private and public, in the calculation of costs of "developing" the different valleys would alter the rankings and the recommended order for undertaking project. At the very least, further

investigation of such urban development implications are in order in conjunction with investment programs of a magnitude and with potential spatial (and specifically urban) implications as great as those associated with a master road plan.

Cadastrals are another government effort of significance in this context. The BANMA loan has permitted a number of communities to undertake fiscal reforms based on new cadastral surveys. The reform undertaken in the Distrito Central (Tegucigalpa) using a cadaster financed with its own revenues (the Distrito Central and San Pedro Sula are excluded from the present BANMA AID-financed loan program) is illustrative. The simple process of surveying, cataloguing, and assessing property under a reorganized cadaster has raised revenues in the Distrito by more than 300% over less than three years and at prior tax rates and assessment ratios. As a result, the mayor's office (alcaldia) has expanded the scope and extent of the construction and social service projects which it has undertaken.

A national cadaster is now underway, but several cities have borrowed from BANMA to conduct their own rather than await the national results. Similar changes in revenues, though not so dramatic, have been experienced in Camayagua, Danli, and Siguatepegue. This increase in solvency at the local level, should it become generalized, would imply even greater need for technical personnel to assist the municipalities with expanded development programs.

The Distrito is engaged in some innovative approaches to its growth and development. For example, it has designed several projects which would simultaneously increase the integration of the region and provide improved opportunities for artisans on the periphery of the city. The remodeling and reconstruction of the center of Ojojova and San Buenaventura (about 25 kilometers to the south of the capital), and a series of road and other infrastructure projects programmed for Valle de Angeles (25 kms to the northeast) are examples of projects which might have sufficient benefits for AID target groups that they would warrant support. The expansion of community service centers throughout the Distrito Central has the potential for providing considerably improved access and increased participation in local decision making for residents of barrios. Of perhaps greater significance in a broader regional context, they could provide a basis for programs designed to facilitate the flow of information to migrants and potential migrants and to ease the adjustment of newly-arrived migrants. The fact that these projects are underway in the Distrito means that there exists the possibility of studying their effectiveness, of considering their transferability to other places with similar problems, or of expanding them in the Distrito to ease the pressures of growth if that growth is not deemed inappropriate or counter-productive.

Potential Elements of an Urban Development Strategy. The background discussion above suggests that there exists a wide range of possibilities for an urban development strategy. Selection of such a strategy must await a much more detailed assessment of the major themes surveyed here than the Mission has been in a position to carry out to date. But a strategy to be

incorporated in a future DAP revision could well include a year of further study and the design of a set of coordinated urban development programs. For purposes of illustration, elements of such a strategy might include some or all of the following:

a) An expansion and partial re-orientation of the present BANMA urban infrastructure loans, a program which seems to be squarely on the mark for the problems presently encountered;

b) a technical assistance program to expand the ability of the smaller rapidly-growing cities to accommodate their growth and to implement the urban development plans now being prepared for them by the Direccion General de Urbanismo;

c) a program for planning for and assisting in the creation of agricultural service centers in expanding agricultural areas such as coastal Atlantida, the Aguan river valley, and western Olancho;

d) a program to assist in stimulating the decentralization of light industry away from the Sula Valley and the Distrito Central toward the growth centers within 50 to 100 kilometers of them, where population growth may be accommodated more readily;

e) a minimum-intervention approach which would advocate simply making certain that AID sectoral programs were consistent with GOH regional plans and that the regional selection of sectoral projects reinforced generally positive trends rather than running counter to them; or

f) a set of social programs to improve the flow of information across regions with respect to employment opportunities and to assist in the re-location of migrants, attempting to anticipate the "spontaneous" urbanization which will result if no foresight is lent to migration questions.

There are options also in terms of spatial orientation of a Mission policy. For example, with various sub-options under each, the program could focus on:

A. Small urban places and agricultural frontier areas. It would be possible to dismiss urban places of less than, say, 5000 inhabitants as unimportant to the urban development "problems" of contemporary Honduras. But if movement of the population into larger urban places begins primarily in these smaller places, as some evidence above suggested, then it is precisely the relative employment opportunities and access to infrastructure and social services in these places which is a prime determinant of the migration. In the same way one might assume that small settlements in newly-opened areas would "take care of themselves," arising as needed and providing the minimum levels of facilities and services without a need for outside assistance.

B. Medium-size towns. For the 22 towns in Honduras which had more than 5000 but fewer than 50,000 inhabitants, the needs are somewhat clearer, although priorities among them will differ depending on the regional development strategy adapted for the nation as a whole.

C. The Two Largest Cities. Whether an AID-sponsored urban development strategy should incorporate San Pedro Sula and the Distrito Central would depend upon answers to numerous questions which are still open:

- Are there demonstrable net diseconomies of scale associated with these cities? Should they be encouraged to grow?
- To what extent are they able to "handle" their own growth, given existing revenue sources and expenditure needs?
- To what extent can programs be tailored in those places to reach effectively the target groups without simply providing for the substitution of AID resources for local resources that otherwise would have been expended for target group projects?
- To what extent will preferential treatment of those places lead to increased growth of an unwanted variety from the specific programs proposed?

Finally, in any Mission urban program, there should be a role for Housing Guarantee programs appropriately geared to low income groups and including provision of community infrastructure and social overhead.

Proposed Urban Assessment. The Mission plans to undertake an urban assessment as a basis for formulating an urban strategy and program or deciding whether a Mission urban strategy is appropriate at this time. The Mission already has undertaken a brief study of recent trends in urban and regional development in Honduras with the assistance of a TDY team from DS/UD. The team also assisted with the outline of an urban assessment which the Mission is prepared to initiate during FY 1978 with collaborative support from DS/UD. It is anticipated that the assessment, which would be done jointly with the Honduran Government, would take approximately one year to conduct at a cost of about \$200,000 plus GOH "in kind" contributions. A copy of the draft

assessment outline and the issues to be addressed are attached at Annex — .  
(Note: We would suggest including Section V and the "Tentative Outline of  
Urban Assessment..." from the Chetwynd/Conroy report in the Annex to the  
DAP).