

PLAN 3677

ISN: 38038

SMALL FARMER CREDIT PROJECT

IN HONDURAS

ANNUAL REPORT

October 1, 1979 - September 30, 1980

AID/ta - CA-1

Project No. 931-1134-02

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September 11, 1980

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## OVERVIEW

The OSU cooperative agreement with AID on the Small Farmer Credit Project in Honduras began on October 1, 1977. The overall objective of the project was to carry out small farmer data collection analysis objectives to increase credit use. The specific objectives of the cooperative effort by Colorado State University and Oklahoma State University with the agricultural development banks in Honduras and the Dominican Republic are to: (a) develop data collection and analysis approaches for use by credit institutions; (b) test these approaches in developing countries; and (c) disseminate the results. These objectives have been accomplished by the Oklahoma State University team working in Honduras, with the cooperation of Colorado State University personnel.

The overall and specific objectives above can be visualized in the format shown in figure 1. Also, the data flow and utilization of data in the small farmer credit project are shown in figure 2.

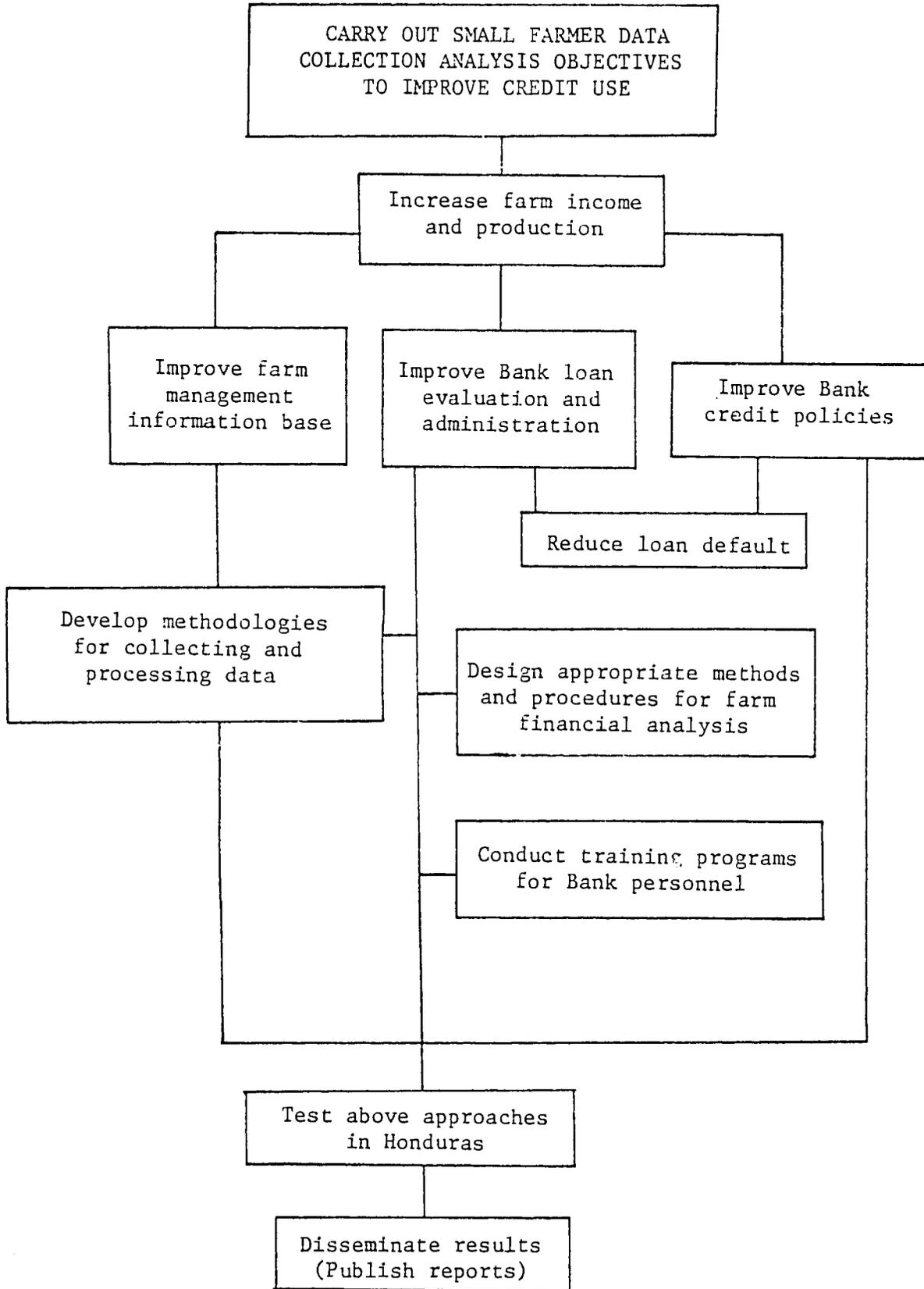


FIGURE 1: OVERALL AND SPECIFIC OBJECTIVES OF SMALL FARMER CREDIT PROJECT IN HONDURAS

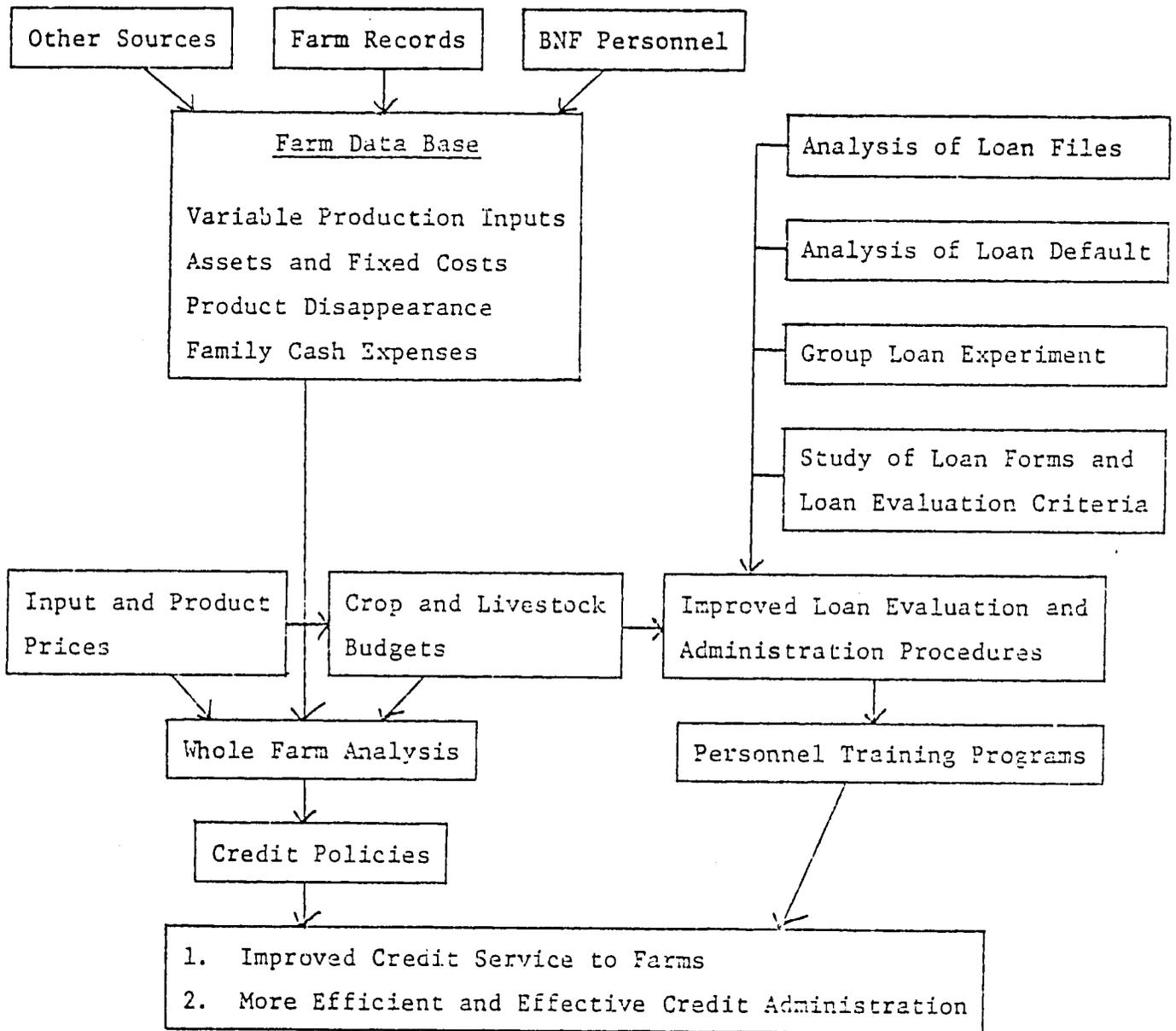


FIGURE 2: DATA FLOWS AND UTILIZATION OF DATA FOR SMALL FARMER CREDIT PROJECT IN HONDURAS

PROFESSIONAL AND NON-PROFESSIONAL TIME ON PROJECT

Loren Parks, the OSU field staff professional in Honduras returned to OSU on July 1, 1980 after working two years in the Technical Division of the Agricultural Development Bank (Banco Nacional de Fomento which was reorganized and renamed Banco Nacional de Desarrollo Agricola in May 1980). Dr. Parks has been working on the final reports of the project since his return to OSU. Kurt Rockeman, research associate who also worked on the project in Honduras from November 20, 1978 to June 30, 1980, terminated his OSU assignment and has returned to the family farm in Montana.

Significantly more professional and non-professional time was utilized in this project than the 51 person months equivalent professional time specified on the cooperative agreement. The cooperative agreement specified 45 person months of professional time and 30 months of non-professional time; the latter was computed on the basis of 5 months of clerical secretarial and graduate research assistant time for one month of professional time. The negotiations with AID/Washington and AID/Honduras to send Kurt Rockeman to Honduras was on the basis of 2 person months of the Research Associate time (Kurt had completed his MS Degree) for one person month of professional time. Thus, Kurt's 20 months on the project converts to 1.0 person months of professional equivalent (Table 1).

In addition to Loren Parks 24 months in Honduras, he also worked one month on the project (June 1-30, 1978) preparing for the assignment and 2.5 months on the reports for the project (July 1-September 14, 1980), for a total of 27.5 person months.

The on-campus faculty devoted 21.0 person months to the project, including 10.9 months in the third year of the project. Counting the Research Associate time as professional time, OSU faculty contributed

TABLE 1: PROFESSIONAL AND NON-PROFESSIONAL TIME SPENT ON AID PROJECT ON SMALL FARMER CREDIT IN HONDURAS, OCTOBER 1, 1977 - SEPTEMBER 30, 1980<sup>a)</sup>

Personnel	On-Campus	In Honduras	Person Months		Total 3 Years
			10/1/77-9/30/79	10/1/79-9/30/80	
Loren Parks	6/1/78-6/30/78	7/1/78-9/30/79	16	11.5	27.5
Kurt Rockeman	11/1/78-11/19/78	11/20/78-9/30/79	5.5 <sup>b)</sup>	4.5 <sup>b)</sup>	10.0 <sup>b)</sup>
James Osborn	---	7/20-23/78; 3/10-16/79; 6/12-16/79	1.8	1.7	3.5
Dan Badger	---	11/13-18/77; 2/5-15/78; 3/14-15/78; 4/21-22/78; 7/17-23/78; 1/2-13/79; 10/18-25/79	2.9	2.0	4.9
Odell Walker	---	2/11-18/78; 3/10-16/79; 1/5-10/80	1.9	1.8	3.7
Harry Mapp	---	2/11-18/78; 1/2-13/79; 3/15-21/80	1.9	1.8	3.7
Joe Williams	---	1/2-13/79; 6/12-16/79; 1/5-10/80	.8	1.8	2.6
Mike Hardin	---	3/10-16/79; 3/15-21/80	.8	1.8	2.6
Gary Mennem	---	10/18-25/79	---	---	---
Rigoberto Bentancourt (Translator & Graduate Assistant)	3/1/79-7/31/79	---	.1 <sup>c)</sup>	---	.1 <sup>c)</sup>
Yamile Nasralla (Translator)	3/1/79-7/31/79	---	.1 <sup>c)</sup>	---	.1 <sup>c)</sup>
Abbie Glenn-Allen (Secretary)	5/1/78-4/30/79	---	1.2 <sup>d)</sup>	---	1.2 <sup>c)</sup>
Louise Maloy (Secretary)	5/1/79-7/30/80	---	.5 <sup>d)</sup>	1.0 <sup>d)</sup>	1.5 <sup>d)</sup>
Marcia Clark (Secretary)	8/1/80-9/30/80	---	---	.2 <sup>d)</sup>	.2 <sup>d)</sup>
Pat Schaeffer (Accountant)	10/1/77-9/30/80	---	2.0 <sup>d)</sup>	.9 <sup>d)</sup>	2.9 <sup>d)</sup>
TOTAL			35.5	29.0	64.5

a) These totals include trips made to the Dominican Republic by Odell Walker on March 17-22, 1979 and by Dean Schreiner and Mike Hardin on January 2-8, 1980

b) Kurt Rockman's time converted to professional person months on basis of 2 for 1.

c) Graduate student's time and translator's time converted to professional person months on basis of 5 for 1.

d) Secretaries' and accountant's time converted to professional person months on basis of 5 for 1; secretaries on at 1/2 time only.

58.5 person months to this cooperative project, compared to 45.0 person months called for in the cooperative agreement. In addition, graduate assistants, translators, secretaries, and accountants contributed 30 non-professional person months to the project; converting this figure on the basis of 5 non-professional person months for 1 professional person month results in an additional 6 professional person months equivalent.

Summarizing the total involvement in this project by OSU personnel, 58.5 professional person months and 30.0 non-professional person months will be devoted to the project when it terminates on September 30, 1980 (Table 1).

Another category which exceeded the budgeted or planned expense was the number of trips to Honduras by OSU on-campus personnel. ~~Six~~<sup>12</sup> trips (~~two~~<sup>4</sup> per year) were programmed; 23 individual faculty trips were made on a TDY basis to Honduras in nine different time periods. This number included four trips by Dan Badger to negotiate the memorandum of understanding with the Banco Nacional de Fomento and to make necessary arrangements with AID and the Government of Honduras for the location of the field staff professional in Honduras. In addition, three OSU faculty members, Odell Walker, Mike Hardin, and Dean Schreiner, made trips to the Dominican Republic with Ron Tinnermeier of Colorado State University (Table 1).

## THE BUDGET AND EXPENDITURES

As indicated in Table 2, expenditures on the project have been \$323,590 funded by AID, and \$8,160 cost-shared by OSU for a total budget of \$331,750. Since we had complete line item flexibility in adjusting costs in several of the categories, we were able to handle some of the unexpected costs in the project.

One fairly large item which was not budgeted for in the initial cooperative agreement was the approximate \$10,000 insurance costs for Workmen's Compensation for all work performed outside the United States by the OSU faculty. Neither the AID contractor nor the OSU personnel knew of this requirement in July-August 1977. As indicated earlier, Kurt Rockeman worked in Honduras primarily on data collection and analysis. However, the costs of supporting him in Honduras are reflected in "Salaries and Fringe Benefits", rather than in "Data Collection and Analysis". Had these expenditures been shown under "Data Collection and Analysis", that line item expenditure would have been very close to the amount budgeted. Travel and transportation expenditures balanced out fairly close to the amount budgeted even though more trips by OSU on-campus personnel were made to Honduras than originally planned. This was offset by the reduction in travel costs to the Dominican Republic, which became the second country in the Cooperative Agreement with Colorado State University. Three trips were planned to the Philippines, the original target country in the budget.

TABLE 2: AID SMALL FARMER CREDIT PROJECT: OSU BUDGET & EXPENDITURES, 1977-1980

Live Item Expenses	Year 1 (10/1/77-09/30/78)			Year 2 (10/1/78-09/30/79)			Year 3 (10/1/79-09/30/80) <sup>1/</sup>			Total		
	Budget	Expenses	Remaining Balance	Budget	Expenses	Remaining Balance	Budget	Expenses	Remaining Balance	Budget	Expenses	Remaining Balance
1. Salaries & Fringe	\$41,019	\$23,267	\$17,752	\$ 61,142	\$ 66,706	\$-5,564	\$ 44,300	\$ 76,929	\$-32,629	\$146,461	\$166,902	\$-20,441
2. Overhead	\$12,940	\$ 7,988	\$ 4,952	\$ 15,582	\$ 19,291	\$-3,709	\$ 13,997	\$ 23,387	\$- 9,390	\$ 42,519	\$ 50,666	\$- 8,147
3. Travel/Transportation	\$12,000	\$ 9,662	\$ 2,338	\$ 5,417	\$ 5,857	\$- 440	\$ 12,000	\$ 12,841	\$- 841	\$ 29,417	\$ 28,360	\$ 1,057
4. Allowances	\$ 9,500	\$ 6,731	\$ 2,769	\$ 20,253	\$ 14,139	\$ 6,114	\$ 9,000	\$ 12,478	\$- 3,478	\$ 38,753	\$ 33,348	\$ 5,405
5. Data Collection	\$ 5,000	\$ 691	\$ 4,309	\$ 25,000	\$ 10,988	\$14,012	\$ 25,000	\$ 7,672	\$ 17,328	\$ 55,000	\$ 19,351	\$ 35,649
6. Vehicle, Equipment, Material, & Supplies	\$12,500	\$ 9,412	\$ 3,088	\$ 2,500	\$ 5,231	\$-2,731	\$ 1,500	\$ 5,042	\$- 3,542	\$ 16,500	\$ 19,685	\$- 3,185
7. Other Direct Costs	<u>\$ 1,000</u>	<u>\$ 4,462</u>	<u>\$-3,462</u>	<u>\$ 1,100</u>	<u>\$ 7,655</u>	<u>\$-6,555</u>	<u>\$ 1,000</u>	<u>\$ 1,321</u>	<u>\$- 321</u>	<u>\$ 3,100</u>	<u>\$ 13,438</u>	<u>\$-10,338</u>
Grand Total	\$93,959	\$62,213	\$31,746	\$130,994	\$129,867	\$ 1,127	\$106,797	\$139,670	\$-32,873	\$331,750	\$331,750	\$ 0
OSU Share	\$ 2,368	\$ 1,423	\$ 945	\$ 3,301	\$ 2,946	\$ 355	\$ 2,691	\$ 3,791	\$- 1,100	\$ 8,160	\$ 8,160	\$ 0
AID Share	\$91,591	\$60,790	\$30,801	\$127,693	\$126,921	\$ 772	\$104,106	\$135,879	\$-31,773	\$323,590	\$323,590	\$ 0

<sup>1/</sup>Last 3 months of FY 1979-80 estimated.

FINAL REPORTS ON PROJECT ACTIVITIES IN HONDURAS

Six related reports are being prepared. These reports cover in detail the accomplishments of the project and specifically relate to the general and specific objectives of the OSU Cooperative Agreement with AID and the Cooperative Agreement between Oklahoma State University and Colorado State University. Therefore, only a summary of the accomplishments of the objectives will be presented in this third annual and final OSU report on the Small Farmer Credit Project in Honduras.

Fifty copies of each of the Reports are being published in an OSU International Development Series (IDS). The reports, listed by title and author, are as follows:

- IDS No. 80-1 Enterprise Budgets: A Multiple Use Data Base for Agricultural Banks in Developing Countries, by Loren Parks, Kurt Rockeman, and Odell Walker.
- IDS No. 80-2 Training Program for Agricultural Development Bank Personnel: The Honduras Experience, by Loren Parks and Dan Badger.
- IDS No. 80-3 Records for Small Farms in Honduras: A Development and Critique, by Loren Parks, Kurt Rockeman, Joe Williams, and Mike Hardin.
- IDS No. 80-4 Managing Small Farm Credit Programs: A Case Study in Honduras, by Loren Parks and Harry Mapp.
- IDS No. 80-5 Production Loans to Groups of Farms: Experiments in Honduras, by Loren Parks and Ron Tinnermeier.
- IDS No. 80-6 Enterprise Budgets for Grains in Honduras: 1980, by Loren Parks and Kurt Rockeman (editors) with cooperation of OSU Team and BANADESA personnel.

## MANAGING SMALL FARM CREDIT PROGRAMS REPORT

This report presents an overview of the OSU project on Small Farmer Credit in Honduras. It covers efforts to improve the loan procedures and loan performance of BANADESA personnel, as well as improvement in the repayment performance of the small farmers. Loan application forms and loan evaluation forms were revised and are being used by Bank personnel. This report is in process of review and will be published within one month.

## ENTERPRISE BUDGETS REPORTS

Two reports have been prepared in this area. IDS 80-1 presents reasons for the use of Enterprise budgets and their importance in developing countries. Some of the difficulties in obtaining data to develop budgets by enterprise and by region are discussed. Enterprise budgets are a valuable tool in loan evaluation and in determining the amount of credit needed by small farmers for specific enterprises. IDS 80-1 has been published and is available for distribution.

IDS 80-6 includes 1980 Grain Enterprise Budgets for all major production regions in Honduras. Both fixed and variable costs are included in the budgets. These budgets are in Spanish and 200 copies of the report in Spanish were printed and distributed to all BANADESA loan offices in Honduras. Fifty copies of the report with an English preface and cover have been published by OSU and are available for distribution.

## FARM RECORDS REPORT

The farm records report (IDS 80-3) discusses the methodologies and approaches used to develop a records keeping system with small farmers in Honduras. Several innovative techniques were tried, including hiring accountants to make weekly visits to farmers in the project to record entries on purchases, labor, and other inputs, products harvested, consumed and sold, and other pertinent information. Several revisions in the farm records book were made before we settled on a final version that holds promise for use in other developing countries, as well as with small farmers in Oklahoma and other states in the United States. The English version of the farm records book is included in IDS 80-3, which has been published. Copies of the Spanish version of the farm records book are available also.

## GROUP LOANS REPORT

In recent years, various International funding agencies have emphasized loans to groups of farmers. Several of these type loans have been initiated in Honduras. Preliminary evidence is that these loans have been successful; they are being productively used and repayment is taking place on schedule. A report on Production Loans to Groups of Farmers: Experiments in Honduras (IDS 80-5) is in process of being revised and will be published in October, 1980.

## TRAINING PROGRAMS REPORT

The report on training programs for agricultural development bank personnel (IDS 80-2) has been published and is available for distribution. It includes a detailed discussion of the importance of the training workshops for the Bank loan supervisors and loan analysts in the field offices. Two training courses were developed. The first one, "Economic Analysis of Agricultural Enterprises", covered budgets including variable costs, fixed costs and determination of repayment capacity. This course was taught five times from September to November 1979.

The second course of "Analysis of Investments in Agriculture" was taught three times in February and March 1980. Topics covered included partial budgeting, cattle budgets, grain storage, and an irrigation feasibility analysis. Both training workshops (courses) were taught by BNF counterpart personnel after training by OSU personnel. The importance of teaching these and similar type courses to Bank employees on a regular basis has been emphasized to the Bank administrators. More detail on these training courses is presented in the second annual report.

### TRAINING OF COUNTERPARTS

One of the major accomplishments of the project has been the training of counterpart personnel who are full-time regular employees of the Bank. Reynerio Barahona and Ricardo Arias both worked in the Technical Division; they shared offices and worked on a daily basis with Loren Parks and Kurt Rockeman. It is our hope that these two Bank employees will provide continuity in continuing the programs that have been implemented in the Bank through this project. Reynerio Barahona is currently in the United States studying English and plans to study for the M.S. degree in Agricultural Economics before returning to the Bank. Ricardo Arias already has the M.S. degree in Agricultural Economics. With this level of training we are optimistic about the future of the project-implemented programs in the Bank.