

I. PROJECT IDENTIFICATION

1. PROJECT TITLE CORE SERVICES - RURAL DEVELOPMENT		APPENDIX ATTACHED <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	
3. RECIPIENT (specify) <input checked="" type="checkbox"/> COUNTRY HONDURAS <input type="checkbox"/> REGIONAL <input type="checkbox"/> INTERREGIONAL		4. LIFE OF PROJECT BEGINS FY 74 ENDS FY 76	
		5. SUBMISSION 118 <input checked="" type="checkbox"/> ORIGINAL DATE <input type="checkbox"/> REV. NO. DATE CONTR./PASA NO.	
2. PROJECT NO. (M.O. 1025.2) 522-11-190-0006			

II. FUNDING (\$000) AND MAIN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US (U.S. OWNED)		
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY	
											(A) JOINT	(B) BILateral
1. PRIOR THRU ACTUAL FY												
2. OPRN FY												
3. BUDGET FY 74	471	188	55	183	366	6	94	188	55			107.1
4. BUDGET 11/1/73	155	55	24	45	140	-	55	55	24			130.1
5. BUDGET 12/1/73	75	25	12	35	130	-	15	25	12			70.0
6. BUDGET 13/1/73												
7. ALL SUBQ. FY												
8. GRAND TOTAL	701	268	91	263	636	6	164	268	91			347.2

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR See text	(B) KIND OF GOODS/SERVICES	(C) AMOUNT
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III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER R.V. Daniels - K. Koone	TITLE Ag. Economist-PDO	DATE
2. CLEARANCE OFFICER Edmond Marasciulo	TITLE Director	DATE

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

Approval is subject to the DAEC decisions contained in STATE 4/10/73.
Mission proposed funding levels have been revised to reflect these decisions.

2. CLEARANCES

BUR/OFF.	SIGNATURE	DATE	BUR/OFF.	SIGNATURE	DATE
LA/DP	GHill (substance)	11/14/73	LA/ECP	RPastorino (substance)	11/9/73
LA/MRSD	RGreene (substance)	11/13/73	LA/OPNS	CUyehara	12/12/73
LA/CEN	RCamaur (substance)	11/13/73	LA/DR	Sub. 11/13/73 CVanhaefen/BSidman/Breen	

3. APPROVAL AAs OR OFFICE DIRECTORS		4. APPROVAL A/AID (See M.O. 1025.1 VIC)	
SIGNATURE <i>[Signature]</i>	DATE 12/14/73	SIGNATURE <i>[Signature]</i>	DATE
TITLE Deputy U.S. Coordinator		ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT	

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I. Introductory Statement

As stated in the FY 1974 Central American Program Submission, "a major emphasis in Central American economic and social development must be an intensified effort to bring to the rural majorities the benefits of economic integration and growth," for two major reasons. First, growth that does not result in improving the poor income position of the majority of the population --i.e., growth without development -- is unacceptable because it does not represent, on ultimately political grounds, an adequate return on the substantial investments envisioned. Both we and the GOH are convinced of this. Second, prospects for future expansion of Central American Common Market (CACM) growth depend on integrating the rural/agricultural base of the five countries. Growth to date of the CACM has been comparatively easy and has been the result mainly of integrating the urban/industrial sectors of the five countries. Such growth has been self-limiting, however, being based on the size of internal markets. Now begins the infinitely more difficult process of linking rural to urban in the same country and rural in one country to both urban and rural in all the other countries. This will require expansion of the regional market -- particularly among the rural population.

Honduras, which borders every Central American country except Costa Rica and which has the major Central American access to the Caribbean, recognizes the importance of the rural sector to overall social and economic development. Government policy statements make clear the intent of Honduras to incorporate the peasant into the growth process. The Mission is supporting this GOH goal with both grant and loan programs within a sector context.

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This PROP/addresses to the proposition that realization of public policy goals cannot be achieved without an adequate level of technical competence in the government institutions charged with policy formulation and program implementation. Without such capabilities in Honduran institutions, neither GOH rural development efforts nor complementary efforts by AID and other donor agencies can be successful.

More specifically, successful results from AID capital assistance, as proposed in the Intensive Review Request, require that the following four "core" GOH institutions, no one of which can be identified as key, operate more effectively and function in concert:

1. The National Development Bank (BNF -- Banco Nacional de Fomento);
2. National Agrarian Institute (INA -- Instituto Nacional Agrario);
3. The Ministry of Natural Resources (MNR -- Ministerio de Recursos Naturales); and
4. The Technical Secretariat of the Planning Council (CSPE -- Consejo Superior de Planificación Económica).

As an integral component of the total GOH and Mission rural development strategy, this project aims at increased human resources for these institutions to enable them to better manage sector programs through (1) provision of contracted technical assistance (in-country assistance and training) for a rapid transfer of skills, (2) overseas academic training over a longer term and (3) strengthening their rural sector analysis capability.

The BNF is the major source of credit for the rural sector. In 1971, the Bank granted loans totalling \$5.8 million to small farmers, 52.5% of institutional small farmer credit that year. The Bank also manages a price stabilization program for basic grain and promotes, through the private sector, development of food-processing and other agro-industrial activities.

INA is responsible for resettlement programs for landless campesinos. Since 1962, approximately 100,000 people have been re-settled, but very few land titles have been awarded. INA is the main implementing agency for Decree 8 of December 1972, which provides for the rental of rural land to campesinos while a land reform program is being drawn up.

Regulation of and assistance in the use of the nation's natural resources is provided by the Ministry of Natural Resources. This institution contains all the functions of a ministry of agriculture plus all regulatory responsibilities for fishing, hunting and mining. In addition, several important Directorates fall under the Ministry: Forestry, Irrigation, Mechanization and the Extension/Research Service (DESARRURAL).

The Planning Council includes representatives of all Ministries, of certain other GOH offices, and of the private sector; it is attached to the office of the Chief of Government. Its Technical Secretariat is responsible for development of National Development Plans (for approval by the Council) and for coordination of foreign assistance.

II. Rationale

A. Background.

Honduras lacks the technological transfer mechanisms and management capabilities to mobilize its varied and abundant natural resources in a way that provides an adequate standard of living for the country's population. Nowhere is the gap between poverty and potential economic growth wider than in the rural sector, which employs two-thirds of the economically active population but contributes only about a third of the country's Gross National Product.

What growth Honduras has experienced over the last few years has been based on a few export commodities and industrial enterprises, the benefits of which have been enjoyed by only a small share of the total population. Four export crops alone have accounted for over three-fourths of the value of total exports and are becoming more important over time (see Table I). The cultivation of bananas, which alone have accounted for almost half of export revenues, is not well integrated with the rest of the economy.

TABLE I
Honduran Exports
(Millions of Dollars and Percent)

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>Weighted Average 1968-72</u>
Total Exports	(\$165.8)	(\$173.8)	(\$186.8)	(\$192.3)	(\$179.7)
Bananas	44.7%	43.3%	51.2%	44.3%	45.9%
Coffee	11.1%	14.8%	12.3%	14.0%	13.1%
Lumber	8.8%	9.3%	10.3%	14.1%	10.6%
Fresh Meat	<u>5.4%</u>	<u>5.6%</u>	<u>6.7%</u>	<u>8.3%</u>	<u>6.5%</u>
	70.0%	73.0%	80.5%	80.7%	76.1%

Source: Central Bank

Moreover, benefits from these activities have been concentrated primarily in the immediate vicinity of the two major cities, San Pedro Sula and Tegucigalpa. This concentration has aggravated an income distribution heavily biased towards the urban population. As shown by Table II, over 80% of rural families have an annual income of less than \$500. Per capita income, assuming an average of six members per family, is less than eighty dollars a year.

TABLE II
PERCENTAGE DISTRIBUTION OF HONDURAN FAMILIES ACCORDING TO INCOME

<u>Dollars</u>	<u>Urban</u>	<u>Rural</u>	<u>Total</u>
0 - 250	3.85%	54.84%	33.78%
251 - 500	10.17	25.34	19.08
501 - 750	13.34	7.25	9.77
751 - 1000	11.28	4.06	7.04
1001 - 1250	11.97	3.19	6.81
1251 - 1500	7.29	2.03	4.20
1501 - 1750	7.01	1.84	3.98
1751 - 2000	4.54	0.19	1.99
2001 - 2500	8.94	0.39	3.31
2501 - 3000	5.50	0.39	2.50
3001 - 3500	3.58	0.29	1.65
3501 - 4500	3.44	0.00	1.47
4501 - more	9.08	0.09	3.80

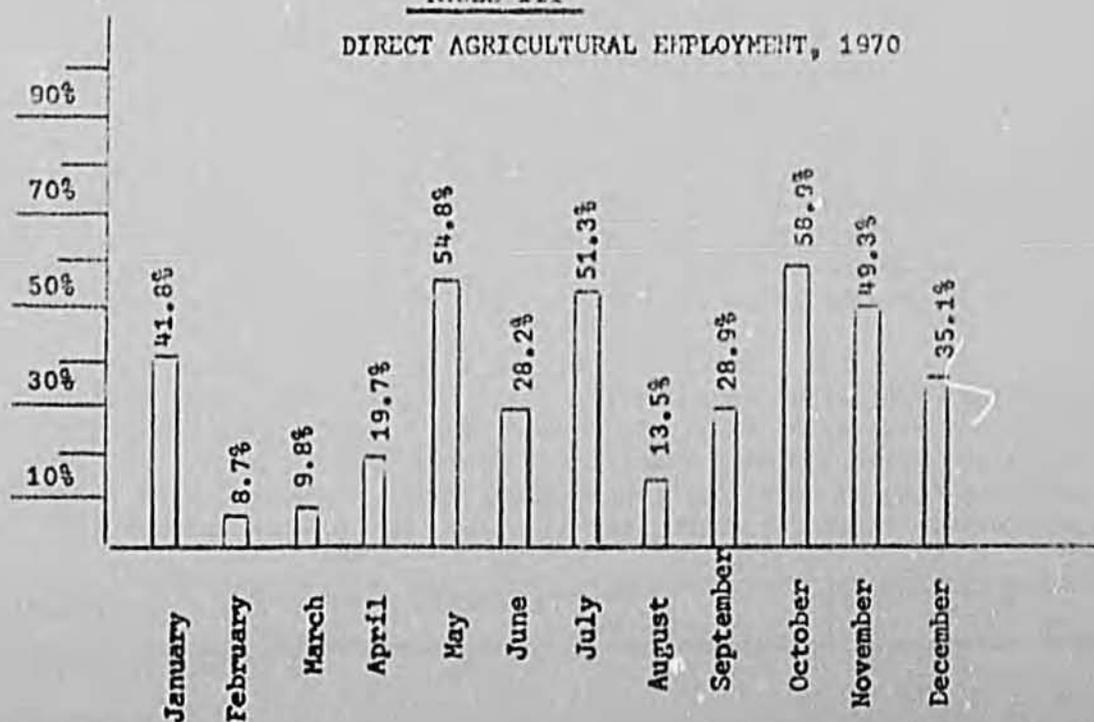
Source: Ingresos y Gastos, 1967-68, DGHC, 1969

One result of this, apart from welfare and nutritional considerations, is that while the rural sector employs the majority of national resources and contributes importantly to total product and foreign exchange earnings, it does not provide a strong internal market for other economic sectors. The buying power is just not available. The small internal market will continue to limit the expansion of agriculture itself as well as other sectors unless they are directed towards external markets. The effects on total demand of the present income distribution is now under investigation by the sector analysis team.

Two additional factors contribute to the low income levels in the rural sector: (1) small farm size and (2) unavailability of employment opportunities. It is estimated that farms employing traditional methods of farming have, on the average, three to five acres of land under cultivation. Many are smaller. These farms account for an estimated eighty-five percent of all basic grain production (corn, beans, sorghum, and rice). Using traditional methods of farming, five acres is probably the maximum size that can be maintained by a rural family. In addition of course, many rural families, perhaps one-third, do not own any land. For all families not fully occupied on their own land, the unavailability of other employment opportunities limits family income. Since most of the non-traditional, industrial activity is concentrated around the two major cities, off-farm employment must be in the form of hired labor for the production of other crops. But given the climatic conditions of Honduras and the growing cycles of the major crops, demand for labor is highly seasonal and presents very little opportunity for steady employment. Table No. III produced by the Agricultural Sector Analysis Team from the 1970 production model, illustrates typical seasonal distribution of the labor demanded in agriculture production activities.

TABLE III

DIRECT AGRICULTURAL EMPLOYMENT, 1970



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Source: Estimated from Modelo II, Agricultural Sector Analysis, January, 1973. Based on a male rural labor force of 464,900 (ages 15-64), 250 days per year, includes only direct labor input into production of agricultural products. Does not include auxiliary activities such as fence mending, farm improvements, etc. Neither does it include agricultural related activities, i.e., processing, marketing, etc.

Two choices can be seen from this graph from the point of view of the Honduran campesino. First, if he chooses to grow his own crops (assuming he has the land) he will be employed in most areas during the eight months from May to December (the cycle of corn and bean production) and have little opportunity for employment during his slack season (January to April). If, however, he chooses to work for wages (and buys all of his needs) he will still be faced with little chance for employment during the six months with minimum demand for labor. Faced with these choices it is not surprising that the rural population is migrating to the cities. 1/

B. Institutional Requirements for Rural Development.

Sufficient experience in development activities has now been accumulated to demonstrate that a certain minimum level of services must be available to the rural sector before viable rural development can exist. In cases where the central government plays a key role in development, these services are channeled through institutions created to fill the apparent voids.

In Honduras, five needs are apparent: 1. A research and extension system to develop and channel relevant information and assistance to the small farmer; 2. A means to deliver critical inputs to the small farmer including credit, improved seed, and agricultural chemicals, and a network that is capable of efficiently transporting his product from rural areas to the consumer; 3. Organizations whereby farmers, through collective action, can participate in the formation of agricultural policy and take advantage of economies of scale in marketing and input purchases; 4. Services for the protection of the farmer and the consumer such as sanitary regulations, water and soil conservation; and 5. A system of agrarian reform to distribute natural resources more equitably among rural inhabitants.

C. GOH Approach.

Over the past 25 years the GOH has developed a core of institutions to service the agricultural sector, beginning in 1950 with the creation of the BRF and continuing until 1961, when INA was established. The agricultural research and extension service (DESARRURAL) grew out of the old servicios, supported for many years by AID or predecessor agencies. Other government offices have the responsibility of fomenting farmer organizations, the regulation of sanitary laws, and the conservation of resources, primarily under the Ministry of Natural Resources. In addition to the above institutions, Honduras has created the Technical Secretariat of the Planning Council, which has the responsibility of formulating national development plans and of coordinating external assistance to Honduras.

1/ Several attempts were made with the production model to maximize use of labor. Extreme seasonality of labor use was eliminated only when unrealistic conditions were forced on the model. See the discussion in the published report, ASA#6.

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It is clear that Honduras has the structure of necessary core institutions to service the agricultural sector. While in the past they have not been fully effective, there is no apparent need for the creation of new institutions.

Recently rural development has taken on new importance in Honduras. The new Government, through its official decrees and appointments of key personnel, has made known its intention to incorporate the rural peasantry into the growth process as rapidly as possible. In addition, recent experience with small-scale, traditional farmers has indicated that they will respond to production incentives if credit, improved supplies, and markets offer reasonable prices. One means of providing these incentives is through integrated production projects.

The GOH is employing a strategy that calls for the implementation of integrated production projects developed by the Agricultural Sector Analysis Team, a joint FAO/GOH effort that calls for crop diversification and increased use of modern agricultural practices, and other directed production projects. The GOH also relies on general policy instruments such as fixed interest rates, rebates on essential imports, and guaranteed prices for basic grains. These projects are directed towards national goals of higher production, increased productivity, diversified exports, and more income for rural inhabitants. The strategy calls for the implementation of these projects in specified areas with emphasis on participation of the peasantry (small-farmer cooperatives in many cases) in order to distribute the expected economic growth more evenly among the rural population. Primary focus is on the transfer of skills, from the core institutions to the farmers, in new crops and in increased use of modern techniques in basic grains. At the same time, the GOH realizes that continuing examination of this strategy, and other means of reaching the same goals, is necessary. For this reason they will continue to support the Agricultural Sector Analysis over a long term.

The basic problem for the GOH is the shortage of resources, human and financial. Although there are some 250 trained agricultural technicians (college level) in the country, many of them are not available to the public sector. Also, many well-trained people lack critical skills that are acquired only through field experience in areas such as large scale grain marketing, small farmer credit operations, and agrarian reform. There is an even smaller number of experienced and well-trained technicians with analysis talents available to the public sector.

D. Other Donor Activities

Other international donors are involved in rural development activities. The Interamerican Development Bank (IDB) has been active in the provision of loans for production credit covering a variety of crops. IDB also is assisting the extension/research agency (DESARRURAL) in their expansion plans. The World Bank has completed the disbursement of the first stage of a loan for commercial livestock development, and is now in negotiations for an expansion of the program. FAO, in conjunction with the GOH, recently completed a series of diversification project studies. FAO also is supporting the forestry school at Siriatepeque and a forest management/development project. FAO is also considering an ambitious training program in conjunction with the Agrarian Reform Institute. The IBRD presently has plans to loan finance the improvement of physical facilities for sub-professional level agricultural education and farm training centers. A

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British firm, under financing from the United Kingdom, recently completed a development plan for the Comayagua Valley based on irrigated production of cotton and cucumbers. There are no immediate plans for financing this project.

Although this is not a complete picture of other donor agency participation it does cover the major activities in the rural sector.

E. USAID Approach.

The Mission has a long history of efforts in the rural sector. These have been discrete efforts, but directed to goals similar to those now voiced by the GOH. Loans for grain storage facilities and small farmer credit; support for cooperative development; a pilot cadaster project; the recent loan for grain inventories and marketing; and the sector analysis activities have been directed, ultimately, to rural inhabitants.

While the Rural Sector Analysis and Assessment and the preliminary conceptualization of the probable components of a sector loan were being carried out, it became apparent that the deficiencies described above in the core institutions would seriously impede the progress of any integrated effort towards rural development.

The satisfactory implementation of a package including an agricultural education loan, to be partially covered by the IBRD, and production projects would seriously tax the ability of the core institutions to fulfill their functions. Therefore an examination of technical assistance and training needs was initiated with the purpose of identifying areas where the USAID could grant finance the transfer of skills critical to the sector program. This resulting project obviously does not meet all deficiencies. There are areas where the GOH has attempted to improve the quality of services of selected offices through assistance from other agencies. For example, the Central American Bank for Economic Integration has loaned the BNF one of their managers to expand and improve participation in agro-industrial activities, and the corn and bean production project calls for a technical input from the International Corn and Wheat Center (CIMMYT) and the Instituto de Investigaciones de Ciencias Agrícolas (IICA).

Besides technical assistance, the project has a large training component. In light of the relatively small number of trained technicians in the country, and the even smaller number available to the public sector, it is imperative to continue providing overseas academic and short-term technical training. This component is based on longer run considerations. The various institutions through which the training program will be channeled have, or are developing, criteria for pinpointing staffing shortages in their respective offices and selecting personnel for training to meet such shortages.

The Sector Analysis activity also is directed in large part to longer run considerations. While the present effort is concentrating on providing analytical inputs for the National Development Plan 1974-78, activities contemplated in this project will provide the Planning Council and other institutions with more information in order to refine and develop new strategies for development of the rural sector. Preliminary plans call for the incorporation of agro-industrial

activities in the production model, analysis of the need for expansion of the transportation and rural electrification network, examination of the probable costs and benefits of a national cadaster, consideration of more variables that are non-quantifiable, and preliminary work of project evaluation. In addition, efforts will be continued to insure the direct participation of other donor agencies in the formal analysis.

Complementarity exists between this project and other Mission efforts related to the rural sector. A sector approach has been utilized to develop or refocus this and other programs to assure direct complementarity between this project and others such as export promotion, rural municipal development, the national statistics program, and the pilot cadaster.

Increased agro-industrial exports will provide a larger and wider market for Honduran producers. Improved internal marketing systems, through the municipal development projects, will assist in efficiently transferring products from the farm gate to consumers. The pilot cadaster, besides providing essential information for agrarian reform policy and removing ownership instability as a major obstacle to farmer responsiveness to production incentives, will also support improved analytical efforts of production policy by regions.

An output of the national statistics project will be higher quality and more consistent statistical descriptions of the rural sector, useful to the Ministry of Natural Resources in programming its technical assistance resources and to the BNF in locating its credit outlets and planning credit needs. The sector analysis team will work closely with the statistics project in training personnel in appropriate analytical techniques.

In sum, this project will provide for immediate needs in support of the GOH's plans for development of the rural sector. It also is consistent with other efforts by USAID in this highest priority area. While several components are directed to immediate problems in the sector program, the ultimate development of Honduras requires the longer-run considerations addressed in part through this project.

III. Narrative Statement

A. Goal

1. Statement of Goal. To raise the standard of living of the rural sector through increased farmer income and more employment opportunities.

2. Goal Measurements. Change in income position of small and subsistence farmers. Presently, 91% of rural families have an estimated annual income of less than \$1000. Present estimates are from the Ministry of Economy's income and expenditures study done in 1968. The GOH has planned population and agricultural censuses in 1974 for verification.

3. Assumptions Related to Goal Achievement

- a. Political stability will allow the Government to pursue stated goals.
- b. No major disasters will be visited on Honduras.
- c. No major changes detrimental to Honduras will occur in world markets.
- d. Return to normal climatic conditions.

B. Purpose

1. Statement of Purpose. To strengthen the four core GOH institutions in specified rural sector activities.

2. End of Project Status.

a. INA will be implementing its Action Plan for agrarian reform and will increase the number of titled properties settled.

b. The BNF will have developed more effective credit policy and implementation procedures for small-farmer credit. The BNF presently has a direct clientele of 9,500 small farmers, plus loans to farmer organizations. This will be increased to 30,000 small-farmer direct clients.

c. The Industrial Division of the BNF will become more aggressive in the formation of agro-industrial enterprises in the private sector. Presently, the Bank is promoting several different projects, which led to new investment in 1971 of \$550,000. This will be increased to new investment of \$1,000,000 per year by 1976.

d. The BNF marketing division will be actively purchasing basic grains from producers and managing an effective price stabilization program. During CY72 the BNF controlled approximately 12% of the market. An estimated 25% is required to have an effective price stabilization program. The regional buying stations will become more efficient in buying from producers.

e. The research/training capacity of the extension service (DESARRURAL) will be expanded and improved. Approximately 20,000 farmers now receive services annually from DESARRURAL. This will be increased to 35,000.

f. The Ministry of Natural Resources will be organized to increase its efficiency and effectiveness. The re-organization plan will decentralize decision-making authority and eliminate internal duplication of functions.

g. The Sector Analysis Team will complete the information base for formulating a development strategy based on regional characteristics. The GOH will have the capacity for further refinements of national development plans.

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3. Assumptions Related to Purpose

a. Funds (loan and grant) will be available from AID or other sources for the implementation of the agricultural education portion of the sector package proposed by the Sector Analysis Team.

b. GOH will recognize the quality of training of returned participants and assign them to appropriate positions with commensurate salaries.

c. GOH will recognize the importance of assigning competent counterparts to contracted technical assistance.

d. The Grain Marketing project (AID Loan #522-L-021) will be executed smoothly, and scheduled improvements of the rural buying stations will be completed.

e. The IDB Loan project (No. 115-II) for improvement and expansion of the extension and research service (DESARRURAL) will be effectively executed.

f. The IDB Loan project (#310) for production credit to the National Development Bank will be implemented as programmed.

C. Project Outputs

1. Kinds of Outputs

a. Recommendations to the Director of INA which will be used in carrying out agrarian reform.

b. Recommendations which the BNF management will use in policy definition and improvements in the implementation of an effective price stabilization program for basic grains.

c. Recommendations to the Minister of Natural Resources will be used in making needed adjustments in the organization of his Ministry.

d. DESARRURAL will be conducting training activities for small farmers in the form of farm visits, demonstration plots, training, and closer working relations with cooperatives.

e. Preliminary studies will be written for the analysis, to include income distribution, consumption patterns by income group, farm size models, and general regional socio-economic characteristics.

f. Human resources development, through overseas training, will provide the four core institutions with trained personnel. Training will continue to concentrate on baccalaureate (approximately 85%) with the remainder at the masters level. Fields of study will consist mainly of animal and plant sciences; consideration will also be given to a small number of qualified candidates in agricultural planning and administration, economics, and other rural related social science studies.

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g. The Industrial Division of the DNF will have the capacity to actively promote the development of agro-industrial projects.

2. Output Indicators

a. The quality and quantity of services offered through INA, DNF and the Ministry of Natural Resources will be improved.

b. DESARRURAL will conduct approximately 1,700 training activities; 471 in FY 74, 544 in FY 75, and 633 in FY 76 (now at 300).

c. A number of diverse (the number depending on future developments) analyses will be completed. Each analysis will include preliminary reports analyzing production, employment, rural income, and general characteristics of rural areas. In FY 74 approximately 24 of these reports will be distributed; the remaining six will be completed in FY 75.

d. Six hundred thirty^{six} man-months of academic and short-term training will be completed over the life of the project. A breakdown by institution and length of training follows:

MAN-MONTHS OF PARTICIPANT TRAINING PROGRAM^{1/}

Academic (MH)	FY 74	FY 75	FY 76
Agrarian Reform Institute	-0-		-0-
Ministry of Natural Resources	312	140	130
National Development Bank	24		
Council for Economic Planning	12		
	<u>348</u>	<u>140</u>	<u>130</u>
Short-Term (MH)			
Agrarian Reform Institute	4	-	-
Ministry of Natural Resources	10	-	-
National Development Bank	4	-	-
	<u>18</u>	<u>-</u>	<u>-</u>
TOTAL	366	140	130

^{1/} Includes 120 MH per year of academic training to be conducted at the Pan American Agricultural School at Zamorano, Honduras.

3. Assumptions Regarding Outputs

a. Competent analysts will be available for continuation of the Sector Analysis.

b. Competent technicians will be available for contracted technical assistance positions.

D. Project Inputs

Statement of Inputs (000 US \$)	FY 74	FY 75	FY 76	TOTAL
1. USAID				
Technical Assistance	188	55	25	268
Commodities	6	-	-	6
Training	183	45	35	263
Other Costs	94	55	15	164
Total USAID	471	155	75	701
2. GOH (000 US \$)				
Personnel (Counterpart and local support)	84.125	84.125	20.0	
Commodities	3.0	2.0		
Training	50.0	50.0	50.0	
Total GOH (\$343.25)	137.125	136.125	70.0	

E. Nature of USAID Inputs (See Annex A for schedule)

1. Technical Assistance (See Annex B for job descriptions)

a. Project Implementation Coordinator	36 MM	\$75,000
b. Processing and Marketing Assistance BNF	6 MM	25,000
c. Agrarian Reform - INA	31 MM	93,000
d. Ministry of Natural Resources - Plans and Evaluation	6 MM	25,000
e. Sector Analysis	12 MM	50,000
Sub-total	91 MM	\$268,000

2. Training

a. Academic*	618 MM	254,000
b. Short-term	18 MM	9,000
Sub-total	636 MM	263,000

* To include financing of 10 Honduran scholarships per year to the Panamerican Agricultural School at Zamorano, Honduras. Remaining funds will be used to finance US and Third Country Training.

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3. Commodities

One project vehicle for US personnel, office equipment, supplies	\$ 6,000
Sub-total	<u>\$ 6,000</u>

4. Other Costs

a. (Sector Analysis) Computer time, contracted local services, data collection, reproduc- tion costs, etc.*	119,000
b. Office rental, maintenance costs, invitational travel, miscellaneous costs	45,000
Sub-total	<u>164,000</u>

5. Grand Total	\$ 701,000
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*See Annex C for detail

ANNEX A - SCHEDULE OF AID INPUTS

	FY 1974		FY 1975		FY 1976		TOTAL	
	\$	MM	\$	MM	\$	MM	\$	MM
A. TECHNICAL ASSISTANCE	(183)	(55)	(55)	(24)	(25)	(12)	(263)	(91)
1. Project Implementation Coordinator	25	12	25	12	25	12	75	36
2. Marketing Asst.	13	3	12	3			25	6
3. Agrarian Reform	85	25	8	6			93	31
4. Adm. (Plans & Evaluation)	25	6					25	6
5. Sector Analysis	40	9	10	3			50	12
B. TRAINING	(183)	(366)	(45)	(140)	(35)	(130)	(263)	(606)
1. Long term	174	348	45	140	35	130	254	618
2. Short term	9	18					9	18
C. COMMODITIES								
One project vehicle, maintenance, office equipment, etc.	6						6	
D.1. OTHER COSTS								
(Sector analysis) computer time, contracted local services, data collection, reproduction costs, etc.	79		40				119	
2. Office Rental								
Maintenance costs, invitational travel, Misc. costs.	15		15		15		45	
E. TOTAL PER FY AND PROJECT	471		155		75		701	

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ANNEX D

JOB DESCRIPTION FOR TECHNICAL SERVICES

- a - Project Implementation Coordinator-USAID - This position is requested for the life of the project (36 months). The incumbent will be contracted to work directly with the Rural Development Office. His duties will concentrate on the following activities:
- (1) Assist in carrying out analyses or studies as might be required in the agricultural sector analysis jointly sponsored by the GOH and the USAID.
 - (2) Assist the Rural Development Officer with monitoring activities of loans 018 and 021 in addition to grant activities.
 - (3) Assist the Ministry of Natural Resources, the Superior Council for Economic Planning, the National Development Bank and the National Agrarian Institute with the preparation of required documentation for AID supported projects. Such assistance will involve the accumulation of necessary information for the preparation of PROPs, PRO-AGs, PIOs, PARs, contracts, etc.
 - (4) Prepare and maintain a running account of all agricultural participants including financial needs, call-forward and termination dates, and academic progress.
- b - Processing and Marketing Assistance - BNF

Six man-months of contract assistance is anticipated, three for FY 1974 and three for FY 1975. Concentration will be on two activities: Basic grains and agro-industrial products, as follows:

Basic Grains^{1/}

- (1) To make one or more reviews of the installation and operational capacity of equipment to be purchased under conditions stipulated under Loan 021 for the improvement of rural grain buying and processing stations of the BNF and to make recommendations as necessary.
- (2) To review the BNF's overall marketing system for basic grains and make the necessary recommendations for improvement.

^{1/} This assistance represents follow-up activities that are directly connected with Loan 021. ROCAP will assist with contract arrangements.

AGRO-INDUSTRY

(1) To assess and advise the BNF regarding the technical aspects of wood drying (dry kiln) plants. One plant will be loan-financed through AID Loan 018.

(2) To assess and advise the BNF regarding the processing and marketing of swine products in connection with an agro-industrial project financed by the same institution.

c - Agrarian Reform - INA

Technical assistance will involve approximately 31 man-months. Consultants will consist of a number of specialists spread over FY's 1974 and 1975. In general, technical assistance (hopefully provided through the University of Wisconsin Land Use Center) will be directed to assisting the INA with the formation of sound agrarian policy decisions to be adopted over the next several years. Specifically assistance will be directed to such policy matters as:

(1) Whether to advocate cooperative farming (perhaps making receipt of production credit contingent on it and providing training for it), or promote individual ventures with attached cooperative services and marketing functions.

(2) The economies of farm size in Honduras.

(3) Recommendations regarding just compensation to land holders, and feasible payment schedules by beneficiaries.

(4) The determination of economic farm units.

(5) Taxation policies for unused land.

(6) The effectiveness of the delivery system and the identification of institutional constraints.

d - Plans and Evaluation Ministry of Natural Resources

Approximately 6 man-months T.A. is contemplated to assist the recently created Plans and Evaluation Office of the Ministry of Natural Resources with operational and policy problems. More specifically, T.A. will be directed to:

(1) A detailed review of planning methodology in use and recommendations for improvement, especially at the regional level, including budget preparation.

(2) The establishment of an evaluation procedure that will provide fast feed-back for policy decision makers.

(3) Recommendations for improvements in the evaluation system of the Ministry.

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(4) The identification of specific human resource requirements needed for effective project implementation and the necessary components of the delivery system.

e - Agricultural Sector Analysis - Planning Council

This activity will involve 12 man-months of contract services in FY's 1974 and 1975.

Contractor(s) will perform the following duties in conjunction with the Honduran Sector Analysis Team:

- (1) Assist in the design of data collection mechanisms.
- (2) Assist in the formulation of relevant hypotheses for testing alternative resource uses in Honduran agriculture.
- (3) Assist in the construction of economic models for testing hypotheses.
- (4) Assist in preparing relevant, coherent reports for dissemination to GOH officials.
- (5) Assist in defining further research needs.

f - Education Assistance for the National Agricultural School - Catacamas

Approximately 54 man-months of T.A. are planned for this activity to be spread over FY's 74, 75 and 76. Technical assistance will concentrate on the following sub-activities:

- (1) Assist with the final design and space allocation for classrooms, laboratories, farm experiments, etc. Physical plant expansion, laboratory and farm equipment to be financed by World Bank Loan.
- (2) Review budgetary needs, curriculum, and teaching assignments and make relevant recommendations to the Ministry of Natural Resources.
- (3) Design and assist with the implementation of an appropriate farm - laboratory that will serve both as a farm production and training unit.
- (4) Provide in-service training for school instructors and design teaching aids, methodology, and an effective record keeping system.
- (5) Assist with seminars, farmer training courses and conferences as necessary.

ANNEX C

BREAKDOWN OF SECTOR ANALYSIS COSTS

1. Data collection; sample surveys, field interviews, contracted data collection from local firms, etc.	\$ 55,000
2. Data processing, coding, punching, verification, computer time, and contracted clerical, programming and technical assistance.	40,000
3. Expenses for in-country field trips in conjunction with survey work, gasoline and maintenance expenses for two GON provided vehicles, etc.	12,000
4. Contracted analysts (local-hire)	50,000
5. Reproduction costs for reports	5,000
6. Miscellaneous including office supplies, international travel and expenses, research materials, technical publications, etc.	5,000
7. Calculators, office equipment, etc.	<u>2,000</u>
Total	\$ 169,000

Financing

1. GON contribution (per DAEC recommendation)	\$ 50,000
2. AID funding (This PROP)	<u>\$ 119,000</u>
Total	\$ 169,000