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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

HONDURAS

PROJECT PAPER

SMALL FARMER ORGANIZATION STRENGTHENING

AID/LAC/P-275

Project Number:522-0252

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)
Amendment Number:
DOCUMENT CODE: 3

2. COUNTRY/ENTITY: HONDURAS

3. PROJECT NUMBER: 522-0252

4. BUREAU/OFFICE: LAC 05

5. PROJECT TITLE (maximum 40 characters): SMALL FARMER ORGANIZATION STRENGTHENING

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 30 YY 87

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 85 B. Quarter 4 C. Final FY 85

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 85 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(700)	(-)	(700)	(700)	(-)	(1,400)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country		875	875		875	1,750
Other Donor(s)						
TOTALS	700	875	1,575	700	875	3,150

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) ARDN	210	040				1,400		1,400	
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 070

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BS						
B. Amount							

13. PROJECT PURPOSE (maximum 480 characters)

Establish a viable system for delivering the productive inputs to growers to increase agricultural productivity and diversify the production base.

14. SCHEDULED EVALUATIONS
Interim MM 09 YY 86 | MM YY | Final MM 07 YY 87

15. SOURCE/ORIGIN OF GOODS AND SERVICES
☐ 000 ☒ 941 ☒ Local ☐ Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ___ page PP Amendment.)

17. APPROVED BY
Signature: [signature]
Title: Anthony J. Cauterucci, Mission Director
Date Signed: MM 09 DD 24 YY 85

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

PROJECT AUTHORIZATION

Name of Country:	Honduras
Name of Project:	Small Farmer Organization Strengthening
Number of Project:	522-0252

I. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Small Farmer Organization Project for the Republic of Honduras ("The Cooperating Country") involving planned obligations of not to exceed One Million Four Hundred Thousand United States Dollars ($1,400,000) in Grant funds over a two-year period from the date of obligation, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange costs for the Project.

II. The Project consists of an institutional strengthening effort involving three of the major cooperative organizations in the country --the Federation of Savings and Loan Cooperatives (FACACH), the Honduran National Peasant Associations (ANACH), and the Union of Model Cooperatives (UNIOCOOP). The Project will be administered by the Cooperating Country and implemented by the National Directorate for Cooperative Development (DIFOCOOP), a dependency of the Ministry of Economy. It is anticipated that by the PACD three national level cooperative organizations, and approximately 20 of their affiliates, will be institutionally strengthened and will be in a position to undertake measures to restructure their outstanding financial obligations. The institutional strengthening will entail, but not be limited to, adoption of sound, "businesslike" investment policies, a reformulation of administrative procedures and upgrading of staff capabilities.

Funds will be made available to procure technical expertise to assist the participating organizations to enact the required institutional modifications and support the efforts of a technical commission, established under the project to develop a proposal for a financial mechanism to restructure cooperative debt.

In addition, Project monies will be used to procure vehicles, some office equipment and carry out a training program for key officials in the Honduran cooperative movement.

III. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and other major conditions as A.I.D. may deem appropriate.

1. <u>Source and Origin of Goods and Services</u>

Goods and services, except for ocean shipping, financed by A.I.D. under the Grant shall have their source and origin in the United States, Honduras, or countries in the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

2. <u>Conditions Precedent to Disbursements</u>

Prior to any disbursements or the issuance of any commitment document under the Project Agreement, the Cooperating Country shall furnish, in form and substance satisfactory to A.I.D:

a. A statement of the name(s) of the persons(s) holding or acting in the office of the Grantee specified in Section 8.2; and a specimen signature of each person specified in such statement.

b. Evidence that a Project Management Unit attached to DIFOCOOP has been established, has been adequately staffed, and has been delegated sufficient authority to execute its assigned responsibilities under the Project. This evidence may consist of a letter from the Minister of Economy outlining the composition, functions and responsibilities of the Unit.

c. Evidence that a Commission, consisting of representatives of the Ministry of Finance and Public Credit, the Ministry of Economy, the Ministry of Natural Resources, the Cooperative Movement and the Private Banking Sector, be formed to collaborate with A.I.D. personnel to develop a proposal for a technically sound, viable mechanism for restructuring the debt of the cooperative movement. This evidence may consist of a letter from the Minister of Economy listing the members of this Commission.

d. An operations plan for this Commission which includes a schedule of work sessions and target dates for accomplishments culminating in a proposal for restructuring cooperative debt.

e. An implementation plan detailing commodity procurement, training and technical assistance activities.

3. Covenant

Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project; (a) an evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of the problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

Anthony J. Cauterucci
Mission Director

Date: September 24, 1985

LIST OF ACRONYMS

1. ANACH =National Association of Peasants of Honduras
2. AIFLD =American Institute for the Development of Free Labor
3. BANADESA =Honduran Agricultural Development Bank
4. DIFOCOOP =National Directorate for Cooperative Development.
5. ESF =Economic Support Fund
6. FACACH =Federation of Saving and Credit Cooperative Associations
7. FECORAH =Federation of Agrarian Reform Cooperatives
8. FSF =Financial Stabilization Foundation
9. FEHCOCAL =Honduran Federation of Coffee Cooperatives
10. GDP =Gross Domestic Product
11. HCB =Honduran Central Bank
12. IEE =Initial Environment Examination
13. IHCAFE =The Honduran Coffee Institute
14. IHMA =Honduran Institute for Agricultural Marketing
15. INA =National Agrarian Institute
16. JEWG =Joint Economic Working Group
17. UNIOCOOP =Union of Agricultural Service Cooperatives

TABLE OF CONTENTS

-1-

I. Summary and Recommendations

A. Summary

The purpose of the Project is to establish a viable system for delivering productive inputs (e.g., credit, technology, market services, and management skills) to growers in order to increase agricultural productivity and diversify the production base. This objective will be accomplished by stabilizing and strengthening existing small farmer organizations to make them efficient conduits of the required services and inputs.

The Project will consist of institution building to enhance the managerial and administrative skills and the service delivery capacities of the organizations in addressing the productive needs of their constituents. Technical assistance will be provided to upgrade the managerial capacity of the organizations and to furnish guidance in attaining financial self-sufficiency through economic service delivery. Efforts will be undertaken to upgrade the organizational development skills and managerial capability of farmer intermediary organization officials, and assistance in appropriate policy determination and implementation will be provided.

The Project will also support the creation of a mechanism through which the participating farmer organizations may become financially stabilized and/or recapitalized. During the first year of the Project, a Debt Restructuring Study Commission of GOH and USAID/H officials will analyze and agree upon the design of a financial mechanism to facilitate the cancellation of long-term outstanding debt among participating intermediaries while providing capital to foster institutional growth. Once the working group has reached agreement on this financial mechanism, the USAID/H Mission will consider amending the Project to permit its inclusion as a tool to be used in the institutional development process.

The counterpart agency will be the National Directorate for Cooperative Development (DIFOCOOP), a dependency of the Ministry of Economy charged with cooperative development and supervision. DIFOCOOP will monitor overall Project progress, program training activities, review operating plans and budgets, and participate in the selection of the technical advisors. The Directorate will coordinate Project activities and administer the use of the institutional support grants likely to be provided to the participating intermediary organizations.

Implementation of the Project will be guided by a controlled expansion strategy. In the initial stage, activities will be focused on the institutional modification, at the national level, of three intermediary organizations -- the Union of Agriculture Service Cooperatives (UNIOCOOP), the Honduran National Credit Union Federation (FACACH), and the Honduran National Association of Peasants (ANACH). As each of these organizations adopts the policies and procedures consistent with sound business practices and the attainment of economic self-sufficiency, institutional development efforts will shift to include the intermediary's affiliates.

Only a small number of affiliates of a given organization will participate at any one time, and the treatment intervals will vary among intermediary participants. Once the first set reaches institutional stabilization, a second set will be assisted, and followed in turn by subsequent sets. The number of affiliates will gradually increase over the life of the Project and, by the end of the second year, it is anticipated that approximately 20 affiliates will have been included in Project activities.

The beneficiaries of the Project will be approximately 20,000 small and medium-sized farmers who are members of the intermediary organizations. These farmers are characterized by meager per capita incomes, low educational levels, poor living conditions and inadequate caloric intake. They will receive the benefits of the improved agricultural service system, which, in turn, will contribute to increased farmer incomes and improvement in the quality of life.

The Project will last for two years and the A.I.D. contribution will total $1.4 million in Development Assistance Grant. This will be complemented by a GOH contribution of $1.75 million in Economic Support Fund (ESF) local currency.

Figure 1

Summary Project Budget
US$ (000)

Components	A. I. D. Grant	A. I. D. Total	Host Country GOH	Host Country Total
1. Technical Assistance	1,184	1,184	10	1,194
2. Commodities	175	175	30	205
3. Institutional Support			1,697	1,697
Contingency	41	41	13	54
Total	1,400	1,400	1,750	3,150

B. Recommendations

The Project directly responds to the three principal recommendations of the National Bipartisan Commission on Central America for accelerated rural development. These are:

1. increased economic support for cooperatives;
2. the provision of financial resources to supplement credit and investment programs; and
3. increased emphasis to be placed upon equitable access to land, titling, and related land reform issues.

This Project is directed at strengthening rural intermediaries, and particularly agricultural cooperatives and other similar institutions providing services to small farmers. The beneficiaries of the GOH agrarian reform programs are among the target group of potential project participants. The institutional development efforts to be undertaken with the agrarian reform farmer associations are designed to consolidate their achievements to date and to assist them in providing more effective services to their members. This provision of services will result in increases in member productivity and incomes, and will enhance land tenure security and further investments within the sector.

The Project is in close accord with USAID country strategy to foster economic stabilization and promote growth with equity to improve the standard of living of the country's poor. In addition, it conforms to the A.I.D. Policy Determinations of food and agriculture, private sector, credit and institutional development. It is the Project Design Committee's judgement that the Project has a sound financial and economic basis, proposes appropriate technical and administrative strategies, and will not encounter social or environmental difficulties that could inhibit successful implementation. Accordingly, the Design Committe recommends that the PP be approved and that the authorization be given to proceed with negotiation of the Project Agreement.

C. PP Development Team

1. The USAID/Honduras PP Development Team was composed of:

William G. Kaschak,	Director, Office of Development Finance
Barry Lennon,	Office of Rural Development
Gordon Straub,	Acting Director, Office of Rural Development
Juan Butari,	AID/W TDY Economist
Randy Peterson,	Mission Economist
Jaime Mendoza,	Office of Rural Developmnt
Orlando Hernandez,	Mission Social Scientist
Guillermo Fu Penalba,	Office of the Controller
Donald Richardson,	Offices of Private Sector Programs
Ted Landau,	Office of Development Finance
Jack Jordon,	Office of Rural Development
Felipe Manteiga	Office of Rural Development

2. The PP was reviewed by:

Carl C. Leonard	Deputy Mission Director
Richard Peters	Director, Office of Rural Development
Phillip Amos	Mission Controller
John Miller,	Director, Office of Development Programs

3. The PP was approved by:

Anthony J. Cauterucci	Mission Director

II. PROGRAM FACTORS

A. Conformity with Recipient Country Programs

Honduras is, by almost every economic measurement, the poorest country Latin America. In 1984 the per capita income was estimated at $776. addition, the country's real Gross Domestic Product (GDP) growth rate has been in decline, dropping from an average of 7 percent per annum in the late 1970's to a negative rate of approximately one percent annually over the 1981-1983 period. As a result, average real per capita income dropped by almost 14 percent over this period. Hardest hit by the economic downturn were 2.6 million (60 percent of the entire population) poverty stricken Hondurans, the majority of whom are peasant farmers. It is estimated that more than 80 percent of this group had earnings below the calculated poverty line income of $230 per capita per year.

The country's poverty is reflected in all of the key social indicators associated with underdevelopment. For example, there is an extremely weak human resource base. The literacy rate for the adult population is 60 percent and only 20 percent of the rural population over 14 years of age is capable of reading and writing. The situation is similar in the health sector where generally poor health status continues to limit the productivity, earning power and quality of life of the Honduran populace. Malnutrition, particularly protein deficiency, affects 70 percent of the population. Diarrhea, followed closely by respiratory and vector borne diseases (especially malaria), are the principal causes of mortality among all age groups. In combination, these and other factors contribute to a comparatively high infant mortality rate (77 per 1,000 live births compared to 55 per 1,000 live births in Mexico) and a life expectancy of 57 years.

With respect to agriculture, it is illustrative that 95 percent of the approximately 225,000 productive units in the country are operated under one of the various forms of small-scale peasant farming. The vast majority of these small farmers concentrate on basic grain cultivation. Production is primarily oriented to the satisfaction of household subsistence needs, with only a minor portion of the total output destined for market sale. The technology employed is dominated by traditional cultural practices with limited use of modern inputs. Access to the factors of production (i.e., land, machinery, agricultural chemicals, and technology) that could increase output is curtailed by a variety of social and economic impediments. It is not uncommon to find farm families with per capita incomes under $100.

The GOH has taken some initial measures to resolve the country's current economic difficulties and develop a new growth strategy. In 1981, taxes were increased in order to expand the revenue base. At the same time, the Central Government budget has been held constant over the last three years and an initiative has been launched to balance the budgets of autonomous agencies. New incentives have been approved to promote increased exports and a revision of investment incentives and tariff legislation is under consideration with the goal of developing a more competitive production and export base. Finally, a joint GOH/USG Economic Working Group (JEWG) has been established to analyze the country's economic situation and recommend policies that will promote short-term economic stabilization and establish the base for sustained growth in the long-term.

Despite these positive initial steps, prospects for economic revival and a continuation of the democratic process are directly tied to the GOH's capacity to broaden the participation of all social sectors in economic growth. This will entail designing policies that will facilitate the desired expansion and implement sector specific programs to assure that its benefits are distributed equitably. The combination of policies and programs must, in the long-term, reduce unemployment, provide for a minimum level of food security, and strengthen the provision of services from both the public and private sectors to better meet the basic human needs of the poor.

B. Relationship to USAID Country Strategy

The USAID country strategy is designed to support Honduras' development goals. In the short-term, the Mission's objectives are to foster economic stabilization and promote growth with equity to improve the standard of living of the country's poor. To stabilize the economy, the USG is providing significant levels of balance of payment support. Economic stabilization will be brought about through GOH implementation of important macro-economic policies to correct the existing disequilibria, while simultaneously creating a sound basis for a long-term export-oriented expansion strategy. To this end, the Mission, through the JEWG, is encouraging the GOH to develop improved policies that govern tax collections, budget expenditures, foreign exchange markets and credit management.

The Mission's strategy for improving the standard of living of the Honduran poor consists of a multifaceted program addressing a linked series of sectoral specific problems. The goals for the agricultural sector include increasing the incomes and improving the living conditions of the rural poor, increasing foreign exchange earnings generated by the agricultural sector, and, preservation and enhancement of the natural resource base. To achieve these goals the Mission is focusing on: (1) increased productivity and diversification of the productive base into export crops and livestock enterprises; (2) secure access to resources (land, water, capital and modern technological inputs) to improve productivity; (3) development and diffusion of improved production technologies; and (4) an upgrading of the human resource base. Progress toward attaining these objectives has been made with the current USAID/Honduras agricultural portfolio. For example, the Agricultural Research Foundation Project is developing the basis of new technology development. The Land Titling initiative is facilitating farmer access to cultivable terrain. The Small Farmer Coffee effort is contributing to the promotion of an export commodity. The Rural Technologies Project is developing and diffusing improved farming equipment and practices. Finally, the Agriculture Sector II Program has begun to rationalize credit, extension and marketing mechanisms.

In addition, the Mission has had success working with Honduran intermediary institutions in many of its projects, and particularly where credit activities have been included. Several examples of these projects are as follows:

1. Under the Small Farmer Coffee Improvement Project, initiated in 1981, a total of 2,813 loans have been approved by participating banks (i.e., three private and one public bank) with a total value of $8.7 million. To date, only a portion of the nursery loans have matured, but loan repayments are above 98 percent. Principal repayments on rehabilitation loans will not begin until the 1985 crop year, however it should be noted that interest payments (due each year) have a recovery rate of greater than 95 percent. Early in 1984, the principal lending institutions and cooperatives sought several changes necessary to effect an expanded program through intermediaries. The goal of this action was to reduce administrative costs while expanding credit coverage and extension outreach capabilities. This new mechanism became possible only when the interest spread was modified to permit intermediaries sufficient income to cover costs and risks.

2. The Mission has been working with the Federation of Savings and Credit Cooperative Associations since 1981 in an attempt to design new strategies for cooperative lending and resource mobilization in rural areas. Although this Federation has encountered liquidity and delinquency problems, it has successfully introduced a pilot domestic resource mobilization program among five of its affiliates. These affiliates substantially increased member savings and deposit accounts and decreased their dependence upon external Federation resources.

3. The BANADESA trust mechanism, which has been used to finance the four model regional agricultural cooperatives created under the Agricultural Sector II Program, has resulted in effective agricultural lending practices in which the intermediaries have demonstrated their competence in managing both locally generated and external resources. These four cooperatives are utilizing $4.0 million to finance the production of 1,700 small farmers on 10,000 acres of land. More importantly, these cooperative intermediaries have effectively controlled loan delinquency (e.g., presently maintained at less than 5 percent) and they have mobilized approximately $350,000 in member paid-in capital.

This Small Farmer Organization Strengthening Project will be the lynch-pin in a series of new initiatives (extension and marketing) that will cement the agricultural program into a coherent whole and also further the progress made toward the realization of sector goals. Managerially sound farmer organizations will provide the vehicle for channeling the needed productive resources to small growers, thereby improving their incomes and quality of life and enchancing their participation in the national economic mainstream.

C. Conformity with A.I.D. Policy

The proposed Project conforms to the Kissinger Commission/Jackson Plan recommendations on agricultural development and the A.I.D. Policy Determinations of Food and Agriculture, Private Sector, and Institution Building. As recommended by the Kissinger Commission and the A.I.D. Policy Determination of Food and Agriculture, the Project will increase food availability through heightened production and enhanced productivity. In consonance with the A.I.D. Private Enterprise and Institution Building Policies, the Project will concentrate its resources on the development of private sector entities and the farmer organizations that service the small farmer target group.

D. Other Donor Activities

This proposed Project is a departure from other donor initiatives in that it emphasizes the creation of self-sustaining agricultural service intermediaries. The institutional development effort stresses the design and implementation of management policies that will foster the establishment of effective, farmer-owned agricultural service organizations. Where the organization serves as a credit intermediary, the Project's technical guidance will seek to eliminate subsidies and establish market interest rates, while simultaneously promoting local resource mobilization. The Project will promote the adoption of policies and sustainable service programs which meet the needs of the small farmer clientele, while also assisting the intermediaries to become competitive, profitable business enterprises. It is this emphasis on the creation of self-sufficient intermediary organizations that distinguishes this Project as a unique intervention in the Honduran context.

III. Project Description

A. Problem

Agriculture is and will continue to be the most important sector of the Honduran economy. At present it directly contributes over 30 percent of the GDP and is responsible, indirectly, for an additional 20 percent through the relationship of food commodities to industry and manufacturing. The sector accounts for two-thirds of the foreign exchange due to exports and employs over 60 percent of the country's economically active population.

While the agricultural sector has the human and physical resourse base to generate sufficient food to satisfy both domestic demand and provide a surplus for export, increase small farmer income and contribute significantly to growth of the economy as a whole, a complex of impediments severely constrain realization of its potential. Critical among the impediments is the extremely limited access of the vast majority of farmers to the factors (e.g., credit, managerial expertise, technology, and markets) needed to increase production and productivity.

This limited access is, in turn, reflective of the deficiencies exhibited in the system which currently exists for delivering services to the producers. For example, the Ministry of Natural Resources is responsible for providing extension services for the entire country. A review of the status of its operations clearly indicates that an undermanned, deficiently trained technical staff, and serious budgetary and logistical support problems, combine to severely constrict its outreach capability. The Mission's best estimates suggest that less than 15 percent of the country's farmers are receiving assistance from the public sector extension service.

The Honduran Institute for Agricultural Marketing (IHMA), a semi-autonomous dependency of the Ministry of Natural Resources, is charged with the responsibility of orchestrating the sale of basic grains. In spite of continued support from the National Government and international donor organizations throughout its existence, IHMA's performance has been far below par. Grain storage capacity is woefully deficient and produce quality control standards are virtually non-existent. Equally important is the fact that payment procedures are extremely bureaucratic and drawn out, often resulting in depressed price settlements with the growers. It is accurate to say that IHMA enjoys little credibility among the producers who frequently opt for disadvantageous arrangements with independent buyers (coyotes) rather than confront the inefficiencies of cumbersome public sector bureaucracy.

Finally, as noted above, BANADESA is involved in the provision of significant credit resources. Yet, through a combination of factors, including a bloated bureaucracy and political influence in decision-making, the Bank has had limited success in reaching the small farmer population. It is generally recognized that not more than 5 percent of growers in the country have access to formal credit channels.

B. Project Goal

The Project's goal is to increase the income and improve the quality of life of Honduran small farmers.

C. Project Purpose

The Project Purpose is to establish a viable mechanism for delivering productive inputs (e.g., credit, technology, market services, and management skills) to farmers in order to increase agricultural productivity and diversify the production base.

Achievement of the purpose is dependent upon a linked series of assumptions. The most important are the expected continuation of the democratic process and the absence of political turnmoil to permit the orderly implementation of Project activities. Critical ancillary assumptions include continuation of the GOH policy of collaboration with the private sector to promote economic growth, collaboration among participating farmer organizations, the availability of credit resources, and the realization of planned marketing and extention projects in the near future.

D. End of Project Status

The following objectives will be achieved by the end of the two-year funding period:

1. three umbrella farmer intermediary organizations undergoing the process of institutional restructuring;

2. a minimun of 20 farmer organization affiliates participating in the Project and undergoing organizational restructuring and service reorientation;

3. a cadre of not less than 30 intermediary organization officials trained in the principles and practice of institutional development ; and

4. agreement on the design of the financial mechanisms which will permit the stabilization and/or recapitalization of participating intermediary organizations, and, creation of the vehicle through which new financial resources will flow.

E. Project Inputs

To achieve the anticipated outputs by the end of the two-year funding period, the Project will provide long-term and short-term technical assistance, commodities, and institutional support grants to participating intermediary organizations.

The technical assistance, both long-term and short-term, will be financed with A.I.D. grant funds. The Project budget includes 8.8 person years of long-term technical assistance. Two advisors, well-versed in cooperative finance and institutional development strategies, will assist the USAID/Honduras Project Manager to implement the Project.

The balance of the long-term technical assistance will be distributed among the participating umbrella groups and will focus on organizational development, financing, marketing and commodity production matters as indicated by the circumstances affecting each specific organization.

Approximately ten person months of short-term technical assistance is contemplated to complement the long-term advisors. The short-term assistance will include experts in such fields as Agronomics, Cultural Anthropology Economics, Commodity Processing, etc., and will be provided as needed.

Commodities to be procured under the Project include vehicles, office equipment and materials, micro-computers and other logistical support items such as gasoline and spare parts. The commodities will be distributed among the principal implementing entity, DIFOCOOP, and the three intermediary umbrella groups -- UNIOCOOP, FACACH and ANACH. They will be used to support the members of the technical assistance team and the staffs of the participating organizations in executing their assigned responsibilities. These items will be financed by a combination of A.I.D. grant and GOH counterpart resources.

F. Project Components

1. Institutional Development

a. Introduction

The Project will support a major effort to upgrade the administrative, management, planning and capital formation capabilities of the farmer intermediary organizations. It will also facilitate an expansion of the service delivery abilities of the intermediaries affiliates' to address the access problems which have inhibited the growth and productivity of the agricultural sector. This institutional strengthening effort will be supported by substantial technical assistance to enhance the management skills of Project participants. Once the design of the financial stabilization vehicle has been completed, the Project will be amended to include a mechanism through which equity or debt capital can be injected into the intermediaries to enhance the institutional development process. Eligible organizations will be provided access to financial resources (i.e., both debt and equity financing) to assist them in stabilizing their affiliates and to promote investment and production opportunities within the sector.

Three national intermediary organizations, representing large numbers of small and medium-size farmers, have been identified as possessing the ability to become effective resource delivery channels, thereby providing a viable alternative to the presently ineffective GOH programs in the rural areas. During the intensive review, all three were analyzed to: (1) identify overall economic potential of each; (2) evaluate service delivery mechanisms; (3) analyze financial and institutional structures; and (4) suggest policy and operational changes required for enhanced delivery of services. While they hold promise for providing a viable alternative to the moribound existing public sector system for delivering services to farmers, all the organizations are encountering different degrees of structural and financial difficulties. The treatment of these difficulties will require a mix of technical support unique to each organization.

The intermediaries analyzed are representative of both the cooperative movement and the peasant associations existent in the country. To resolve its service delivery problems, the Credit Union Federation, a 16-year old institution, will require organizational changes, policy modifications and eventual financial stabilization; however, it does possess professional personnel and it is accustomed to using businesslike practices in its operations, factors which will accelerate the institutional development process. Conversely, the ANACH association and the newly organized Union of model cooperatives (UNIOCOOP) are less familiar with economically sound service delivery and will require a more complete and lengthy institutional development effort. This effort will include the introduction of policies and programs to revamp their organizational structures, the design and execution of new service programs to more effectively support their constituencies, and the injection of new capital to further promote investment and income opportunities within the sector. It is the Mission's judgement that the revitalization of these organizations is the most expeditious way of reaching the Honduran small farmers, including both those growers who are currently members of cooperatives or association affiliates, as well as producers who are likely to be attracted by the success of the Project and will seek membership in one of the existing intermediaries.

b. Participating Organizations

(1) Cooperatives

The Honduran cooperative movement began in the early 1950's and has grown slowly to a present total of 771 cooperative organizations legally registered by the Government. These cooperatives provide services to approximately 113,000 Hondurans. They operate in both the rural and the urban areas of the country, and are active in agriculture, savings and credit, forestry, housing, transportation, industrialization and fishing. The agricultural sector is the largest component of the cooperative movement, accounting for more than 50 percent of the existing organizations. The cooperative intermediaries identified as possessing the greatest potential for inclusion in the Project are the Honduran National Credit Union Federation (FACACH) and the Union of Agricultural Service Cooperatives (UNIOCOOP).

(a) The Federation of Savings and Credit Cooperative Associations (FACACH)

In terms of capital and total membership, the Credit Unions affiliated to FACACH are the most important cooperative organizations in the country. This national credit union system currently serves more than 39,000 individuals and over its sixteen year life, the Federation has evolved into an association of 89 affiliated credit unions with assets totalling L 19.2 million (U.S.$ 9.6 million). Figure 2 shows the Honduran credit union movement's growth in key membership and financial indicators for the 1966-1984 period.

Figure 2

NATIONAL CREDIT UNION DEVELOPMENT INDICATORS

(Monetary Data in Thousands of Lempiras)

	1966	1970	1975	1980	1984
Affiliated Credit Unions	10	110	110	91	89
Members	9,921	24,500	29,797	36,645	39,104
Share Savings	1,076	8,334	14,306	34,590	45,750
Deposit Savings	0	0	0	3,767	7,155
Loans Outstandings	767	10,499	15,985	38,052	50,388
Total Assets	2,208	11,666	19,846	48,426	NA
FACACH					
Shares	5	134	953	2,637	2,567
Deposits	0	0	85	583	1,304
Notes Payable	10	1,132	3,867	7,805	9,052
Loans Outstanding*		1,058	4,899	10,076	11,310
Total Assets	32	1,661	6,014	15,600	19,182

The institutional analysis of FACACH concluded that the Federation is clearly the institution of choice for servicing the wholesale credit needs of credit unions and their members in rural Honduras. FACACH is the strongest national cooperative intermediary organization, and, together with its leading credit unions, it has the potential of becoming an integrated national financial system serving rural areas and their agricultural and production credit needs. For it to attain its full potential, however, it must undertake organizational adjustments and reorient its services and development programs to more effectively serve its constituency. For example, it must address severe liquidity problems caused by recurring operating losses, loan delinquency and a long-term, refinanced loan portfolio. Furthermore, there is a need to install a centralized financial management capability, enhance the technical capacity of its middle management staff, and formulate strategies which focus on a rational achievement of objectives and emphasize personnel accountability for achieving targets and goals. Finally, FACACH must concentrate on serving the financial needs of its affiliates and desist from becoming involved in non-credit union development projects which sap the Federation's financial and human resources.

(b) The Union of Agricultural Service Cooperatives (UNIOCOOP)

The Union of Agricultural Service Cooperatives is a newly formed (April 1985) central service organization consisting of the four "model" regional agricultural cooperatives supported by USAID/H under the Agricultural Sector II Program. Creation of the model regional coops was an experimental activity designed to demonstrate the feasibility of establishing autonomous, agricultural entities possessing the managerial talent necessary to efficiently provide services (i.e., input supplies, credit, technical assistance and marketing) to significant numbers of small farmers while utilizing operational policies which are consistent with the attainment of economic self-sufficiency. Since 1981, this intiative has successfully introduced a businesslike cooperative "model" into four regional agricultural service cooperatives. These organizations are unique in their strict adherence to business-oriented operational policies; their emphasis upon member capital participation and the use of professional management; and their success in grouping together small independent farmers and agrarian reform units within a single enterprise.

Two of these cooperatives began as organizations providing services to small, independent, basic grain producers. Efforts are currently underway to provide expanded marketing assistance and small-scale processing, introduce new technology packages to increase farmer productivity, and diversify member production into more profitable non-traditional crops where feasible. Total membership in these two cooperatives is approximately 1,400 farmers. The second pair of cooperatives are export-oriented enterprises, producing non-traditional crops (primarily cantelope and cucumbers) for the U.S. winter market, and membership totals approximately 300 farmers. In combination, these four cooperatives provide services to 1,700 farmers, finance production on 10,000 acres of land, possess a total member-contributed capital of $350,000, and are utilizing L 8.0 million in production and investment credits.

The Union, or Central Service Organization, was created to channel continued assistance to these four geographically separate cooperatives, and to provide a mechanism through which other similiarly organized cooperatives may also affiliate and obtain services. The functions of the Union include:

(1) provision of central purchasing and contracting services for supplies, agricultural inputs, transportation, equipment, etc. and provision of marketing assistance, broker representation, etc.;
(2) operation as a communications center capable of providing affiliates with marketing, technical and financial information;
(3) execution of periodic audits of the financial records of the cooperatives;
(4) facilitation of actions required to obtain import/export permits, and arranging for all other licenses and documentation;
(5) provision of liaison services among the cooperatives and between the coops and the GOH, private institutions and international agencies;
(6) arrangement of training and technical assistance activities; and
(7) provision of financing and/or assuming equity positions within its affiliates to resolve short-term financial problems and to promote their continued development.

An evaluation of this cooperative development effort was completed during the intensive review. The research identified a series of management and fiscal problems that are affecting the ability of these organizations to become independent, self-supporting intermediaries. The two export-oriented groups experienced a disastrous marketing cycle in early 1985 which resulted in a severe financial setback. The evaluation revealed a complex of factors (e.g., unprecedented early entrance of Mexico into the U.S. winter fruit market, unusually inclement weather in the U.S. which frustrated produce delivery, and poor management) that contributed to the economic reversal. However, the evaluation further pointed out that all four organizations have adopted sound growth policies, have implemented appropriate management systems and are providing a relatively adequate range of quality services to their constituents. The net result of these policies and actions is that on-farm productivity of participating members has increased.

The Mission judges that the difficulties encountered by the two export groups in the recent marketing cycle, while a hard "lesson learned", have provided a valuable experience base for charting a corrective course of action for the future. Although the advances the coops have made to date are significant, the evaluation clearly indicated that there is room for further improvement. For example, to facilitate the management planning process, a mechanism to track participant yields and productivity requires an upgrading of the extension cadre and the introduction of marketing services. Financially, all four cooperatives must expand the volume of their operations, particularly those income generating services (e.g., input supply, credit and marketing) which will enable them to attain economic self-sufficiency. Although the two basic grain-oriented cooperatives are relatively stable, serious financial problems exist within the two agro-export organizations, and both will require a new infusion of capital to continue operating. With some modification in their operating policies and the assistance to be provided by the Project, the two basic grain-oriented cooperatives will attain economic self-sufficiency in the near future.

Finally, UNIOCOOP must expand its membership base beyond the four original "model" cooperatives to ensure an adequate volume of services and the income necessary to attain financial independence.

(2) Peasant Associations

In addition to cooperatives, Honduras is unique in Central America by posessing a large number of politically active and relatively well-organized peasant associations. Estimated membership of the three major peasant organizations is approximately 55,000 individuals, and an another 20,000 are members of numerous smaller associations. Although the primary goal of the peasant organizations has been that of defending the rights of agricultural workers to gain employment and to possess land, effective provision of economic and social services are considered by the leadership to be crucial to organizational success. In general, these institutions have been relatively successful in obtaining land, but development of effective commodity production and marketing programs for their constituencies has been to date beyond their capacity.

(a) The National Association of Peasants of Honduras (ANACH)

Founded in 1962, ANACH is the oldest and the largest of the Honduran peasant associations, and it currently possesses a total membership of approximately 25,000 individuals. As with the other peasant organizations, ANACH has concentrated its efforts on political and social issues, particularly emphasizing the implementation of national agrarian reform programs. However, as an increasing number of affiliated groups have obtained land, the Association has become more interested in providing support services to these newly landed entities. During the 1970's, ANACH organized a series of internal technical departments and a rotating fund designed to provide technical assistance, extend credit, administer social programs, and conduct feasibility studies for the affiliated groups. These efforts failed and the technical department fell victim to budgetary cutbacks while the rotating fund was dissipated through loans that were unrecoverable. In 1977/78 ANACH began a program to organize its landed affiliates into regional cooperatives through which they could be provided access to services, and currently fourteen (14) of these cooperatives are operating. However, as with the National Association, the coops are almost entirely dependent upon international donors and the GOH for services and financial support. Moreover, owing to outstanding obligations created by unpaid loans and limited member capital participation, the fiscal condition of these cooperatives is precarious, a situation which has forced an even greater dependence upon external financial resources, particularly those of the GOH.

The institutional analysis of ANACH and its regional affiliates concluded that the Association is the weakest of the three intermediary groups that will participate in the Project. Administrative and management systems are deficient and must be overhauled to emphasize sound business-oriented policies and practices. The financial situation is unsettled (i.e., accumulated losses in 1984 totaled L133,000) and must be stabilized through increased attention to income generating activities and decreased reliance on outside donations. Finally, there is a severe lack of professionally trained managerial personnel at all levels. This situation must be corrected if the Association's deteriorating financial trend is to be reversed and appropriate systems installed to deliver services to its constituency.

Given the importance of the ANACH movement in Honduras, and the extremely difficult situation facing the ANACH cooperatives, a very intense effort in institutional development will be necessary to assist the Association and its affiliates in becoming effective and profitable service intermediaries. It has been determined that the most appropriate channel for providing the required technical support to ANACH will be through an expansion of the technical assistance capabilities of the American Institute for Free Labor Development (AIFLD). ANACH and AIFLD have enjoyed a close relationship for many years, and the Mission is currently financing an OPG with AIFLD to assist in the development of both ANACH and its affiliated regional cooperatives. The new assistance under this Project will provide for an expansion of the on-going AIFLD efforts aimed at furnishing professional management and sound economic policy guidance to the Association and its cooperative affiliates. This assistance will be consistent with the organizational development efforts and policies to be promoted under the Project, and the AIFLD activities will be closely coordinated with the efforts underway within the other participating intermediary organizations.

2. Summary Status of Intermediary Organizations

A matrix (Figures 3 and 4), comprised of financial status, membership base and services provided, was developed to determine the technical assistance and financial mix needed to stabilize the intermediaries under consideration. As Figure 3 demonstrates, all of these institutions are encountering significant financial problems. In the case of ANACH, the net income shown was a result of dues or donations, since ANACH does not presently possess income generating capabilities. The membership base of each institution varies widely from a low of 1,449 members to a high of 39,104 members, however, there is little correlation between the number of members served, the range of services offered, and the financial strength of each institution. In the area of service delivery, FACACH provides the widest range of services, from credit lending to input supply and marketing. In contrast, ANACH offers a rather limited scope of services which are focused upon such areas as land issues and legal representation. The four model cooperatives are primarily involved in the production and marketing of basic feed grains and non-traditional export crops (e.g., cucumbers and melons), and their newly organized Union (UNIOCOOP) has yet to begin active service delivery.

As noted previously, each of the three intermediary organizations does possess the potential to develop into a viable service delivery vehicle, however, they are all encountering significant institutional and financial problems which are restraining their ability to attain this goal. The technical assistance to be provided to the national associations and to their affiliates will enable these intermediary organizations to overcome their administrative constraints and will prepare them for access to the financial resources which have yet to be programmed. This financial assistance will remain dependent upon the completion of the administrative and the policy reorientation processes identified as necessary within each of the intermediaries; and, resources will become available only when a financial mechanism acceptable to the Debt Restructuring Study Commission has been designed.

Figure 3

COMPARATIVE MATRIX ANALYSIS

CURRENT STATUS INDICATORS(Lempiras) - 1984

INSTITUTIONS	FACACH	UNIOCOOP	ANACH
FINANCIAL			
NET INCOME	(740,725)	(2,836,660)	34,852
TOTAL ASSETS	19,668,063	4,460,155	280,788
TOTAL DEBT	13,968,153	5,385,673	454,666
PAID-IN CAPITAL	2,567,123	777,598	-0-
TOTAL NET WORTH	5,699,910	(925,518)	(173,878)
MEMBERSHIP			
No. OF AFFILIATES	89	4	728
No. OF MEMBERS	39,104	1,449	25,000

Figure 4

Services Offered By Intermediaries

INSTITUTIONS SERVICE OFFERED	FACACH	UNIOCOOP	ANACH
CREDIT	X	X	
INPUT SUPPLY	X	X	
DOMESTIC MARKETING	X	X	
EXPORT MARKETING		X	
TECHNICAL ASSISTANCE	X	X	
LEGAL ASSISTANCE	X		X
REPRESENTATION	X	X	X
ACCOUNTING			
SAVINGS	X		
INSURANCE	X		
PRODUCT PROCESSING	X	X	
PRODUCT STORAGE	X		
SOCIAL PROGRAMS	X		X
COOP. ORGANIZING	X		
NUMBER OF SERVICES	12	7	3

3. Project Participation

a. Implementation Strategy

Project implementation will be guided by a controlled expansion strategy according to which the application of project inputs will be phased and the number of organizations, both at the national and affiliate levels, will be gradually increased. Throughout, expansion will proceed only after consolidation of established successes. This approach will enable testing of new financial mechanisms, service activities and organizational structures with the more promising organizations. Only when these efforts are validated will similar approaches be tried with the more difficult institutions. The cautious strategy will rely on successful efforts as the basis on which to build, thereby enabling higher rates of return with a lower probability of failure.

Initially, the Project will focus on the provision of technical assistance to assist with the administrative reorganization of intermediaries at the national level. All three umbrella organizations will enter into a formal agreement with the DIFOCOOP Project Management Unit specifying the requisites that must be met by each intermediary to qualify for access to the institutional support funding. The entrance requirements will emphasize the adoption and implementation of sound, businesslike management procedures and policies. In general terms, the criteria will include: (1) adoption of strict lending policies with affiliates; (2) installation of modern accounting and budget control systems; (3) enhancement of staff professional competency and the introduction of enlightened personnel policies; (4) development of member capital participation programs; and (5) creation of sufficient financial reserve funds to develop a hedge against contingencies. The agreement will also specify the time period each intermediary will be awarded to institute the required reforms.

The three intermediaries identified as Project participants currently enjoy different levels of institutional development, and it is anticipated that they will proceed at different rates in undertaking the required organizational and policy modifications. Given their more professional orientation to service delivery, it is anticipated that UNIOCOOP and FACACH will reach the stabilization threshold in relatively short order, and they will be eligible for access to financial resources (e.g., debt and/or equity capital) should such become available. Both organizations are receiving technical assistance under other A.I.D. programs and are making measured but constant progress with the installation of modern management systems. In contrast, the complex of difficulties being encountered by ANACH are far more serious, requiring a longer period to adopt and put into practice the needed changes.

As a particular umbrella entity implements the recommended structural changes and becomes more effective in the delivery of services, the focus of technical assistance will expand to include the affiliates of that organization. At this point the institutional modification process will be repeated. The umbrella organization will update or complete a series of institutional profiles of a selected group of intermediaries to determine the specific changes required in policies, structures, and procedures. Each affiliate will then enter into a formal agreement to design and install a specifically tailored corrective package in return for preferential treatment from the National Association. This preferential treatment may include additional technical support as well as access to financial resources should they be available.

In keeping with the controlled expansion strategy, only a small number of affiliates of a given national organization will be addressed at any one time. The process will be dynamic -- once the first set has achieved institutional equilibrium, the technical assistance effort will concentrate on assisting a second set which, in turn, will be followed by additional sets during subsequent intervals.

In order to enhance the probability of initial success and thereby generate a "multiplier" factor for potential participants, the affiliates of each intermediary will be rank ordered on the basis of proximity to possessing a sound administrative structure and effective operating procedures. The affiliates with the highest rankings will be addressed first while lower rated groups will receive subsequent attention. For example, on the basis of successful implementation of constituency savings mobilization campaigns, the FACACH cooperatives in Choluteca, Rio Grande, Yoro, and Corquirin are the most advanced of the Federation's units and will be included in the first FACACH affiliate set.

4. Financial Stabilization

As noted in Section III.F.2, the financial situation of the intermediaries, especially at the affiliate level, is beset with difficulties. All of the intermediaries have serious liquidity problems and two of the three have negative total net worths. If the umbrella organizations and, by extension, their affiliates are to serve as viable vehicles for providing services to small farmers, they must not only undergo organizational restructuring, but also become financially stabilized. For this reason the Project will support and assist the Debt Restructuring Study Commission, the working group which is charged with the design of a financial mechanism capable of recapitalizing and financially stabilizing participating intermediary organizations. The Commission will analyze alternative approaches to bringing about financial normalization (e.g., debt restructuring, equity financing, etc.); identify the most appropriate vehicle through which such stabilization can be undertaken; and recommend to A.I.D. the most appropriate mechanism to be applied within the Project.

IV. Project Management

A. Directorate for Cooperative Development (DIFOCOOP)

The principal counterpart agency for the Project will be the Ministry of Economy (MOE). Officially, on project implementation matters, the MOE will be represented by the Directorate for Cooperative Development (DIFOCOOP), a semi-autonomous dependency charged with the development, legislation, and regulation of the cooperative movement. Early in implementation, a Project Management Unit (PMU) will be established and attached to DIFOCOOP to guide the initiation of Project activities. This Unit will be responsible for:

-Coordination of Project inputs (e.g., operational support grants, technical assistance, training activities, etc.), and the provision of specialized technical backstopping to Project participants;

-Refining and assisting the application of the organizational treatment packages for intermediaries included as Project participants;

-Completion of the contractual relationship between participating organizations and DIFOCOOP, including terms of the relationship (i.e., obligations and responsibilities), and guidance procedures in the case of disputes;

-Administration of financial resources, including reporting to both the GOH and USAID/H, monitoring of operational support budgets, maintainance of status reports on advances & liquidations, etc.; and,

-Monitoring overall Project progress.

The Project Management Unit will consist of a small, well-qualified local staff, contracted with ESF counterpart funds, who will carry out their assigned responsibilities in coordination with the DIFOCOOP General Director. This Project Management Unit (PMU) will be supported in executing its assignments by A.I.D. management personnel and by the long-term advisors to be attached to each of the particpating intermediary organizations. The PMU will track the impact of the institutional development strategies in-use, review yearly operating plans and budgets, and coordinate Project-supported activities with those of the different GOH institutions involved in supporting the cooperative movement.

B. Financial Stabilization Vehicle

As was noted in Section I., A., early during Project initiation a Financial Stabilization Study Commission will be created and charged with the design of a financial mechanism which will permit the recapitalization and/or financial stabilization of intermediaries participating in the Project. In addition, this Commission will recommend the most appropriate vehicle (e.g., GOH trust accounts, private foundation or bank, etc.) for the channelling of financial assistance. Membership in the Commission will consist of the Vice-Minister of Finance, Vice-Minister of Economy, and one representative each from the Honduras Central Bank, the private banking sector and the Credit Union Federation (FACACH). Once this working group has selected and submitted the most appropriate financial vehicle, the USAID Mission will consider amending the Project to permit its inclusion as a component of the institutional strengthening process.

The objective of a financial stabilization vehicle within the Project would be the establishment of a resource base capable of completing a series of activities related to intermediary stabilization. In general terms, this vehicle would be charged with determining the most appropriate mechanism to recapitalize the intermediaries (e.g., debt restructuring, equity financing, capital grants, etc.); negotiating the contractual relationships and the terms under which financial stabilization would be undertaken; coordinating any

Figure 5
COST ESTIMATE AND FINANCIAL PLAN
US$ (000)

SOURCE	A.I.D. GRANT FX	A.I.D. GRANT LC	A.I.D. LOAN FX	A.I.D. LOAN LC	TOTAL A.I.D.	TOTAL GOH	GRAND TOTAL
ORGANIZATIONAL DEVELOPMENT (DESARROLLO ORGANIZACIONAL)							
A. Technical Assistance (Asistencia Técnica)							
1. Long Term Project Management (Manejo de Proyecto a Largo Plazo)	352				352		352
2. Long Term Institutional (Largo Plazo Institucional)	682				682		682
3. Short-Term Consultants (Consultores a Corto Plazo)	150				150		150
B. Commodities (Artîculos)							
1. Vehicles (Vehîculos)	35				35		35
2. Office Equipment (Equipo de Oficina)	130				130		130
C. Evaluations (Evaluaciones)	10				10		10
D. Personnel (Personal)							
1. DIFOCOOP - Staff (Miembros DIFOCOOP)						370	370
2. Institutional Support Staffs (Miembros de Ayuda para Inst.)						1,302	1,302
E. Administration and Operation Costs (Costos Administrativos y Operac.)						25	25
F. Office Equipment and Furniture (Equipo de Oficina y Mobiliario)						30	30
G. CONTINGENCY AND INFLATION (IMPREVISTOS E INFLACION)	41	—	—	—	41	13	54
GRAND TOTAL (GRAN TOTAL)	1,400				1,400	1,750	3,150

financial assistance with the insitutional development efforts underway within each participating intermediary; and monitoring intermediary contract compliance and progress in attaining and maintaining financial stability. The details of organizational structure and specific operational policies of this mechanism are expected to result from the recommendations of the Commission.

V. Summary Project Analyses

A. Financial Analysis

1. Financial Plan

The total estimated cost of activities for the two-year funding period is $3.15 million. The A.I.D. contribution will be a $1.4 million Grant, which represents 40% of total costs. These grant resources will be used to finance the costs of technical assistance (short and long-term), commodity procurement and a portion of the Project evaluation and audit. A portion of the grant will be used to underwrite the costs of a sub-grant to ANACH for technical assistance which will be managed by AIFLD.

The $1.75 million GOH contribution represents 60% of Project costs. These resources will be used to provide operational support funding to the three participating intermediary organizations (e.g., salaries, office space, per diem, etc.), to provide counterpart support to the Directorate for Cooperative Development (DIFOCOOP), and to finance a portion of the evaluation and audits of the Project.

2. Disbursement Systems

Payment of costs for technical assistance, training, evaluations and audits from the grant portion of the Project will be made by A.I.D. to the suppliers of the services and participants in accordance with standard direct payment procedures.

3. Audit Capability

The Controller General of Honduras is responsible for auditing all GOH contracts. Due to normal delays from bureaucratic inefficiencies and lack of personnel, the Controller General would be unable to perform audits when required. Therefore, funds have been provided for hiring an independent auditing firm to provide audit services on a timely basis. In addition, and to the extent practical, the precepts of the Grey Amendment will be followed in contracting technical assistance.

B. Social Analysis

1. Beneficiary Profile

Regardless of their particular intermediary affiliation, Project participants belong to the rural poor class. However, in terms of several social indicators and current access to the factors needed for increasing productivity, there is stratification within the beneficiary group. In general they are divided into two groups -- minifundistas and small-scale growers.

a. Minifundistas

Minifundistas are characterized as owners of small holdings -- farm size does not exceed 15 manzanas. Typically on these holdings the family is the basic unit and is both the primary economic and elemental social group. Division of labor is divided along sex lines. Adult males take the lead in field production activities, while adult females assist with the field work, carryout a full compliment of domestic chores and undertake the child rearing tasks. Normally, all available land is in continuous production and the technology employed tends to be rudimentary, although the impact of past intermediary developments is noted by the incipient use of improved cultural practices. Production focuses on the cultivation of basic grains which, except for limited sales, are directed toward meeting household subsistence needs. Members of this strata are found among the affiliates of all five umbrella intermediary organizations. While the ANACH groups farm on a collective basis, the level of technology employed and produce distribution practices are similar to that of independent minifundistas. Therefore, they are included in the category.

b. Small-scale Entrepreneur

The small-scale entrepreneur strata refers to those coop members with holdings in the 16 to 60 manzana range. In general, these units follow the minifundio pattern of combining economic and social functions in one group -- the resident family. However, there is a tendency toward specialization beyond sex lines. Frequently, casual laborers are hired to carryout planting and harvesting tasks while the owner assumes the role of farm manager. Cultural practices indicate a gravitation to employment of a farming systems methodology. Field rotation is common, as are combinations of short-cycle ground crops with longer-cycle tree crops. A portion of the cultivated area is reserved for basic grains while the balance is used for commodities that are directed toward domestic and international markets. Members of this stratum are most frequently found in the UNIOCOOP export coops and FACACH affiliates.

2. Impact of Past Affiliation

Regardless of the strata to which a farmer belongs, available data suggests that membership in a cooperative which has participated in a development program has generally been a positive experience for the grower. For example, an evaluation of a prior FACACH production credit program (DAPC) indicated that small farmers increased the use of improved seeds (55 percent), fertilizers (50 percent), and herbicides (47 percent) as a result of participation. Furthermore, in the majority of cases, access to credit and inputs was accompanied by technical assistance.

Similarily, the data indicate that in spite of the recent negative reversals experienced by the two UNIOCOOP export cooperatives during the 1984/1985 cycle, individual cooperative farmers have made significant progress. With respect to the minifundistas within the UNIOCOOP umbrella, there is a noted trend toward diversification -- cash crops such as beans, vegetables and coffee complement basic grain production. Prior to joining the cooperative, average income of a typical minifundio unit was between L516 and L844. After participation in the cooperatives, earnings increased to a range of between L826 to L1,353.

3. Socio-cultural Feasibility and Constraints - Strategies

The socio-cultural feasibility of the Project reflects three key issues: (1) ability to satisfy anticipated capitalization requirements; (2) the credit policies adopted; and (3) cooperative openness to professional management. Inherent constraints exist concerning each of these matters. However, the project design includes strategies to address the impediments and, in so doing, realize successful implementation.

a. Anticipated Capitalization Requirements: Affiliate Level

In the Agricultural Sector II model cooperatives, members participate in a capitalization program by depositing with the coop 25 percent of the loan application and complementing this sum with an additional 10 percent of the loan value after the produce is marketed and the loan repaid. Given the success of this program, it will most likely serve as a guide for structuring capitalization programs under the Small Farmer Organization Strengthening Project. However, experience has demonstrated two potential obstacles in this approach -- affordability and an attitude which views provision of credit as a "State" duty.

Regarding affordability, the question is simply whether farmers with limited incomes and small margins for saving can invest a sizeable portion (in the 25 percent - 35 percent range) of their loans. To account for this constraint, the loan mechanism governing lending between affiliatesand the farmers will consider at least two alternative "savings" arrangements. The first will permit tranch borrowing of approved loans. Each tranch will require a capitalization deposit, but the amount of each deposit will be relatively small thereby presenting less of a burden to the farmer. The second option will consider changes in the distribution of the deposit amounts required at the time of loan approval and loan repayment. For example, in place of the model 25 percent - 10 percent split, consideration will be given to a 15 percent - 20 percent or a 10 percent - 25 percent breakdown. The effect of these changes will be to shift major deposit burden to the marketing period -- the time at which the farmer is financially most solvent.

The issue of small farmer expectation that the State is bound to provide credit resources without the attachment of the capitalization component is a reflection of an attitude which views the "State as patron and the provider of necessary goods."

While this dependency mentality continues to be prevalent, a recent agreement between BANADESA and ANACH indicates latitude for change. As part of that agreement, BANADESA will help capitalize its regional cooperatives by retaining part of the payments owned to these cooperatives for production delivered to IHMA. This agreement stipulates that retentions held will increase over time to maximum limit of 10 percent. The agreement further stipulates that coops must use five of the eight points that they charge their affiliates for handling the credit for the creation of a reserve fund. This reserve fund is geared to further capitalize the Regional Coops. Use of a similar type of agreement will be considered under this project. If this is not done, dependency attitudes with respect to government institutions will continue to prevail and capitalization policies may be hard to implement.

b. Credit Policies

As stated previously, revision of credit policies is necessary to diminish loan deliquency and encourage sound intermediary financial practices. Frequently, however, policies are adopted for a variety of reasons (ideological, political and administrative) not necessarily based on financial considerations. For example, ideological and political variables induced BANADESA to approve and cosign loans for ANACH members despite their lack of experience with loans, their youth and instability. Similary, administrative deficiencies prevented BANADESA from adequately supervising loans provided to poor small farmers and land reform groups affiliated to ANACH. The question which remains is whether the participating intermediaries can reverse past trends and emphasize fiscal concerns in reformulating policies?

FACACH's experience indicates that ideological variables cannot guide the implementation of agricultural credit programs. The agricultural credit program implemented by this institution has been a social success but financial failure. after recent examination, FACACH realizes that the implementation of credit programs based merely on ideological grounds may jeopardize its financial stability. As a result, stricter lending policies are already being applied. The concern with the financial stability of the institution, which, according to leaders in FACACH, will also have a positive impact on the stability of its affiliates and the socio-economic situation of individual members, has motivated management to adopt measures to correct administrative deficiencies that have caused high delinquency rates. That is, for FACACH the application of stricter lending policies as well as the implementation of administrative measures are part of a package that will provide the institution with the financial stability needed to continue operations. Commitment to the stricter lending policies and other measures has been observed.

BANADESA is the main source of credit for ANACH. The management of BANADESA understands that the delinquency problems have their origin in the softer credit policies applied in the past for loans authorized to both independent as well as collective farmers. To correct these problems and to prevent decapitalization, BANADESA has recently adopted stricter credit policies. In reference to land reform beneficiaries, these policies stipulate that loans should be approved for cooperatives that: (1) have paid all of their previous debts; (2) for which debts have not been restructured; (3) have at least a manager and an accountant in charge of loan management; and (4) have strict control of the marketing of production. In addition, loans are authorized only when an investment plan is presented and when this plan shows that farmers assume at least 25 percent of the anticipated labor costs. BANADESA's credit policy has obviously had an impact on how ANACH operates, and it has been argued that their own credit policies are a reflection of BANADESA's.

No difficulties in enforcing strict lending policies in the case of UNIOCOOP are anticipated.

c. Receptivity to Professional Management

Self-determination has been a key tenet in the Honduran cooperative movement. However, a review of the history of this principle suggests an evolutionary process in which its importance has decreased over time. During the first stages of the peasant movement, farmer associations fought for the enforcement of the agrarian reform law and the adjudication of land. The majority of farmers that founded these associations were small producers or ex-agricultural laborers who demanded their right to have access to land. During those stages of the movement, the concept of outside managers in administration was totally rejected. Later however, when larger agricultural projects began to be implemented, farmers accepted the involvement of public sector institutions to manage them. Acceptance of their involvement was based on the fact that these institutions had been co-signers of the loans granted by international donors to implement the projects. Farmers also accepted the involvement of multinationals having the technological know-how to cultivate and process production. It was believed that it would be only through their assistance that the newly created enterprises would become profitable businesses. Multinationals provided not only technical advice, but were often involved in managing loans and tracking expenditures. The African Palm Project implemented in the Bajo Aguan is an example of how public sector institutions participated as managers of agrarian reform projects, and the banana project implemented in Guanchias is an example of the involvement of multinationals. Professional managers who were not government employees were subsequently hired by the peasant enterprises to replace representatives from the public sector. This is the case in two well known enterprises, COAPALMA and HONDUPALMA. Project beneficiaries selected, with the assistance of the goverment, these outside managers and made them responsible for the management of their businesses.

Outside management continues to be a delicate matter and must be handled on a case-by-case basis. Given the growth in complexity of cooperative programs and the past experience with outside managers, the intermediaries will most likely accept this assistance.

ECONOMIC ANALYSIS SECTION

C. Economic Analysis

1. Results and Recommendations.

As shown in Table 1,[1] under the basic benchmark scenario, the resources directly made available by the roject, plus other resources channelled through the farmer organizations, give rise to an overall economic internal rate of return of approximately 30 percent. The analysis shows that the overall rate becomes positive only after the sixth year, and greater than 15 percent after the eighth. The Project's overall financial rate of return is 22 percent, substantially lower than the economic rate. Thus, should current inappropriate policies causing price distortions affecting the agricultural sector be corrected, the Project could achieve a financial rate of return almost eight percentage points higher.

These internal rates of return prove to be highly sensitive to some key basic scenario assumptions. For instance, everything else the same, if yield increases are 25 percent lower than those assumed in the basic scenario, the Project's overall rate of return becomes negative. Alternatively, in what essentially amounts to the same thing, if costs at the farm level are assumed to be 30 percent higher, the overall rate of return falls to 13 percent. In addition, the 30% economic rate of return results primarily from the relatively high returns generated by those coops engaged mostly in production for export. Consequently, the Project's ability to achieve the 30% rate depends quite heavily not only on the maintenance of cropping patterns oriented toward exports, but also on the maintenance of world market prices for the Project's principal export products including cantelope, cucumbers and chile peppers. Should export prices fall by one-third, roughly to price levels experienced last year, the overall economic rate of return falls to an unacceptable 5 percent.

What these results mean is that if the basic scenario assumptions regarding costs, yields and prices were to materialize in practice, and the strengthened farmer organizations are able to generate and channel resources to farm units in the amounts contemplated in the calculations, a positive and significant impact on GDP originating in the agricultural sector would take place. Over the long run, such impact would more than compensate for the resource costs involved and the Project would make economic sense. However, the very high sensitivity of the rates of return to changes in yields, costs or prices, coupled with the unavoidable wide margins of error built into the data and assumptions used in the present analysis, underline the need to be extremely cautious regarding the amount and disbursement schedule of the resources

1/ Tables are presented in Annex G.

contemplated in the Project. If the basic scenario projections regarding costs, yields or prices prove to be too optimistic, the Project could result in significant economic losses.

In the above light, it is advisable to adopt a go-slow Project implementation process according to which the effectiveness of the proposed credit and institutional assistance be tested first only in the most promising farmer organizations. Only when and if the efforts into those institutions are validated by success should the same approach be tried with the more difficult organizations. In addition, a more detailed economic analysis based on more robust information would be justified.

Regarding the individual organizations, investment in UNIOCOOP shows by for the highest return among the three proposed participating farmer intermediary organizations. This is due largely to the fact that all but one of UNIOCOOP's coops are engaged in substantial production for export. In contrast, the rates of return are negative for the basic grains oriented ANACH, FACACH and UNIOCOOP's "20 de Marzo" coop. For example, while the Project's investments in ANACH and FACACH show positive financial rates of returns, economic rates of return approximate minus 30 percent and minus two percent, respectively. This means that should existing price distortions be removed due to an improved macro and sectoral policy environment, investments in these organizations as presently contemplated by the Project would prove non-viable. Therefore, the desirability of including ANACH and FACACH in the Project should be reassessed.

These organizations could achieve significantly higher economic returns by further diversifying toward export production. For instance, if the average farm unit in ANACH and FACACH successfully cultivated and marketed 0.25 manzanas of an export crop (chile cayenne), both organizations could achieve substantially high positive economic rates of return as shown in Table 4. These results strongly suggest that these coops should reorient their production from complete reliance on basic grains cultivation toward a much greater emphasis on export crops as advocated by USAID/Honduras in its agricultural development strategy.

Regarding financial viability to the individual farmers, given the assumptions of the with-project scenario, this Project would be financially attractive to participating farmers. The margin between expenses and revenues is more than sufficient to enable them to cover the cost of all the productive inputs they use, including the services from parent organizations from which they benefit. The Project, therefore, has potential for being commercially viable. It is important, nonetheless, that the cooperatives and farmer organizations develop mechanisms to recover the financial costs incurred in providing services and inputs to their members.

2. Rationale for the Project.

Honduras needs to increase the efficiency of the agricultural sector in order to expand GDP originating in that sector. Among other causes, deficient access to productive factors and inadequate know-how are important obstacles for the attainment of such goals. The FOS project is designed to help overcome these obstacles by strengthening farmer organizations which serve as conduits for required technical inputs services. It is expected that through the credit, training and technical assistance provided by the Project, the beneficiary organizations will be able to generate and channel resources to a substantial number of farm units; in turn, the farms will experience an increase in real income that more than compensate for the resource costs involved.

3. Methodological Framework.

Project benefits and costs were identified on the basis of with- and without-project scenarios showing production, sales revenues and costs for the farm units and organizations that benefit from the Project. Specifically, project benefits have been measured as the difference in revenue product resulting from rises in production at the farm level when the scenarios are compared. Total gross benefits derived from the project is equal to the total increase in revenue product (in constant prices) for all the farms which directly benefit from the Project. Costs have been measured by the composite of costs at the farm, cooperative and national farmer intermediary organization level.

Benefit and cost profiles of prototypical farms were constructed and used to analyze the Project's impact on agricultural production and resource use. The prototypical farms were classified according to specific national parent organizations and, when possible, to specific cooperatives.

In the analysis the critical value for the go/no-go internal rate of return was set at 15 percent -- i.e., the Project would be deemed as worthwhile if it showed a return higher that 15 percent.

4. Data Sources.

The main source of information was farm budgets for each of the four "model" cooperatives of UNIOCOOP. The budgets were constructed by type of crop and on a with- and without-project basis. They contained per manzana information on yield, price per unit of output, gross value of production, and a breakdown of costs showing the amount of input units and the price per unit of input. Additional information relating to balance and income statements for each member cooperative, average farm size, total farming area, and cropping patterns, was obtained also from UNIOCOOP (see Tables 6.a. through 6.e.). These data, and estimates from the mission's agricultural specialists, were the principal basis for the formulation of the prototype farms for each of the three national farmer organizations in the Project.

Additional information which included estimates on freight and port charges, the proportion of crops exported, and data on coffee cultivation was obtained directly from cooperative officials.

While the available data were judged sufficient for the objectives of the present analytical exercise, they are highly imperfect and entail high margins of error. Reexamination and revision of the data, assumptions and estimates used in this work would be an important aspect of any follow-up study.

5. Assumptions.

Assumptions regarding specific crops and cooperatives are presented in footnotes under annex tables. The following are the basic assumptions made:

a. With and Without-Project Scenarios.

Current budgets for UNIOCOOP farms were taken as indicative of the with-project scenarios. The reason is that the FOS Project would enable such farms to maintain credit and technical assistance levels that have been achieved through prior initiatives. The without-project scenarios reflect the situation of farms which have not benefited from past projects and which are not members of UNIOCOOP. Essentially, as UNIOCOOP member farms have access to desirable levels of credit and assistance, the budgets of present UNIOCOOP farms served as a proxy of the yields and market conditions attainable through the FOS Project by other farms. This view reflects the opinion of mission and nonmission agricultural specialists.

b. Basic Benchmark Scenario.

Based on data and information collected from cooperative officials on cropping patterns, expected yields, prices, and required inputs, the financial and economic resource flows were calculated for five farm unit prototypes. Distinct prototypes were used for each of the four UNIOCOOP (Model) coops. A fifth prototype was employed for both ANACH and FACACH. Due to lack of available data for those two intermediaries, the fifth prototype was constructed by modifying prototype B (used for the basic grain oriented "Maya Occidental" coop of UNIOCOOP) to more closely typify the particular crop pattern representative of farm units in ANACH and FACACH.

Total manzanas cultivated per farm unit ranged from 4 to 10 manzanas. Prototypes varied in orientation from those engaged primarily in the production of basic grains to other which produced mostly export crops. A summary sketch of each prototype used including size, crop patterns, yearly crop cycles, and "without" and "with-project" yield estimates is found in Table 3. A more detailed presentation of financial and economic analysis of each farm prototype is found in the Appendix Tables 6.a. through 6.e.

The number of prototypical farm units for each affiliate coop which were likely to achieve the higher yields in the "with-project" scenario was obtained based on information from cooperative officials. A summary breakdown for each participating intermediary including the average size of its affiliated coops (in terms of numbers of prototypical farm units), expected annual expansion rates, and the specific prototype used is found in Table 2. The total estimated number of farm units and cooperatives that will benefit from the Project resources under the basic benchmark scenario is projected in Table 1. The estimates were arrived at by mission specialists.

c. Availability of Markets and Generation of Resources.

The calculations assume that satisfactory domestic and international markets exist or will be developed for the additional production resulting due to the Project. The validity of such assumption in part depends on the success of other AID projects (e.g. Agricultural Domestic Marketing Project planned for FY 1986).

The present analysis also assumes that farmer organizations, that through the Project become efficient and credit worthy institutions, will be able to attract the level of complementary resources contemplated in the calculations.

d. Costs.

With-project costs at the cooperative level represent net operating expenses of the respective cooperatives. They were obtained by substracting total sales revenue minus costs of sales from total operating costs. For those cooperatives which experienced negative net sales revenues for the base period, actual operating costs only were used.

With-project costs at the national farmer intermediary level represent direct Project funded expenses which correspond to the use of real goods and services. The real resources made available by potential credit sources are accounted for in the analysis through the increased farm unit costs associated with additional agricultural inputs in the with-project scenario.

6. Procedures

After the basic data were collected and processed, a financial cash flow analysis was carried out for each prototype farm. Market prices as actually paid or received by the farmers were used at this stage. Accordingly, values were in farmgate prices and the viewpoint adopted was that of the individual farmer. This type of analysis helps to shed light on whether the Project is financially viable and whether the financial incentives are likely to be sufficient for the farmers.

The next step was to carry out an economic (efficiency) analysis. This analysis measures whether the real value created through the Project and through other complementary resources more than make up for the real cost of the inputs utilized. In the sense used, "real" essentially refers to the society's willingness to pay for the goods or services produced or used up in the production processes made possible by the project. Market prices used for the financial analysis were corrected to more accurately reflect the way society values output and inputs.

After the economic prices were determined, the core procedure consisted in identifying incremental costs and benefits, i.e. the difference between the with- and the without-project scenarios. The incremental values were computed by respectively subtracting the without-project costs and benefits from the with-project costs and benefits. The difference between incremental benefits and incremental costs gave the net incremental benefit for each year of the time horizon contemplated--i.e. the cash flow. Finally, the cash flow values were used in calculating the internal economic rate of return.

7. The Calculation of Economic Prices.

As mentioned above, financial prices were revised to correct for major distortions in order to arrive at economic or efficiency prices. The following major adjustments were made :

For Selected Agricultural Products. For basic grains (corn, beans and rice), and for certain other items such as tomatoes for example, through the cooperatives farmers will benefit from IHMA supported prices for their produce.[2/] These prices are higher than those that would prevail in the free market--i.e. without IHMA. The price at which farmers would have to sell without the Project (and the cooperatives) was estimated as the price farmers paid to the free-market intermediary, the "coyote". The economic price was estimated as the midpoint between the price paid by the coyote and the price paid by IHMA. In the case of agricultural produce which is exported, the price was adjusted as indicated below in connection with adjustments for foreign exchange.

Unskilled Labor. If unskilled labor wages reflected the value of the marginal product of unskilled labor, then the wages necessary to bid such kind of labor would provide a measure of the value of the goods and services that could have been produced in other activities. However, Honduras suffers from high unemployment of unskilled labor and its society does not really give up any goods and services by using otherwise unemployed labor in the productive activities the project makes possible. Accordingly, the financial cost of labor has to be adjusted to arrive at an estimate of the opportunity cost of using labor. In the present analysis, for the basic scenario it has been assumed that the overall unemployment (i.e. overall in the sense of reflecting all the dimensions of unemployment) that unskilled labor in Honduras experiences and is likely to experience in the foreseeable future is 30 percent. On the basis of this assumption it was estimated that only 70 percent of payments to unskilled workers measure foregone production.

2/ IHMA is a national marketing agency for agricultural products.

Foreign Exchange. As Honduras' currency is overvalued the official foreign exchange rate undervalues foreign exchange. This means that the incremental value derived from additional exports, and the incremental costs associated to additional imported inputs, are underestimated. Therefore, the foreign exchange rate used to price exports and imports in lempiras has to be adjusted. In this analysis it has been assumed that the true lempira price of a dollar is L 2.60 and, accordingly, a premium of 30 percent has been placed on foreign exchange.

Imported Inputs and Tariff Taxes or Quasi-Taxes. Imported inputs such as fertilizer and herbicides are subject in Honduras to tariff taxes and/or various port charges which are akin to taxes. As such charges are transfer payments among Hondurans, they must be substracted from the Lempira price of such products. In addition to the effect of the taxes and quasi-taxes, available input prices were on a farmgate basis and reflected the impact of exchange rate distortions and port-to-farm transportation and related expenses. Therefore, the following methodology was employed to arrive at an appropriate conversion factor to obtain economic efficiency prices for imported inputs:

a) Subtract the port-to-farm transportation and related expenses from the farmgate prices. This gives the lempira cost of the item at the port of entry at the official exchange rate.

b) Deduct the tariff and similar charges from the price arrived at after step (a).

c) Convert the value obtained after step (b) to economic border prices by multiplying by a factor reflecting the foreign exchange premium.

d) Add the transportation and related expenses that had been deducted at step (a) to the value arrived at after step (c).

In the present analysis both tariff and similar charges, and transportation and related charges, were taken as amounting to about 10 percent each of the CIF price. All these steps were accomplished by multiplying the available farmgate prices by 1.17.4/

4/ Let Y=CIF lempira price of an input Z valued at the official rate, and X=farmgate prices of the input after adding port and freight charges. Then, X=Y+0.1Y+0.1Y or (X/1.2)=Y. As one wants to determine the value of Y in order to adjust by the premium exchange rate factor of 1.3, and then add to the adjusted Y the freight charges to find the economic farmgate price of an input Z, algebraically the operations can be expressed as: Y(1.3)+Y(0.1)=Z or Y(1.4)=Z. Replacing (X/1.2)=Y into this last equation one has (X/1.2)1.4=Z or X1.17=Z.

D. Technical Analysis

The strategies and policies that will guide the Project activities are those which have been used to develop the successful "model" regional agricultural cooperatives. Briefly stated, the development strategy proposes that rural-based intermediary institutions are the most effective mechanism to retail services to the small farmer population, provided they have sufficient membership to achieve economies of scale, professional management and administration systems, and service programs and pricing policies that are consistent with economic growth and self-sufficiency.

The technical constraints to the application of the structural model within the Project are linked to the design of the financial stabilization vehicle and to an eventual amendment to the Project which will provide financial resources to stabilize and recapitalize the participating intermediaries. The institutional reorganization and the policy modifications likely to occur during the strengthening process can be implemented by the participating intermediaries without providing access to financial resources; however at some point during Project implementation, a stabilization and recapitalization effort will be necessary if these organizations are to achieve their full potential as service intermediaries. As mentioned earlier, all of the Project participants possess serious financial problems, and new resources cannot be effectively channeled through them until these difficulties have been resolved. In this area, the work of the Debt Restructuring Study Commission is critical, since an acceptable financial mechanism through which financial stabilization can be attained will be necessary. The Mission will provide technical support to this Commission should such be requested, and it is willing to consider amending the Project to include a financial stabilization vehicle if a technically sound proposal is submitted for consideration.

1. Institutional Development

Although the Mission believes that an effective institutional design for agricultural service intermediaries has been developed within the four "model" regional agricultural service cooperatives supported under the Agricultural Sector II Prog.am, this design will require modifications to permit it to be introduced into rural intermediaries which differ from the "model" cooperatives in areas such as membership, service programs, etc. For example, the rural credit cooperatives of the FACACH system are savings and loan institutions, do not possess input supply nor marketing services, and will require different adaptations of the institutional model. These modifications in the different institutional designs will be a part of specific treatment packages. In areas such as member capital participation, credit policies, and professional management systems, few changes will be made. The PP development process has identified potential Project participants and conducted feasibility analyses at the national level. Institutional analyses at the affiliate level, as well as the design of the treatments and the negotiation of participation terms for both umbrella organizations and their affiliates will be a normal part of implementation. Agreement to the individual institutional designs and policy determinations must be obtained with each of the potential Project participants to permit budgets and technical assistance requirements to be identified and programmed. The Mission has discussed the general parameters of the Project with all of the potential participants and each has expressed interest in participating in the analysis process.

2. Financial Stabilization

As was noted in Section III., F., 2., Summary Status of Intermediaries, the national level organizations and many affiliates of the three umbrella groups will require significant financial stabilization before they can become truly effective service intermediaries capable of channeling financial resources to their members. It is likely that this stabilization will be effected using either debt restructuring or equity participation vehicles, according to the particular circumstances governing the fiscal position of the specific intermediaries; however, identification of the specific financial vehicle will remain dependent upon the recommendation of the Debt Restructuring Study Commission discussed previously.

Similarly, the design of possible credit mechanisms is linked to the work of this Commission. The institutional strengthening strategy recognizes that credit is an important tool to be used in the development process, however, it is one which cannot be used until the participating intermediaries have been stabilized financially.

E. ENVIRONMENTAL STATEMENT:

An Initial Environmental Examination (IEE) was prepared as a part of the PID design. The IEE recommended a negative determination which was concurred in by the PID authorizing officer, the USAID/Honduras Acting Mission Director in December 1984.

The negative determination was reached in accordance with A.I.D. Handbook No. 3, Appendix 20, Section 216.2C, which establishes criteria for exempting the environmental analysis subsequent to the IEE on the basis of categorical exclusion. Among eligible categories are programs that have no effect on the natural physical environmental except to the extent that such programs contain activities (e.g. construction) that have a direct impact on the environment. As stated in Section III, the purpose of this Project is to establish a mechanism through which to deliver productive resources to small scale producers. The major thrust of the Project is an institution building exercise. Accordingly, USAID/Honduras judges that the negative IEE determination in the PID remains valid and that no further environmental analysis is required.

Anthony J. Cauterucci
Mission Director

VI. Project Implementation Arrangements

A. Administrative Arrangements

1. Role and Responsibilities of USAID

The Project will be managed by the designated project manager in the Office of Rural Development of USAID/Honduras who will be responsible for monitoring the progress of inputs. The A.I.D. project manager, aided by contract personnel, will work closely with the Project Management Unit of DIFOCOOP, FACACH, UNIOCOOP, ANACH and the participating intermediary organization affiliates. The Project Manager will assure compliance with the terms and conditions of the Project Agreement, will verigy that proper procedures are followed for all procurement, contracting and management, and will help solve implementation problems and project issues that arise.

A Mission project committee composed of the project manager and representatives of other appropriate USAID offices will review project status monthly, identify potential problems, develop appropriate solutions and prepare periodic status reports.

The Office of Development Finance will be responsible for preparing the Project Agreement and will assist the project manager in the preparation of subsequent PIL's, as well as other official project correspondence. The Office of the Controller will review all disbursement requests for conformity with A.I.D. regulations and ensure that proper accounting procedures are followed by the GOH and other participating organizations. The Office of Development Programs will coordinate all evaluations in conjuction with the project manager and will advise on data base requirements for the Project.

2. Role of DIFOCOOP

DIFOCOOP will serve as the official cooperating country host entity for the Project. As noted elsewhere, DIFOCOOP involvement will center on monitoring overall progress, administering operational support funding for intermediary participants, coordinating the training and technical assistance initiatives of other GOH entities, reviewing the operating plans and budgets of project participants, and completing and monitoring compliance with the participatory contracts to be signed with each intermediary participant.

B. Implementation Period

A two-year implementation period is proposed for A.I.D. participation in this Project. The Project Authorization will fully fund A.I.D. activities for the Project life, however, the Mission recognizes that the Project may be amended if the Debt Restructuring Study Commission succeeds in designing a financial vehicle which will permit the financial stabilization of participating intermediaries to be undertaken.

C. Implementation Plan

Date	Activity
September 85	- Project Agreement signed
October/November 85	- Implementation Letter No. 1 issued explaining procedures for meeting initial Conditions Precedent.
	- CP's (specimen signature, debt restructuring commission, PMU, procurement and T.A. plans.)
November/December 85	- RFTP prepared for technical assistance to the Project.
	- PASA Agreement for Project Financial Advisor prepared.
	- Scope of work for Assistant Project Manager prepared.
	- Project Management Unit formed.
	- RFTP issued.
	- Formation of Debt Restructuring Study Commission.
December/January 85	- Formal contracts with intermediaries concerning participation made.
	- PASA Agreements. Financial Advisor arrives.
	- Assistant Project Manager hired.
January/February 86	- RFTP proposal reviewed and contractor selected.
	- IFB proposal reviewed and contractor selected.
March 86	- Initial recommendation Debt Restructuring Studies Commission submitted to A.I.D. for review.

February/March 86	- T.A. contract signed.
April/May 86	- Grant with AIFLD negotiated.
March/July 86	- T.A. team arrives.
	- Project commodities arrive.
	- Institutional treatment package implementation within FACACH, UNIOCOOP and ANACH underway..
June 86	- Agreement reached on design of financial mechanism for institutional stabilization component.
	- Agreement reached on design of credit mechanism for production and investment lending.
June/July 86	- Possible amendment to project to include financial mechanisms for stabilization and credit.
July 86	- Financial stabilization packages negotiated with UNIOCOOP and FACACH.
	- Treatment packages developed for five FACACH affiliates.
	- Possible credit resources begin to flow to FACACH & UNIOCOOP affiliates.
July 86 - September 87	- Technical assistance continues with National Associations, and, slow, controlled expansion to affiliates.
	- Update institutional profiles of FECORAH and FEHCOCAL assuming amendment to project approved.

D. Procurement Plan

The Project will finance the procurement of technical assistance and commodities. All technical assistance will be contracted directly by A.I.D. using institutional, PSC and PASA modes. An institutional contract will be let to the most responsive, qualified bidder to an RFTP that will be issued by the Mission. A joint USAID/Honduras - Host Country committee will be formed to review and rank the proposals and select the contractor. the PSC will be awarded to a qualified individual to serve as an assistant to the USAID/Honduras project manager in implementing this effort. Recruitment and selection of the appropriate individual will be made in accordance with A.I.D. competitive procurement procedures. A PASA arrangement with USDA will be used to secure the services of a specialist in Financial Analysis who also will assist the USAID/Honduras project manager in effecting and monitoring implementation , and backstop the on-going institutional development efforts. Additionally, this advisor will assist with the design of a financial stabilization and credit mechanism.

Commodities purchased under the Project will involve both international and local procurements. The international procurements will be carried out by A.I.D. in collaboration with the host country through the formal IFB process, or, by including the commodity procurement within the technical assistance contract of the firm selected as most responsive to the RFTP. Local purchase will be effected by the counterpart agency in accordance with A.I.D. procedures concerning advertising and competition

E. Evaluation Plan

1. General

The evaluation plan is designated to measure advances toward realization of projected outputs and achievement of the overall project purpose. One evaluation will be carried out during the two-year funding period. In combination with normal monitoring activities, the evaluation will measure implementation progress and provide the basis for mid-course design corrections as well as estimates for future year funding and the appropriateness of continuing the on-going activities.

2. Responsibilities

DIFOCOOP will be responsible for overseeing the progress of project implementation. To this end, it will be supported by the USAID/Honduras Evaluation Officer assigned to the Office of Development Programs, who will assist in developing the scopes of work, and in identifying and procuring the technical expertise to conduct the reviews. The Project includes a combination of grant funding and GOH counterpart to underwrite the expenses of the evaluation. Should an amendment to the project be approved, an expanded evaluation plan will be prepared.

ANNEX A

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number: Small Farmer Organization Strengthening 522-0252

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PAR REPORT. IT NEED NOT BE RETAINED OR SUBMITTED.)

Life of Project:
From FY 85 to FY 87
Total U.S. Funding $ 1.4 million
Date Prepared: July 19, 1985

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes:	Measures of Goal Achievement:		Assumptions for achieving goal targets:
Increase the income and improve the quality of life of Honduran small farmers.	a. Increased productivity of participating farmers. b. Increase in earnings of participating farmers by 14 percent. c. Marked diversification of the production system. d. Rise in use of modern agricultural inputs.	a. Evaluations of the various components of the project. b. Account data of the CBH, BANADESA, private banks and intermediary organizations participating in project. c. Project monitoring.	a. Price incentives for food croops will be favorable. b. General economic conditions of the country will improve. c. Domestic and international markets for cash crops will continue to develop. d. Continuation of the democratic process.

AID 1020-28 (7-71)
SUPPLEMENT 1

ANNEX A
PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 85 to FY 87
Total U.S. Funding $ 1.4 million
Date Prepared: July 19, 1985

Project Title & Number:

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Purpose: Establish a viable mechanism for delivering the productive inputs (credit, technology, market services, management skills) to growers in order to increase agricultural productivity and diversify the production base.	Conditions that will indicate purpose has been achieved: End of project status. Institutional Reorganization: a. Policy and adminstrative reforms adopted by three umbrella organizations. b. Policy and administrative reforms adopted by a minimum of 2? affiliates. c. Proposal debt restructuring developed.	- Periodic evaluation of project components. - Reports of T.A. advisors. - Reports of Project Manager. - Yearly progress reports of the FSF. - Report of bilateral committee established to develop debt restructuring proposal.	Assumptions for achieving purpose: Institutional Reorganization: a. Continuation between public and private sectors in the development process. b. Intermediary willingness to undertake the required ch----

AID 1020-28 (7-71)
SUPPLEMENT 1

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 85 to FY 87
Total U.S. Funding $ 1.4 million
Date Prepared: July 19, 1985

Project Title & Number:

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity)		Assumptions for providing inputs:
1. Technical Assistance	8.8 person years	- Periodic evaluations.	Timely availability of T.A.
a. long-term	10 person months	- T.A. advisors reports.	
b. short-term		- Project Manager reports.	
2. Commodities		- Audits	2. Successful negotiations of a commodity contract (PSA) and availability of commodities.
a. vehicles	2		
b. microcomputers	4		
c. office equipment	4 sets		
3. Training	20 participants long and short term		3. Availability of candidates.
4. Administrative Support	$3.61 million		

54

A.I.D. 1020-28 (7-71)
SUPPLEMENT 1

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 85 to FY 87
Total U.S. Funding $1.4 million
Date Prepared: July 19, 1985
PAGE

Project Title & Number:

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:		Assumptions for achieving outputs:
Organizational Development		- Periodic Evaluations.	- Availability of candidates
a. Training	30 technicia	- T.A. advisors repo:	- Timely availability of T.A.
b. Umbrella Groups Reorganized.	3	- FSF reports.	- Timely implementation of the treatment packages
c. Affiliates Reorganized.	20	- Project monitoring	
d. Financial Stabilization Plan.	1		
e. Project Management Unit.	1		

Figure 6

Simplified Defacto Organizational Structure of ANACH - 1985

GENERAL ASSEMBLY

GENERAL ASSEMBLY DIRECTIVO (CND)

COMITE EJECUTIVO NACIONAL (CEN) INCLUDING SEC. DE CO-OPS WHO SUPERVISE

Oficina Central San Pedro Sula

APPOINTS

COMMUNICATIONS

14 REGIONAL AGRICULTURAL COOPERATIVES (CARS)

REGIONAL COORDINATORS & ACTIVISTAS LOCATED IN 10 REGIONAL OFFICES

13 SECCIONALES

ELECT

ELECT ELECT ELECT ELECT ELECT

B A S E G R O U P S (S U B - S E C C I O N A L E S		
THOSE WITH LAND AND AFFILIATED WITH THE THE CARS	THOSE WITH LAND AND NOT AFFILIATED WITH THE CARS	THOSE WITH LAND & NOT AFFILIATED WITH THE CARS

Note: All three of these base groups elect representatives to the National Convention.

ANNEX B

Certification Pursuant to Section 611 (e) of The Foreign Assistance Act of 1961 as Amended.

I, Anthony J. Cauterucci, the principal officer of the Agency for International Development in Honduras, having taken into account among other factors the maintenance and utilization of projects in Honduras previously financed or assisted by the United States, do hereby certify that in my judgement Honduras has both the financial capability and human resource capability to effectively maintain and utilize the capital assistance project: Small Farmer Organization Strengthening.

Anthony J. Cauteruccci
Mission Director

9

ANNEX C

ACTION
No. B-46 8125
INFO OFFICES
HRD/E....
HRD/H....
HRD/FFP....
READER....

SECRETARIA DE HACIENDA Y CREDITO PUBLICO

REPUBLICA DE HONDURAS

Tegucigalpa, D. C., septiembre, 1985 Nº CP-2529

10 OCT 1985 16 52
C&R Unit
USAID / HONDURAS

Señor
ANTHONY J. CAUTERUCI
Director Agencia para el
Desarrollo Internacional
Presente

Señor Director:

El Gobierno Constitucional de la República de Honduras, compenetrado de la responsabilidad contraida con los habitantes de esta Nación y sobre todo con aquellas organizaciones de base que son Factor decisivo para impulsar el Desarrollo Económico y Social, por tal motivo y conciente de su deber por este medio La Secretaría de Hacienda y Crédito Público, presenta formal Solicitud de Financiamiento en caracter de Donación, por US$.1.400.000.00 (UN MILLON CUATROCIENTOS DOLARES EXACTOS), a la Agencia para el Desarrollo Internacional, en representación del Gobierno de los Estados Unidos; que será utilizado en la ejecución de un Proyecto de gran importancia el cual tiene como meta incrementar los ingresos de los Pequeños Agricultores, repercutiendo lo anterior en una mejoría de las condiciones de vida de los mismos.

El Proyecto en mención será ejecutado por la Secretaría de Economía y con la coordinación de la Dirección de Fomento Cooperativo; pretendiendo inicialmente fortalecer tres organizaciones intermediarias con los objetivos siguientes:

- Mejorar la Administración Gerencial.
- Mejorar la Capacidad de Planeación.
- Facilitar la Expanción de la capacidad de entrega de servicios de las organizaciones participantes.
- Realizar un esfuerzo para desarrollar un mecanismo financiero tecnicamente solido para proporcionarles estabilidad financiera.
- Fortalecer y mejorar los mecanismos de crédito a los beneficiarios del proyecto a través de las organizaciones agrícolas participantes.

SECRETARIA DE HACIENDA Y CREDITO PUBLICO

REPUBLICA DE HONDURAS

Tegucigalpa, D. C., septiembre, 1985 Nº. - 2 -

Observará el Señor Director que estos Objetivos que se alcazarán con este Proyecto son ambiciosos y de un efecto multiplicador incalculable ya que también se estaría proyectando y beneficiando a las Clases Sociales que ocupan especial atención en el presente Gobierno.

Conociendo la decidida colaboración y el interés que el Señor Director ha evidenciado para que proyectos de esta naturaleza obtengan el apoyo del Gobierno de los Estados Unidos, confiamos en que obtendremos una respuesta positiva a nuestra Solicitud.

Aprovecho la oportunidad para reiterar al Señor Director las muestras de mi consideración y estima.

Atentamente,

SECRETARIA DE HACIENDA Y CREDITO PUBLICO
Sub-Secretaria de Crédito Público y Administración

RODOLFO MATAMOROS H.
Subsecretario de Crédito Público
y Administración

CFC/JD/vhh.

49

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1984 Continuing Resolution. Has it been determined or certified to the Congress by the President that the government has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country, to Unites States government personnel or their dependents or from entering the United States unlawfully?

2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

5C(1) - COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY
N/A

1. FAA SEC. 481; FY 1984 Continuing Resolution.

2. FAA Sec. 620 (c).
NO

3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

3. FAA Sec. 620(e)(1).
NO

4. FAA Sec. 532(c), 520(a) 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provide to Afghanistan or Mozambique without a waiver?

4. FAA Sec. 532(c), 520(a) 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513.
NO

5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981.

5. ISDCA of 1981 Secs. 724, 727 and 730.
N/A

6. FAA Sec. 620 (j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property?

6. FAA Sec. 620 (j).
NO

7. FAA Sec. 620(1). Has the country failed to enter into an agreement with OPIC?

7. FAA Sec. 620(1).
NO

8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters?

(b) If so, has any deduction required by the Fishermen's Protective Act been made?

8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5.
NO

(b) N/A

9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any A.I.D. loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds?

9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517.
NO

10. FAA Sec 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

10. FAA Sec 620(s).
Yes, taken into account by the Administrator at time of approval of Agency OYB.

58

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

11. FAA Sec. 620(t).
NO

12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)

12. FAA Sec. 620(u).
No arrearages

13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520.
NO

14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

14. FAA Sec. 666.
NO

15. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing, equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

15. FAA Sec. 669, 670.
NO

16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

16. ISDCA of 1981 Sec. 720.
NO

17. ISDCA of 1981 Sec. 721. See special requirements for assistance to Haiti.

17. ISDCA of 1981 Sec. 721.
N/A

18. FY 1984 Continuing Resolution. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?

18. FY 1984 Continuing Resolution.
NO

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvement in its human rights record that furnishing such assistance is in the national interest?

b. ISDCA of 1981, Ec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116.
NO

2. Economic Support Fund Country Criteria

a. FAA Sec 502B.
NO

b. ISDCA of 1981, EC. 725(b).
N/A

c. ISDCA of 1981, Sec. 726(b).
N/A

significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes Criteria applicable to all projects. Part B applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

CR Sec. 133. Notwithstanding any other provision of this joint resolution, none of the funds appropriate under section 101 (b) of this joint resolution may be available for any country during any 3-month period beginning on or after October 1, 1982, immediately following the certification of the President to the Congress that such country is not taking adequate steps to cooperate with the United States to prevent narcotic drugs and other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971 (21 U.S.C. 812)) which are produced, processed, or transported in such country from entering the Unites States unlawfully."

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriate Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million oer that amount)?

1. FY 1982 Appropriate Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

(a) Committees will be notified using congressional notification procedures.
(b) Yes

2. FAA Sec. 611 (a) (1). Prior to obligation in excess of $100,00, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimated of the cost to the U.S. of the assistance?

2. FAA Sec. 611 (a) (1).
(a) Yes
(b) Yes

3. FAA Sec. 611 (a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

3. FAA Sec. 611 (a) (2).
GOH has agreed to issues the required decrees on schedule.

4. FAA Sec. 611 (b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See A.I.D. Handbook 3 for new guidelines.)

4. FAA Sec. 611 (b); FY 1982 Appropriation Act Sec. 501.
N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

5. FAA Sec. 611(e).
N/A

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

6. FAA Sec. 209.
NO

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

7. FAA Sec. 601(a).
Project will encourage efforts in all of the noted areas.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise.)

8. FAA Sec. 601(b).
Private U.S. suppliers may sell goods to project.

9. <u>FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507</u>. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

9. <u>FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507</u>.
The GOh will provide 55 percent of total project cost. There are no U.S. owned local currencies.

10. <u>FAA Sec. 612(d)</u>. Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

10. <u>FAA Sec. 612(d)</u>.
NO

11. <u>FAA Sec. 601(e)</u>. Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

11. <u>FAA Sec. 601(e)</u>.
Yes

12. <u>FY 1982 Appropriation Act Sec. 521</u>. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

12. <u>FY 1982 Appropriation Act Sec. 521</u>.
NO

13. <u>Faa 118(c) and (d)</u>. Does the project comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?

13. <u>FAA 118(c) and (d)</u>.
Yes

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditures of project funds (dollars or local currency generated therefrom)?

14. FAA 121(d).
N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria.

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria.

a. FAA Sec. 102(b), 111, 113, 281(a).
Project will have direct impact on all of these items with the exception of (e).

61

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

b. FAA Sec. 103, 103A, 104, 105, 106.
Yes

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

c. FAA Sec. 107.
Yes

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

d. FAA Sec. 110(a).
Yes

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by A.I.D. dollar assistance of not less than $100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."

e. FAA Sec. 110(b).
Yes

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

f. FAA Sec. 122(b).
Yes

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

g. FAA Sec. 281(b).
Project will meet Honduras' need to enhance service and input delivery mechanism thereby enhancing grower produce and productivity. The country will be linked directly to on-going and planned research and extension activities.

2. Development Assistance Project Criteria (Loans Only)

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

a. FAA Sec. 122(b).

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

b. FAA Sec. 620(d).
N/A

c. ISDCA of 1981, Sec. 724(c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum

c. ISDCA of 1981, Sec. 724(c) and (d).
N/A

extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)?

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a).
Yes

b. FAA Sec. 531(c).
Yes

c. FAA Sec. 534.
Yes

d. FAA Sec. 609.
N/A

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?

3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

A. PROCUREMENT

1. FAA Sec. 602.
Yes

2. FAA Sec. 604(a).
Yes

3. FAA Sec. 604(d).
N/A

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a).
Yes

65

5. <u>FAA Sec. 604(g)</u>. Will construction or engineering services be procured from firms of countries otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one or more of these areas?

5. <u>FAA Sec. 604(g)</u>.
NO

6. <u>FAA Sec. 603</u>. Is the shipping excluded from compliance with requirements in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates?

6. <u>FAA Sec. 603</u>.
NO

7. <u>FAA Sec. 621</u>. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

7. <u>FAA Sec. 621</u>.
Yes

8. <u>International Air Transport. Fair Competitive Practices Act, 1974</u>. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

8. <u>International Air Transport. Fair Competitive Practices Act, 1974</u>.
Yes

9. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

9. FY 1982 Appropriation Act Sec. 504.
Yes

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?

1. FAA Sec. 601(d).
Given small anticipated size of contracts it is unlikely that U.S. firms will participate. They will however, be given the opportunity.

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

2. FAA Sec. 611(c).
Yes

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP)?

3. FAA Sec. 620(k).
Yes

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

1. FAA Sec. 122(b).
Yes

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

2. FAA Sec. 301(d).
Yes

3. FAA Sec. 620(h). Do arrangements exists to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

3. FAA Sec. 620(h).
Yes

4. Will arrangements preclude use of financing:

4.

a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as a method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilization as a means of family planning; (4) to lobby for abortion?

a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525:
N/A

b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?

b. FAA Sec. 620(g).
N/A

c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

c. FAA Sec. 660.
N/A

d. FAA Sec. 662. For CIA activities?

d. FAA Sec. 662.
N/A

68

e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside the U.S., unless a waiver is obtained?

e. FAA Sec. 636(i).
Yes

f. FY 1982 Appropriation Act. Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?

f. FY 1982 Appropriation Act. Sec. 503.
N/A

g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments arrearage or dues?

g. FY 1982 Appropriation Act, Sec. 505.
N/A

h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?

h. FY 1982 Appropriation Act, Sec. 506.
N/A

i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?

i. FY 1982 Appropriation Act, Sec. 510.
N/A

j. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

j. FY 1982 Appropriation Act, Sec. 511.
NO

k. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

k. FY 1982 Appropriation Act, Sec. 515.
NO

Summary Institutional Profiles

The organizations that will participate in the Project are DIFOCOOP, UNIOCOOP, FACACH, and ANACH. The following analysis considers each of these organizations in terms of its: (1) legal status and objectives; (2) membership; (3) organization and personnel; (4) involvement in the Project.

1. DIFOCOOP

a. Legal Status and Objectives

The Directorate of Cooperative Development (DIFOCOOP) is a de-centralized GOH institution created by Decree Law No. 158, dated March 12, 1954. This semi-autonomus organization constitutes the major public sector entity for the organization, extension and education of cooperatives in Honduras, and it is attached to the Ministry of Economy. DIFOCOOP has its own Director who has budgetary, administrative and programatic authority within the organization. The specific objectives of the Directorate are to: (1) initiate, promote and coordinate the organization and development of cooperative associations; (2) represent the cooperative movement before BANADESA and other financial institutions and negotiate financial assistance for the cooperative organizations; (3) provide technical assistance for cooperative organizations; (4) inspect and control the cooperative movement; and (5) approve the organization, termination and liquidation of cooperative groups.

b. Organizational Structure and Personnel

The governing body of the Directorate is a Board of Directors which was created by Executive Decree 688 issued on July 27, 1982. The Board is composed of four members representing respectively the Ministry of Economy, the Ministry of Finance and Public Credit, BANADESA and the Cooperative Associations. The principal function of the Board is to provide overall policy guidance for the Directorate. In addition, it oversees the administration of DIFOCOOP's funds and acts to change the Directorate's By-laws when necessary.

Daily operations of the Directorate are the responsibility of an Executive Director who is appointed by the Minister of Economy. The execution of duties is divided among three main departments: (1) logistic support including administration and accounting units; (2) technical support composed of program, legal, audit, inspection, personnel and cooperative registration groups; and (3) operations which includes sub-sector specific cooperative development units as well as training cadre. The organizational chart of DIFOCOOP appears below in Chart 1.

c. Capacity to Carryout Assigned Project Tasks.

Throughout its existence DIFOCOOP has exhibited an uneven track record in executing cooperative development programs. During its early years, the Directorate suffered from a chronic shortage of financial support, which, in turn, limited project implementation capacity, frequent staff turnovers and little program continuity. With the inversion of substantial amounts of GOH and donor assistance, beginning in 1980, the Directorate's performance has improved markedly. The quality of the staff has been upgraded, the policies refined to focus only on activities related to carrying-out its mandate, and personnel stability has improved.

A watershed activity for DIFOCOOP, began in 1982 when it assumed responsibility for the Service Cooperative component of the A.I.D. financed Agriculture Sector II Program. The Directorate created an Executing Unit, consisting of administrative, technical and support staff, and granted it sufficient latitude to carryout its responsibilities. The success enjoyed this component of the Agriculture Sector II Program is atributable in large part, to the Executing Unit's performance. Moreover, the Model Cooperatives developed under the Service Coop initiative provided the structural basis for this Small Farmer Organization Strengthening Project. Complementing its Ag Sector II involvement DIFOCOOP has successfully managed an A.I.D. financed PL480 Program as well as other donor initiatives. It is the Mission's judgement that DIFOCOOP, on the basis of is performance in prior and on-going A.I.D. and other donor financed projects, has demonstrated the capacity to adequately carryout its responsibilities in this Project -- program training, coordinate technical assistance, initiate design of the intermediary reorganization packages, prepare the creation of the FSF and monitor overall project implementation.

2. National Credit Union Federation of Honduras (FACACH)

a. Legal Status and Objectives

FACACH was established in 1966 and subsequently recognized by DIFOCOOP as a valid cooperative entity. The Federation's objectives are: (1) promote the credit union movement, mainly in rural areas; (2) design and carryout educational and technical assistance efforts to assist affiliate in serving their constituents; (3) secure and channel economic resources to support the activities of both the umbrella organization and the affiliates; (4) develop credit and insurance activities for the affiliates and; (5) guide FACACH's participation in the study, design and implementation of a national development program.

b. Membership

The Federation currently serves more than 39,000 thousand members, distributed among 89 union affiliates. It provides technical assistance, wholesale savings, credit and insurance services to its affiliates. In addition it operates three Integrated Agricultural Development projects and is implementing a basic grains marketing program. The most recent financial report, February 1985, indicated that the Federation had total assests in excess of L19.2 million (US $9.6 million).

c. Organizational Structure

Until recently, FACACH operated under an organizational structure which seriously inhibited the execution of activities. As can be seen from chart 2, the structure that was in use up to 1984 concentrated the bulk of its personnel in areas which did not generate revenues nor support to provision of the Federations principle services -- credit and insurance. The structure was so dispersed, that departmental, sectional and individual responsabilitiese simply could not be clearly assigned nor could performance be monitored. Owing to duplication of function operating costs were exceedingly high, yet, because of extreme diffusion or responsibility there was little accountability for results with a consequent negative impact on profilitability.

Recently, FACACH reorganized its operations to emphasize functional responsibility. The staff has been streamlined and a significant number of positions have been eliminated, particularly in the area of general administration. The key organizational modification are:

i. a concentration of administration management functions into one department - "controller".

ii. elimination of the Assistant Manager position and a distribution of the functions of that position among the head of each operating division and the Controller;

iii. an expansion of the Internal Auditor's function to cover the entire organization;

iv. a merging of the DAI activities and the Marketing Department to form a single Agricultural Services Division;

v. a concentration of credit functions, beginning with promotion and application analysis through delinquency control and loan foreclosure/liquidation within the Financial Operations Department;

vi. creation of a Savings and Loan Division within the Department of Financial Operations to mobilize and manage funds received from affiliates, including savings deposits, equity capital and central liquidity reserves;

vii. establishment of an Interventions and Merger Section to manage intervened credit unions and stabilization fund operations and carryout mergers when necessary; and

viii. creation of Cooperative Development Department to implement special projects, rural financial systems development and training and promotion.

The revised FACACH organizational structure appears below in Chart 3.

3. The National Association of Honduran Peasants (ANACH)

a. Legal Status and Objectives

ANACH was founded by executive decree in 1962. It is a rural based union movement which has traditionally sought to gain access to land for the landless poor under the GOH land reform program. Like FECORAH it has emphasized a collective approach to agricultural production and marketing. As the movement envolved, the Association was faced with additional challenges to that of securing land titles for its constitutients. Accordingly, in the early 1970's, ANACH launched a series of programs designed to furnish production, marketing, and credit services to its members. To coincide with the provision of these services, the Association, beginning in 1974, an affiliate organizational vehicle, Production and Services Units, which have involved into the present mechanism -- Regional Agricultural Cooperatives (CAP's).

b. Organizational Structure

Maximun authority within ANACH is exercised by the National Convention which is held annually in September, immediately following the close of the organization's fiscal year. Convention delegates consist of one or more representative elected from each base group, plus 25 members of National Directive Council (CND). Groups with fewer than 100 members send one delegate; those with 100 or more members send two. Biannually, convention delegates elect the Association leadership.

The National Convention elects the 25 members who comprise the CND. These representatives serve for two years and are eligible for re-election a infinitum. The CND, which meets quarterly, has executive as well as plicymaking authority. Its members are activists with assigned responsibilities at both national and regional levels. They receive honoraria and per diem travel expenses. One of the original purposes of the CND was to represent all eight ANACH regions throughout the country. All 14 CAR presidents are members of the CND. Each member is charged with a specific sectoral responsibility. However, in practice, due to budget and organizational constraints, these offices are non-functional. Moreover, the CND is increasingly becoming an advisory body to the National Executive Committee (CND).

This National Executive Committee is the effective seat of power of ANACH. It meets weekly and is composed of the nine principal members of the National Council--President, Vice-President, Fiscal, General Secretary, Recording Secretary, plus the Secretaris of Finance, Cooperatives, Education, and Organization. Members of this committee implement, monitor, and evaluate ANACH policy and activities.

In 1984 the CEN was expanded from seven to nine individuals, adding the secretaries of cooperatives and education. These changes reflect the recognition of the importance of these two areas to the future of ANACH's direction and finance, and appear to further the tendency to de-emphasize the CND. Members of the CEN represent ANACH on various GOH executive boards and advisory communittees to which ANACH is accredited--such as BANADESA, DIFOCOOP, and IHMA.

Three ANACH-related structures exist at the regional level: (1) the economic (CAR's); (2) the political/representative (Seccionales); and (3) the administrative/service (ANACH regional offices).

The 14 CAR's service their affiliated base groups; leadership is elected by these groups alone. The CAR's are formally independent from ANACH, possessing separate legal status, but in practice the linkages are close, i.e., all 14 CAR presidents serve on the ANACH National Council. Also, 7 of 10 ANACH regional offices share facilitaties with the local CAR's, and there is considerable overlap of membership among CAR leaders, seccional leaders, and regional and national office staff and leadership.*

In the ten regions where ANACH has five or more base groups an ANACH regional office generally exists to serve them. These offices typically consist of a regional coordinator (a member of the CND), two activistas, and a secretary--all employees of, and named by the ANACH Nacional Organization. These offices serve as a point of contact for requests for ANACH services and for communication between ANACH and the base groups, or with local representatives of GOH agencies.

The seccionales are the regional organizations for all ANACH base groups. The base groups elect a five-member comité seccional which meets monthlh at the ANACH regional office and is a liaison with the regional coordinator.

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* ANACH national and regional offices share facilities with CAR's in Comayagua (CARCOMAL), Colón (CARCOL), Copán (CAROCCIL), Morazán-Yoro (CARENMOL), San Pedro Sula (ANACH and CARCOTEL), Olanchito-Yoro (CAROL), and Choluteca (CARCHOL). Only the three regional offices in Olancho, Francisco Morazán (Tegucigalpa) and Atlántida occupy separate quarters. The president of CARCOTEL is the ANACH Secretary for Cooperatives; the regional coordinator of ANACH/Comayagua is the president of CARCOMAL; a Copán regional office activista once served as CAROCCIL president, etc.

4. Agricultural Services Cooperatives Union (UNIOCOOP)

a. Legal Status and Objectives

The Agricultural Services Cooperatives Union (UNIOCOOP) is a "second story" cooperative organized in April 1985 by natural concent of the four "Model" cooperatives that were organized under the auspices and financing of the Agricultural Sector II Program. It's legal status documentation is currently being processed by DIFOCCOP.

The Coop's maximum authority is the General Assembly composed of representatives of the four "Model" cooperatives.

An initial task of the Assembly will be draw up the Union's By-laws. Thereafter, it will meet yearly to gauge progress and review operating plans and budgets.

Policy formulation, lobbying fund raising an overall guidance will be executed by a Board of Directors selected by the General Assembly. Daily operations will be responsibility of a full time salaried General Manager supported by technical cadres specialized in administration, technical services and marketing services. A complete organizational diagram is attached as Chart 7.

b. The Goals of UNIOCOOP are to:

a. act as the legal representative for its affiliates;
b. assist with execution of marketing activities for the local and export markets;
c. procure commodities, agricultural supplies, agricultural machinery services, equipment, parts and supplies, household items, packing supplies, improved seeds, fertilizers, agrochemicals, raw materials and others necessary for the agricultural production;
d. provide and coordinate technical assistance services in administration, cooperative education, fianancial matters, and any other related affairs required by its affiliates;
e. register manufacturing licenses, labeling, trade marks, applicable to the items produced or made by or through the Union;
f. encourage and establish good commercial and cooperation relationships among companies, institutions, government agencies, other entities and or individuals in country, and overseas which will assist in carrying out the Union's negotiations or operations;
g. create and maintain efficiency and guaranty in the functioning and provision of services to its affiliates;
h. procure and request financial resources for the achievement of the Union's goals and objectives;
i. develop and standardize all administrative rules and operation technics for the cooperatives and provide the with legal, promotional and economical assistance as well; and
j. procure and contract financial and economical assistance from national and international organizations.

ANNEX F

TABLES FOR ECONOMIC ANALYSIS

Contents:

TABLE 1: SUMMARY RESULTS OF ECONOMIC ANALYSIS OF THE FARMER ORGANIZATION STRENGTHENING (FOS) PROJECT

BASIC BENCHMARK SCENARIO

ECONOMIC RESOURCE FLOWS

TOTAL PROJECT: ALL FARMER INTERMEDIARIES	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Coops Participating	0	8	19	36	55	55	55	55	55	55	55	55	55	55	55
Farm Units Participating	0	1200	2875	6169	10343	11390	12546	13820	15226	16777	18486	20368	22393	24624	27072
Average Number of Units Per Coop															
Average Annual Growth Rate															

(Thousands of 1985 Lempiras)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Net Incremental Income Overall	-7434	-6229	-5097	-2355	3469	4604	5890	7351	9012	10906	13068	15407	17376	19592	21956
Internal Rate of Return #/1					-51.46%	-25.01%	-9.73%	0.20%	7.05%	11.96%	15.60%	18.32%	20.34%	21.88%	23.07%
Net Incremental Income: Farm Units	0	2307	3819	6012	9442	10577	11863	13324	14985	16879	19041	21380	23349	25565	27929
Net Incremental Income: Cooperatives	-727	-1095	-2157	-3662	-5973	-5973	-5973	-5973	-5973	-5973	-5973	-5973	-5973	-5973	-5973
Net Incremental Income: Intermediaries	-3279	-4516	-4697	-2399	0	0	0	0	0	0	0	0	0	0	0
Overall Direct Project Costs Attributed to All 5 Intermediaries #/2	-3429	-2925	-2063	-2106	0	0	0	0	0	0	0	0	0	0	0

NOTES: 1. For the period from the first year of the project to the year indicated.
2. Those direct project funded expenses which were designated for real goods and services for specific farmer intermediaries are included under "Net Incremental Income: Intermediaries." Those direct project funded expenses for overall project level activities, e.g. the FIU and the FSF, were allocated among the five participating farmer intermediaries pari passu based on the percentage of the overall total number of participating farm units accounted for by each intermediary.

TABLE 1: SUMMARY RESULTS OF ECONOMIC ANALYSIS OF THE FARMER ORGANIZATION STRENGTHENING (FOS) PROJECT (Continued)

1.a. INTERMEDIARY ORGANIZATION: FEHCOCAL		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Coops Participating		0	0	4	8	13	13	13	13	13	13	13	13	13	13	13
Farm Units Participating		0	0	200	420	712	783	862	948	1042	1147	1261	1387	1526	1679	1847
Average Number of Units Per Coop	50															
Average Annual Growth Rate	10.0%					(Thousands of 1985 Lempiras)										
Net Incremental Income Of Intermediary		-908	-1194	-1018	-339	725	926	1151	1396	1665	1962	2288	2647	3042	3476	3953
Internal Rate of Return */1						-46.66%	-20.26%	-5.22%	4.38%	10.86%	15.43%	18.74%	21.20%	23.06%	24.49%	25.60%
Net Incremental Income: Farm Units		0	0	569	1195	2025	2228	2451	2696	2965	3262	3588	3947	4342	4776	5253
Net Incremental Income: Cooperatives		0	0	-400	-800	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300
Intermediary Level Direct Project Costs		-700	-1005	-1045	-590	0	0	0	0	0	0	0	0	0	0	0
Attributed Costs from PIU, etc. */2		-208	-169	-142	-145											

1.b. INTERMEDIARY ORGANIZATION: ANACH		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Coops Participating		0	0	0	5	9	9	9	9	9	9	9	9	9	9	9
Farm Units Participating		0	0	0	1000	1900	2090	2299	2529	2782	3060	3366	3703	4073	4480	4928
Average Number of Units Per Coop	200															
Average Annual Growth Rate	10.0%					(Thousands of 1985 Lempiras)										
Net Incremental Income Of Intermediary		-812	-1369	-1329	-525	-153	-85	-11	71	161	260	368	488	619	764	923
Internal Rate of Return */1									-58.50%	-39.65%	-27.79%	-19.40%	-13.15%	-8.34%	-4.56%	-1.53%
Net Incremental Income: Farm Units		0	0	0	355	675	743	817	899	989	1088	1196	1316	1447	1592	1751
Net Incremental Income: Cooperatives		0	0	0	-460	-828	-828	-828	-828	-828	-828	-828	-828	-828	-828	-828
Intermediary Level Direct Project Costs		-478	-957	-995	-41	0	0	0	0	0	0	0	0	0	0	0
Attributed Costs from PIU, etc. */2		-335	-412	-335	-379											

1.c. INTERMEDIARY ORGANIZATION: FECORAH		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Coops Participating		0	0	0	1	3	3	3	3	3	3	3	3	3	3	3
Farm Units Participating		0	0	0	450	1395	1535	1688	1857	2042	2247	2471	2718	2990	3289	3618
Average Number of Units Per Coop	450															
Average Annual Growth Rate	10.0%					(Thousands of 1985 Lempiras)										
Net Incremental Income Of Intermediary		-851	-1267	-1272	-877	-56	-7	48	108	174	246	326	414	511	617	734
Internal Rate of Return */1								-69.36%	-49.82%	-36.43%	-26.73%	-19.46%	-13.85%	-9.43%	-5.69%	-3.01%
Net Incremental Income: Farm Units		0	0	0	160	496	545	600	660	726	798	878	966	1063	1169	1286
Net Incremental Income: Cooperatives		0	0	0	-184	-552	-552	-552	-552	-552	-552	-552	-552	-552	-552	-552
Intermediary Level Direct Project Costs		-700	-1005	-1045	-590	0	0	0	0	0	0	0	0	0	0	0
Attributed Costs from PIU, etc. */2		-151	-262	-227	-264	0	0	0	0	0	0	0	0	0	0	0

TABLE 1: SUMMARY RESULTS OF ECONOMIC ANALYSIS OF THE FARMER ORGANIZATION STRENGTHENING (FOS) PROJECT (Concluded)

1.d. INTERMEDIARY ORGANIZATION: FACACH		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Coops Participating		0	4	9	14	20	20	20	20	20	20	20	20	20	20	20
Farm Units Participating		0	1000	2350	3835	5719	6290	6919	7611	8372	9210	10131	11144	12258	13484	14832
Average Number of Units Per Coop	250															
Average Annual Growth Rate	10.0%					(Thousands of 1985 Lempiras)										
Net Incremental Income Of Intermediary		-3105	-2851	-2257	-1700	192	396	619	865	1136	1433	1760	2120	2517	2952	3431
Internal Rate of Return #/1						-90.15%	-61.50%	-41.64%	-28.14%	-18.54%	-11.47%	-6.11%	-1.97%	1.31%	3.93%	6.05%
Net Incremental Income: Farm Units		0	355	835	1363	2032	2236	2459	2705	2976	3273	3600	3960	4357	4792	5271
Net Incremental Income: Cooperatives		0	-368	-826	-1288	-1840	-1840	-1840	-1840	-1840	-1840	-1840	-1840	-1840	-1840	-1840
Intermediary Level Direct Project Costs		-700	-1005	-1045	-590	0	0	0	0	0	0	0	0	0	0	0
Attributed Costs from PIU, etc. #/2		-2405	-1833	-1220	-1185											

1.e. INTERMEDIARY ORGANIZATION: UNIOCOOP (Models)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Coops Participating		0	4	6	8	10	10	10	10	10	10	10	10	10	10	10
Farm Units Participating		0	200	325	464	617	692	778	875	987	1113	1259	1416	1545	1691	1647
Average Number of Units Per Coop	50															
Average Annual Growth Rate	10.0% #/3					(Thousands of 1985 Lempiras)										
Net Incremental Income Of Intermediary		-1758	451	779	1087	2769	3372	4083	4911	5677	7005	8325	9737	10688	11783	12914
Internal Rate of Return #/1					13.14%	42.14%	55.12%	62.05%	66.05%	68.46%	69.96%	70.92%	71.54%	71.92%	72.15%	72.29%
Net Incremental Income: Farm Units		0	1951	2415	2939	4213	4825	5536	6364	7330	8458	9778	11190	12140	13236	14367
Net Incremental Income: Cooperatives		-727	-727	-929	-1130	-1453	-1453	-1453	-1453	-1453	-1453	-1453	-1453	-1453	-1453	-1453
Intermediary Level Direct Project Costs		-700	-545	-567	-590	0	0	0	0	0	0	0	0	0	0	0
Attributed Costs from PIU, etc. #/2		-331	-226	-141	-133	0	0	0	0	0	0	0	0	0	0	0

NOTES: 1. For the period from the first year of the project to the year indicated.

2. Those direct project funded expenses which were designated for real goods and services for specific farmer intermediaries are included under "Net Incremental Income: Intermediaries." Those direct project funded expenses for overall project level activities, e.g. the PIU and the FSF, were allocated among the five participating farmer intermediaries pari passu based on the percentage of the overall total number of participating farm units accounted for by each intermediary.

3. For Fruta del Sol the annual expansion rate is 20%.

19

TABLE 2: KEY ASSUMPTIONS EMPLOYED IN THE BASIC BENCHMARK SCENARIO

FARM UNIT PROTOTYPE USED IN ANALYSIS ACCORDING TO FARMER INTERMEDIARY ORGANIZATION		NUMBER OF PARTICIPATING AFFILIATES BY THE END OF PROJECT YEAR FOUR	AVERAGE INITIAL SIZE OF AFFILIATE COOPERATIVES (IN FARM UNITS) 4/2	ANNUAL GROWTH RATE
PARTICIPATING INTERMEDIARY	FARM UNIT PROTOTYPE 4/1			
UNIOCOOP (MODELS)				
20 de Marzo Prototypes	A	3	50	10%
Nava Occidental Prototypes	B	4	50	10%
CREHSUL Prototypes	C	1	50	10%
Fruta del Sol Prototypes	D	2	50	20%
ANACH	A	9	200	10%
FACACH	A	20	450	10%
FECORAH	A	3	250	10%
FEHCOCAL	E	13	50	10%

NOTES: 1. The characteristics of each farm unit prototype are summarized in Table 2 and are presented with substantial detail in Table 6.a. through 6.e.
2. This represents the estimated number of farm units per affiliated coop which will realize the "with project" scenario yield increases.

TABLE 3: SUMMARY OF FARM UNIT PROTOTYPE CHARACTERISTICS

Prototype A (20 de Marzo, ANACH, FACACH, FECORAH)

	FARM UNIT SIZE AND CROPPING PATTERNS						CROP YIELDS PER MANZANA	
	WITHOUT PROJECT			WITH PROJECT				
Crops	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	WITHOUT PROJECT	WITH PROJECT
Corn	3.25	2	6.50	3.00	2	6.00	40 qq	50 qq
Beans	0.25	2	0.50	0.25	2	0.50	10 qq	15 qq
Rice	0.50	1	0.50	0.50	1	0.50	60 qq	70 qq
Green Peppers	0.00	1	0.00	0.25	1	0.25	n.a.	200 qq
Total	4.00		7.50	4.00		7.25		

Prototype B (Nava Occidental)

FARM UNIT SIZE AND CROPPING PATTERNS

	WITHOUT PROJECT			WITH PROJECT			CROP YIELDS PER MANZANA	
Crops	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	WITHOUT PROJECT	WITH PROJECT
Corn	2.50	2	5.00	1.25	2	2.50	30 qq	42 qq
Beans	1.50	1	1.50	1.50	1	1.50	15 qq	18 qq
Coffee	1.00	1	1.00	1.00	1	1.00	10 qq	14 qq
Green Peppers	0.00	1	0.00	0.25	1	0.25	n.a.	300 qq
Onions	0.00	2	0.00	0.50	2	1.00	n.a.	90 qq
Cabbage	0.00	1	0.00	0.50	1	0.50	n.a.	400 qq
Total	5.00		7.50	5.00		6.75		

Prototype C (CREHSUL)

FARM UNIT SIZE AND CROPPING PATTERNS

	WITHOUT PROJECT			WITH PROJECT			CROP YIELDS PER MANZANA	
Crops	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	WITHOUT PROJECT	WITH PROJECT
Canteloupe	8.00 #/1	1	8.00	8.00 #/1	1	8.00	n.a.	160 boxes #/2
Green Peppers	2.00	1	2.00	2.00	1	2.00	n.a.	70 qq
Total	10.00		10.00	10.00		10.00		

NOTES: 1. Equivalent to 5.6 hectares.
2. Export Only.

Prototype D (Fruta del Sol)

FARM UNIT SIZE AND CROPPING PATTERNS

	WITHOUT PROJECT			WITH PROJECT			CROP YIELDS PER MANZANA	
Crops	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	WITHOUT PROJECT	WITH PROJECT
Corn	3.50	2	7.00	0.00	2	0.00	30 qq	n.a.
Cucumber	0.00	1	0.00	2.50	1	2.50	n.a.	1300 boxes #/3
Tomato	1.00	1	1.00	1.00	1	1.00	12 tons	s 25 tons
Watermelon	0.50	2	1.00	0.50	2	1.00	1500 ea	2000 ea
Green Peppers	0.00	2	0.00	0.50	2	1.00	n.a.	300 qq
Onions	0.00	2	0.00	0.50	2	1.00	n.a.	90 qq
Total	5.00		9.00	5.00		6.50		

Prototype E (FENCOCAL)

FARM UNIT SIZE AND CROPPING PATTERNS

	WITHOUT PROJECT			WITH PROJECT			CROP YIELDS PER MANZANA	
Crops	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	Actual Manzanas Cultivated	Number of Crop Cycles Per Year	Total Manzanas Cultivated	WITHOUT PROJECT	WITH PROJECT
Corn	1.00	2	2.00	1.00	1	1.00	33 qq	42 qq
Coffee	10.00	1	10.00	10.00	1	10.00	10 qq	14 qq
Total	11.00		12.00	11.00		11.00		

1. Equivalent to 5.6 hectares.

TABLE 4: SUMMARY RESULTS OF SENSITIVITY ANALYSES

FARMER ORGANIZATION STRENGTHENING PROJECT: INTERNAL ECONOMIC RATES OF RETURN

	BASIC BENCHMARK SCENARIO	COSTS UNDERESTIMATED BY:			ESTIMATED WITH-PROJECT YIELD GAINS ARE MISSED BY:		SHADOW PRICE ADJUSTMENT FOR LABOR INCREASED FROM .70 TO .85	INCREASED DIVERSIFICATION IN FARM UNIT PROTOTYPE "A" #2
		10%	20%	25%	10%	20%		
WHOLE PROJECT	23.1%	13.5%	2.2%	-5.3%	9.6%	-12.4%	21.0%	40.6%
INTERMEDIARIES								
FEHCOCAL	25.6%	--	--	--	16.3%	12.6%	23.8%	25.6%
ANACH	-1.5%	--	--	--	#/1	#/1	-3.5%	30.0%
FECORAH	-3.0%	--	--	--	#/1	#/1	-4.7%	23.2%
FACACH	6.1%	--	--	--	-43.7%	#/1	4.3%	41.7%
UNIOCOOP (MODELS)	72.3%	--	--	--	53.6%	34.9%	67.2%	74.7%

NOTES: 1. A very substantial negative rate.
2. The area under cultivation with chile cavanne was increased from .25 manzanas used in the Basic Benchmark Scenario to .5 manzanas.

ECONOMIC ANALYSIS OF THE FARMER ORGANIZATION STRENGTHENING (FOS) PROJECT
USAID/Honduras. Office of Economic and Program Analysis
25-Jul-85 IBM:SENSTV1

5.a. FEHCOCAL	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Affiliated Cooperatives Participating	0	0	4	8	13	13	13	13	13	13	13	13	13	13	13
Farm Units Participating	0	0	200	420	712	783	862	948	1042	1147	1261	1387	1526	1679	1847

Note: Projected growth in farm unit participation was based on the following:
Each original and additional coop begins its first year of participation with an average of 50 units and expands by 10.0% per year.

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

TOTAL ECONOMIC RESOURCE FLOWS: FEHCOCAL	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	0	2153	4520	7663	8430	9273	10200	11220	12342	13576	14934	16427	18070	19877
Gross Costs	0	0	1522	3196	5418	5960	6556	7211	7933	8726	9598	10558	11614	12776	14053
Net Income	0	0	631	1324	2245	2470	2717	2988	3287	3616	3977	4375	4813	5294	5823
With Project															
Gross Revenues	0	0	3004	6309	10696	11765	12942	14236	15660	17225	18948	20843	22927	25220	27742
Gross Costs	700	1005	3250	5180	7725	8368	9074	9852	10707	11648	12683	13821	15073	16450	17965
Net Income	-700	-1005	-245	1130	2971	3398	3867	4384	4952	5578	6266	7022	7854	8770	9777
Incremental Flows															
Incremental Revenues	0	0	852	1789	3032	3336	3669	4036	4440	4884	5372	5909	6500	7150	7865
Incremental Costs	700	1005	1728	1984	2307	2408	2519	2640	2774	2922	3084	3262	3459	3675	3912
Net Incremental Income	-700	-1005	-876	-195	725	928	1151	1396	1665	1962	2288	2647	3042	3476	3953

TABLE 5: ECONOMIC RESOURCE FLOWS BY FARMER INTERMEDIARY (PARENT) ORGANIZATION (Continued)

5.a. FENCOCAL (Concluded)

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

Economic Resource Flows at Farm Unit Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	0	2153	4520	7663	8430	9273	10200	11220	12342	13576	14934	16427	18070	19877
Gross Costs	0	0	1522	3196	5418	5960	6556	7211	7933	8726	9598	10558	11614	12776	14053
Net Income	0	0	631	1324	2245	2470	2717	2988	3287	3616	3977	4375	4813	5294	5823
With Project															
Gross Revenues	0	0	3004	6309	10676	11765	12942	14236	15660	17225	18948	20843	22927	25220	27742
Gross Costs	0	0	1805	3790	6425	7068	7774	8552	9407	10348	11383	12521	13773	15150	16665
Net Income	0	0	1200	2519	4271	4698	5167	5684	6252	6878	7566	8322	9154	10070	11077
Incremental Flows															
Incremental Revenues	0	0	852	1789	3032	3336	3669	4036	4440	4884	5372	5909	6500	7150	7865
Incremental Costs	0	0	283	594	1007	1108	1219	1340	1474	1622	1784	1962	2159	2375	2612
Net Incremental Income of All Farm Units	0	0	569	1195	2025	2228	2451	2696	2965	3262	3586	3947	4342	4776	5253

Economic Resource Flows at Cooperative Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	0	0	400	800	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300
Net Incremental Income of All Coops	0	0	-400	-800	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300

Economic Resource Flows at Intermediary Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	700	1005	1045	590	0	0	0	0	0	0	0	0	0	0	0
Net Incremental Income of Intermediary	-700	-1005	-1045	-590	0	0	0	0	0	0	0	0	0	0	0

5.e. ANACH	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Affiliated Cooperatives Participating	0	0	0	5	9	9	9	9	9	9	9	9	9	9	9
Farm Units Participating	0	0	0	1000	1900	2090	2299	2529	2782	3060	3366	3703	4073	4480	4926

Note: Projected growth in farm unit participation was based on the following:
Each original and additional coop begins its first year of participation with an average of 200 units and expands by 10.0% per year

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

TOTAL ECONOMIC RESOURCE FLOWS: ANACH	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	0	0	4013	7624	8386	9225	10147	11162	12278	13506	14857	16342	17976	19774
Gross Costs	0	0	0	2491	4732	5205	5726	6298	6928	7621	8383	9221	10144	11158	12274
Net Income	0	0	0	1522	2892	3181	3499	3849	4234	4657	5123	5635	6199	6819	7500
With Project															
Gross Revenues	0	0	0	5929	11265	12391	13630	14993	16493	18142	19956	21952	24147	26561	29218
Gross Costs	478	957	995	4552	8526	9295	10142	11074	12098	13225	14465	15829	17329	18979	20794
Net Income	-478	-957	-995	1377	2739	3096	3488	3920	4394	4917	5491	6123	6818	7583	8424
Incremental Flows															
Incremental Revenues	0	0	0	1916	3641	4005	4405	4846	5331	5864	6450	7095	7805	8585	9443
Incremental Costs	478	957	995	2062	3794	4090	4416	4775	5170	5604	6082	6607	7185	7821	8520
Net Incremental Income	-478	-957	-995	-145	-153	-85	-11	71	161	260	368	488	619	764	923

10

TABLE 5: ECONOMIC RESOURCE FLOWS BY FARMER INTERMEDIARY (PARENT) ORGANIZATION (Continued)

5.b. ANACH (Concluded)

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

Economic Resource Flows at Farm Unit Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	0	0	4013	7624	8366	9225	10147	11162	12278	13506	14857	16342	17976	19774
Gross Costs	0	0	0	2491	4732	5205	5726	6298	6928	7621	8383	9221	10144	11158	12274
Net Income	0	0	0	1522	2892	3181	3499	3849	4234	4657	5123	5635	6199	6819	7500
With Project															
Gross Revenues	0	0	0	5929	11265	12391	13630	14993	16493	18142	19956	21952	24147	26561	29218
Gross Costs	0	0	0	4051	7698	8467	9314	10246	11270	12397	13637	15001	16501	18151	19966
Net Income	0	0	0	1877	3567	3924	4316	4748	5222	5745	6319	6951	7646	8411	9252
Incremental Flows															
Incremental Revenues	0	0	0	1916	3641	4005	4405	4846	5331	5864	6450	[illegible]	7805	8585	9443
Incremental Costs	0	0	0	1561	2966	3262	3588	3947	4342	4776	5254	5779	6357	6993	7692
Net Incremental Income of All Farm Units	0	0	0	355	675	743	817	899	989	1088	1196	1316	1447	1592	1751

Economic Resource Flows at Cooperative Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	0	0	0	460	828	828	828	828	828	828	828	828	828	828	828
Net Incremental Income of All Coops	0	0	0	-460	-828	-828	-828	-828	-828	-828	-828	-828	-828	-828	-828

Economic Resource Flows at Intermediary Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	478	957	995	41	0	0	0	0	0	0	0	0	0	0	0
Net Incremental Income of Intermediary	-478	-957	-995	-41	0	0	0	0	0	0	0	0	0	0	0

5.c. FECORAH	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Affiliated Cooperatives Participating	0	0	0	1	3	3	3	3	3	3	3	3	3	3	3
Farm Units Participating	0	0	0	450	1395	1535	1688	1857	2042	2247	2471	2718	2990	3289	3618

Note: Projected growth in farm unit participation was based on the following:
Each original and additional coop begins its first year of participation with an average of 450 units and expands by 10.0% per year.

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

TOTAL ECONOMIC RESOURCE FLOWS: FECORAH	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	0	0	1806	5597	6157	6773	7450	8195	9015	9916	10908	11999	13198	14518
Gross Costs	0	0	0	1121	3474	3822	4204	4624	5087	5595	6155	6770	7447	8192	9011
Net Income	0	0	0	685	2123	2335	2569	2826	3108	3419	3761	4137	4551	5006	5507
With Project															
Gross Revenues	0	0	0	2668	8271	9098	10007	11008	12109	13320	14652	16117	17729	19502	21452
Gross Costs	700	1005	1045	2597	6204	6769	7391	8074	8827	9654	10564	11566	12667	13878	15211
Net Income	-700	-1005	-1045	71	2067	2329	2617	2934	3282	3666	4088	4552	5062	5623	6241
Incremental Flows															
Incremental Revenues	0	0	0	862	2673	2940	3235	3558	3914	4305	4736	5209	5730	6303	6934
Incremental Costs	700	1005	1045	1476	2729	2947	3187	3450	3740	4059	4409	4795	5219	5686	6200
Net Incremental Income	-700	-1005	-1045	-614	-56	-7	48	108	174	246	326	414	511	617	734

TABLE 5: ECONOMIC RESOURCE FLOWS BY FARMER INTERMEDIARY (PARENT) ORGANIZATION (Continued)

5.c. FECORAH (Concluded)

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

Economic Resource Flows at Farm Unit Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	0	0	1806	5597	6157	6773	7450	8195	9015	9916	10908	11999	13198	14518
Gross Costs	0	0	0	1121	3474	3822	4204	4624	5087	5595	6155	6770	7447	8192	9011
Net Income	0	0	0	685	2123	2335	2569	2826	3108	3419	3761	4137	4551	5006	5507
With Project															
Gross Revenues	0	0	0	2668	8271	9098	10007	11008	12109	13320	14652	16117	17729	19502	21452
Gross Costs	0	0	0	1823	5652	6217	6839	7522	8275	9102	10012	11014	12115	13326	14659
Net Income	0	0	0	845	2619	2881	3169	3486	3834	4218	4640	5104	5614	6175	6793
Incremental Flows															
Incremental Revenues	0	0	0	862	2673	2940	3235	3558	3914	4305	4736	5209	5730	6303	6934
Incremental Costs	0	0	0	702	2177	2395	2635	2898	3188	3507	3857	4243	4667	5134	5648
Net Incremental Income of All Farm Units	0	0	0	160	496	545	600	660	726	798	878	966	1063	1169	1286

Economic Resource Flows at Cooperative Level

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	0	0	0	184	552	552	552	552	552	552	552	552	552	552	552
Net Incremental Income of All Coops	0	0	0	-184	-552	-552	-552	-552	-552	-552	-552	-552	-552	-552	-552

Economic Resource Flows at Intermediary Level

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	700	1005	1045	590	0	0	0	0	0	0	0	0	0	0	0
Net Incremental Income of Intermediary	-700	-1005	-1045	-590	0	0	0	0	0	0	0	0	0	0	0

5.d. FACACH	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Affiliated Cooperatives Participating	0	4	9	14	20	20	20	20	20	20	20	20	20	20	20
Farm Units Participating	0	1000	2350	3835	5719	6290	6919	7611	8372	9210	10131	11144	12258	13484	14832

Note: Projected growth in farm unit participation was based on the following:
Each original and additional coop begins its first year of participation with an average of 250 units and expands by 10.0% per year.

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

TOTAL ECONOMIC RESOURCE FLOWS: FACACH	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	4013	9429	15388	22945	25240	27764	30540	33594	36954	40649	44714	49186	54104	59515
Gross Costs	0	2491	5853	9551	14242	15666	17233	18956	20852	22937	25231	27754	30529	33582	36940
Net Income	0	1522	3577	5837	8703	9574	10531	11584	12743	14017	15418	16960	18656	20522	22574
With Project															
Gross Revenues	0	5929	13933	22737	33904	37294	41023	45126	49638	54602	60062	66068	72675	79943	87937
Gross Costs	700	5424	11394	17415	25008	27325	29873	32676	35760	39152	42863	46988	51502	56469	61931
Net Income	-700	505	2539	5322	8896	9969	11150	12449	13878	15450	17179	19081	21173	23474	26006
Incremental Flows															
Incremental Revenues	0	1916	4503	7349	10958	12054	13259	14585	16044	17648	19413	21354	23490	25839	28422
Incremental Costs	700	2934	5541	7863	10766	11658	12640	13720	14908	16215	17652	19234	20973	22886	24991
Net Incremental Income	-700	-1017	-1038	-515	192	396	619	865	1136	1433	1760	2120	2517	2952	3431

69

5.d. FACACH (Continued)

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

Economic Resource Flows at Farm Unit Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	4013	9429	15388	22945	25240	27764	30540	33594	36954	40649	44714	49186	54104	59515
Gross Costs	0	2491	5853	9551	14242	15666	17233	18956	20852	22937	25231	27754	30529	33582	36940
Net Income	0	1522	3577	5837	8703	9574	10531	11584	12743	14017	15418	16960	18656	20522	22574
With Project															
Gross Revenues	0	5929	13933	22737	33904	37294	41023	45126	49638	54602	60062	66068	72675	79943	87937
Gross Costs	0	4051	9521	15537	23168	25485	28033	30836	33920	37312	41043	45148	49662	54629	60091
Net Income	0	1877	4412	7200	10736	11809	12990	14289	15718	17290	19019	20921	23013	25314	27846
Incremental Flows															
Incremental Revenues	0	1916	4503	7349	10958	12054	13259	14585	16044	17648	19413	21354	23490	25839	28422
Incremental Costs	0	1561	3668	5986	8926	9818	10800	11880	13068	14375	15812	17394	19133	21046	23151
Net Incremental Income of All Farm Units	0	355	835	1363	2032	2236	2459	2705	2976	3273	3600	3960	4357	4792	5271

Economic Resource Flows at Cooperative Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	0	368	828	1288	1840	1840	1840	1840	1840	1840	1840	1840	1840	1840	1840
Net Incremental Income of All Coops	0	-368	-828	-1288	-1840	-1840	-1840	-1840	-1840	-1840	-1840	-1840	-1840	-1840	-1840

Economic Resource Flows at Intermediary Level	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	700	1005	1045	590	0	0	0	0	0	0	0	0	0	0	0
Net Incremental Income of Intermediary	-700	-1005	-1045	-590	0	0	0	0	0	0	0	0	0	0	0

TABLE 3: [illegible]MIC RESOURCE FLOWS BY FARMER INTERMEDIARY (PARENT) ORGANIZATION

5.e. UNIOCOOP (Model Cooperatives)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Coops Participating															
A. 20 de Marzo Prototype	0	1	2	3	3	3	3	3	3	3	3	3	3	3	3
B. Maya Occidental Prototype	0	1	2	3	4	4	4	4	4	4	4	4	4	4	4
C. CREHSUL Prototype	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1
D. Fruta del Sol Prototype	0	1	1	1	2	2	2	2	2	2	2	2	2	2	2
Total	0	4	6	8	10	10	10	10	10	10	10	10	10	10	10
Farm Units Participating by Prototype															
A. 20 de Marzo Prototype	0	50	105	166	182	200	220	242	267	293	323	355	390	429	472
B. Maya Occidental Prototype	0	50	105	166	232	255	281	309	340	374	411	452	497	547	602
C. CREHSUL Prototype	0	50	55	61	67	73	81	89	97	107	118	130	143	157	173
D. Fruta del Sol Prototype	0	50	60	72	136	16[illegible]	196	236	283	339	407	479	515	558	600
Total Farm Units	0	200	325	464	617	692	778	875	987	1113	1259	1416	1545	1691	1847

Note: Projected growth in farm unit participation was based on the following:
Each original and additional coop begins its first year of participation with an average of 50 units and expands by 10% per year except for Fruta del Sol Prototypes which grow by 20% per year.

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

GRAND TOTAL UNIOCOOP (MODELS)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	799	1292	1840	2554	2892	3281	3728	4244	4840	5530	6272	6826	7457	8119
Gross Costs	0	681	997	1349	1829	2070	2346	2664	3030	3453	3942	4468	4864	5314	5787
Net Income	0	118	294	491	725	822	935	1064	1214	1387	1588	1804	1962	2143	2332
With Project															
Gross Revenues	0	4478	5929	7566	11136	12801	14742	17009	19661	22769	26416	30315	32858	35801	38825
Gross Costs	1427	3681	4715	5855	7651	8606	9724	11033	12571	14377	16504	18774	20209	21875	23579
Net Income	-1427	797	1214	1711	3485	4195	5018	5975	7091	8392	9913	11541	12650	13926	15246
Incremental Flows															
Incremental Revenues	0	3679	4637	5725	8583	9909	11461	13281	15417	17929	20886	24043	26032	28344	30706
Incremental Costs	1427	3000	3718	4506	5822	6536	7378	8369	9540	10924	12562	14305	15345	16561	17792
Net Incremental Income	-1427	679	920	1220	2760	3372	4083	4911	5877	7005	8325	9737	10688	11783	12914

TABLE 5: ECONOMIC RESOURCE FLOWS BY FARMER INTERMEDIARY (PARENT) ORGANIZATION (Continued)

5.e. UNIOCOOP (Model Cooperatives) (Continued)

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras

Farm Units From All Cooperatives	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	799	1292	1840	2554	2892	3281	3728	1244	4840	5530	6272	6826	7457	8119
Gross Costs	0	681	997	1349	1829	2070	2346	2664	3030	3453	3942	4468	4864	5314	5787
Net Income	0	118	294	491	725	822	935	1064	1214	1387	1588	1804	1962	2143	2332
th Project															
Gross Revenues	0	4478	5929	7566	11136	12801	14742	17009	19661	22769	26416	30315	32858	35801	38825
Gross Costs	0	2409	3219	4135	6198	7153	8271	9580	11118	12924	15051	17321	18756	20423	22127
Net Income	0	2069	2710	3430	4938	5647	6471	7428	8544	9845	11366	12994	14103	15378	16699
Incremental Flows															
Incremental Revenues	0	3679	4637	5725	8583	9909	11461	13281	15417	17929	20886	24043	26032	28344	30706
Incremental Costs	0	1728	2222	2786	4369	5064	5925	6917	6088	9471	11109	12853	13892	15108	16339
Net Incremental Income of All Farm Units	0	1951	2415	2939	4213	4825	5536	6364	7330	8458	9778	11190	12140	13236	14367

Coop Level Net Incremental Revenues

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	727	727	929	1130	1453	1453	1453	1453	1453	1453	1453	1453	1453	1453	1453
Net Incremental Income of All Coops	-727	-727	-929	-1130	-1453	-1453	-1453	-1453	-1453	-1453	-1453	-1453	-1453	-1453	-1453

Intermediary Level Net Incremental Revenues

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	700	545	567	590	0	0	0	0	0	0	0	0	0	0	0
Net Incremental Revenue of Intermediary	-700	-545	-567	-590	0	0	0	0	0	0	0	0	0	0	0

5.e. UNIOCOOP (Model Cooperatives) (Continued)

ECONOMIC RESOURCE FLOWS

5.e.(1) 20 de Marzo Prototypes

(Thousands of 1985 Lempiras)

1. Farm Units Only	1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	201	421	664	730	804	884	972	1069	1176	1294	1423	1566	1722	1895
Gross Costs	0	125	262	412	453	499	549	603	664	730	803	884	972	1069	1176
Net Income	0	76	160	252	277	305	335	369	406	446	491	540	594	653	719
With Project															
Gross Revenues	0	296	623	981	1079	1187	1306	1437	1580	1738	1912	2103	2314	2545	2800
Gross Costs	0	203	425	671	738	811	892	982	1080	1188	1307	1437	1581	1739	1913
Net Income	0	94	197	311	342	376	414	455	500	550	605	666	733	806	886
Incremental Flows															
Incremental Revenues	0	96	201	317	349	384	422	464	511	562	618	680	748	823	905
Incremental Costs	0	78	164	258	284	313	344	378	416	458	503	554	609	670	737
Net Incremental Income: Farm Units	0	18	37	59	65	71	78	86	95	104	115	124	139	153	168

2. Coop Level Benefits	1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
With Project															
Gross Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Costs	92	92	184	277	277	277	277	277	277	277	277	277	277	277	277
Net Income	-92	-92	-184	-277	-277	-277	-277	-277	-277	-277	-277	-277	-277	-277	-277
Incremental Flows															
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	92	92	184	277	277	277	277	277	277	277	277	277	277	277	277
Net Incremental Income: Coops	-92	-92	-184	-277	-277	-277	-277	-277	-277	-277	-277	-277	-277	-277	-277

94

TABLE 5: ECONOMIC RESOURCE FLOWS BY FARMER INTERMEDIARY (PARENT) ORGANIZATION (Continued)

5.e. UNIOCOOP (Model Cooperatives) (Continued)

5.e.(2) Maya Occidental Prototypes

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
1. Farm Units Only															
Without Project															
Gross Revenues	0	182	383	603	846	931	1024	1126	1239	1363	1499	1649	1814	1995	2195
Gross Costs	0	102	215	339	476	523	575	633	696	766	842	927	1019	1121	1233
Net Income	0	80	168	264	371	408	448	493	543	597	656	722	794	874	961
With Project															
Gross Revenues	0	505	1060	1671	2343	2576	2835	3119	3431	3774	4151	4567	5023	5526	6078
Gross Costs	0	244	512	808	1133	1244	1370	1507	1658	1824	2006	2207	2428	2671	2938
Net Income	0	261	548	864	1211	1332	1465	1612	1773	1950	2145	2359	2595	2855	3140
Incremental Flows															
Incremental Revenues	0	323	677	1068	1497	1647	1812	1993	2192	2411	2652	2918	3209	3530	3883
Incremental Costs	0	142	297	469	657	723	795	875	962	1058	1164	1280	1408	1549	1704
Net Incremental Income	0	181	380	599	840	924	1017	1118	1230	1353	1488	1637	1801	1981	2179
2. Coop Level Benefits															
Without Project															
Gross Revenues	0	0	0	0	0	0	0	0	0	0	0		0	0	0
Gross Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	0		0	0	0	0	0	0	0	0	0	0	0	0	0
With Project															
Gross Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Costs	110	110	219	329	438	438	438	438	438	438	438	438	438	438	438
Net Income	-110	-110	-219	-329	-438	-438	-438	-438	-438	-438	-438	-438	-438	-438	-438
Incremental Flows															
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	110	110	219	329	438	438	438	438	438	438	438	438	438	438	438
Net Incremental Income: Coops	-110	-110	-219	-329	-438	-438	-438	-438	-438	-438	-438	-438	-438	-438	-438

5.e. UNIOCOOP (Model Cooperatives) (Continued)

ECONOMIC RESOURCE FLOWS

5.e.(3) CREHSUL Prototypes

(Thousands of 1985 Lempiras)

1. Farm Units Only	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Without Project															
Gross Revenues	0	112	123	136	149	164	180	198	218	240	264	290	320	352	387
Gross Costs	0	242	266	293	322	354	390	429	472	519	571	628	691	760	836
Net Income	0	-130	-143	-157	-173	-190	-209	-230	-253	-279	-307	-337	-371	-408	-449
With Project															
Gross Revenues	0	1658	1824	2006	2207	2428	2670	2937	3231	3554	3910	4300	4731	5204	5724
Gross Costs	0	734	807	888	977	1074	1182	1300	1430	1573	1730	1903	2094	2303	2533
Net Income	0	924	1017	1118	1230	1353	1488	1637	1801	1981	2179	2397	2637	2901	3191
Incremental Flows															
Incremental Revenues	0	1546	1701	1871	2058	2264	2490	2739	3013	3314	3645	4010	4411	4852	5337
Incremental Costs	0	492	541	595	654	720	792	871	958	1054	1159	1275	1403	1543	1698
Net Incremental Income	0	1054	1160	1276	1403	1544	1698	1868	2055	2260	2486	2735	3008	3309	3640
2. Coop Level Benefits															
Without Project															
Gross Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	0	0		0	0	0	0	0	0	0	0	0	0	0	0
With Project															
Gross Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Costs	312	312	312	312	312	312	312	312	312	312	312	312	312	312	312
Net Income	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312
Incremental Flows															
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	312	312	312	312	312	312	312	312	312	312	312	312	312	312	312
Net Incremental Income: Coops	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312	-312

106

TABLE 5: ECONOMIC RESOURCE FLOWS BY FARMER INTERMEDIARY (PARENT) ORGANIZATION (Concluded)

5.e. UNIOCOOP (Model Cooperatives) (Continued)

5.e.(4) Fruta del Sol Prototypes

ECONOMIC RESOURCE FLOWS

(Thousands of 1985 Lempiras)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
1. Farm Units Only															
Without Project															
Gross Revenues	0	304	364	437	828	994	1193	1431	1717	2061	2473	2909	3127	3388	3643
Gross Costs	0	212	254	305	578	693	832	999	1198	1438	1726	2030	2182	2364	2542
Net Income	0	92	110	132	250	300	360	433	519	623	747	879	945	1024	1101
With Project															
Gross Revenues	0	2019	2422	2907	5507	6608	7930	9516	11419	13703	16443	19345	20791	22527	24224
Gross Costs	0	1229	1474	1769	3351	4022	4826	5791	6950	8340	10007	11773	12653	13710	14743
Net Income	0	790	948	1138	2155	2586	3104	3725	4469	5363	6436	7571	8138	8817	9481
Incremental Flows															
Incremental Revenues	0	1715	2058	2470	4679	5614	6737	8085	9702	11642	13970	16435	17664	19139	20581
Incremental Costs	0	1017	1220	1464	2774	3328	3994	4793	5751	6902	8282	9743	10472	11346	12200
Net Incremental Income	0	698	838	1006	1905	2286	2743	3292	3950	4740	5689	6692	7193	7793	8380
2. Coop Level Benefits															
Without Project															
Gross Revenues	0	0	0	0	0	0	0	0	0	0	0		0	0	0
Gross Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
With Project															
Gross Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Costs	213	213	213	213	426	426	426	426	426	426	426	426	426	426	426
Net Income	-213	-213	-213	-213	-426	-426	-426	-426	-426	-426	-426	-426	-426	-426	-426
Incremental Flows															
Incremental Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Costs	213	213	213	213	426	426	426	426	426	426	426	426	426	426	426
Net Incremental Income: Coops	-213	-213	-213	-213	-426	-426	-426	-426	-426	-426	-426	-426	-426	-426	-426

TABLE 6: FARM UNIT PROTOTYPES - - FINANCIAL AND ECONOMIC RESOURCE FLOWS

6.a. Farm Prototype "A" (20 de Marzo Model)

Part One: Farm Unit Cash Flow (All figures in 1985 Lempiras unless otherwise indicated)	WITHOUT PROJECT SCENARIO Financial Prices	Economic Prices	WITH PROJECT SCENARIO Financial Prices	Economic Prices
Crop 1: Corn				
Manzanas Cultivated #/1	6.50	6.50	6.00	6.00
Yield (per Manzana) qq	40.00	40.00	50.00	50.00
Price per qq	11.00	12.50	14.00	12.50
Total Crop 1	2860.00	3250.00	4200.00	3750.00
Crop 2: Beans				
Manzanas Cultivated	0.50	0.50	0.50	0.50
Yield (per Manzana) qq	10.00	10.00	15.00	15.00
Price per qq	30.00	32.50	35.00	32.50
Total Crop 2	150.00	162.50	262.50	243.75
Crop 3: Rice				
Manzanas Cultivated	0.50	0.50	0.50	0.50
Yield (per Manzana) qq	60.00	60.00	70.00	70.00
Price per qq	18.00	20.00	22.00	20.00
Total Crop 3	540.00	600.00	770.00	700.00
Crop 4: Chile Cayenne				
Manzanas Cultivated #/1	0.00	0.00	0.25	0.25
Yield (per Manzana) qq	0.00	0.00	200.00	200.00
Price per qq	0.00	0.00	19.00	24.70
Total Crop 4	0.00	0.00	950.00	1235.00
Total Gross Revenue	3550.00	4012.50	6182.50	5928.75
Gross Costs				
Seeds	0.00	0.00	133.75	156.49
Fertilizer	435.00	508.95	733.75	858.49
Herbicides	242.18	283.34	365.68	427.64
Insecticides	0.00	0.00	285.00	333.45
Labor	772.50	540.75	911.25	637.88
Other Operating Services (Includes Contingencies)	1157.50	1157.50	1637.25	1637.25
Other Investment	0.00	0.00	0.00	0.00
Total Costs Before Financing	2607.18	2490.54	4066.68	4051.39
Interest	205.43	0.00	326.41	0.00
Total Gross Costs	2812.61	2490.54	4393.08	4051.39
Net Benefits	737.39	1521.96	1789.42	1877.36
Incremental Benefits With Project			1052.03	355.40

96

TABLE 6: FARM UNIT PROTOTYPES -- FINANCIAL AND ECONOMIC RESOURCE FLOWS (Continued)

Part Two: Cash Flow Per Manzana

(All figures in 1985 Lempiras unless otherwise indicated)

Crop 1: Corn

	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits						
Yield (per Manzana)	40.0		40.0	50.0		50.0
Price per qq	11.0	1.14	12.5	14.0	0.89	12.5 #/2
Total Gross Benefit	440.0		500.0	700.0		625.0
Gross Costs						
Seeds	0.0	1.17	0.0	13.8	1.17	16.1
Fertilizer	62.0	1.17	72.5	94.0	1.17	110.0
Herbicides	25.6	1.17	30.0	42.4	1.17	49.6
Insecticides	0.0	1.17	0.0	29.5	1.17	34.5
Labor	75.0	0.70	52.5	75.0	0.70	52.5
Other Operating Services (Includes Contingencies)	165.0	1.00	165.0	246.0	1.00	246.0
Other Investment	0.0	1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	327.6		320.0	500.7		508.7
Interest	26.2	0.00	0.0	40.1	0.00	0.0
Total Gross Costs	353.8		320.0	540.7		508.7
Net Benefits	86.2		180.0	159.3		116.3
Incremental Benefits With Project				73.1		-63.7

Crop 2: Beans

	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits						
Yield (per Manzana)	10.0		10.0	15.0		15.0
Price per qq	30.0	1.08	32.5	35.0	0.93	32.5 #/2
Total Gross Benefit	300.0		325.0	525.0		487.5
Gross Costs						
Seeds	0.0	1.17	0.0	0.0	1.17	0.0
Fertilizer	0.0	1.17	0.0	32.0	1.17	37.4
Herbicides	35.6	1.17	41.6	35.6	1.17	41.6
Insecticides	0.0	1.17	0.0	32.0	1.17	37.4
Labor	200.0	0.70	140.0	200.0	0.70	140.0
Other Operating Services (Includes Contingencies)	0.0	1.00	0.0	70.0	1.00	70.0
Other Investment	0.0	1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	235.6		181.6	369.6		326.5
Interest	12.6	0.00	0.0	19.7	0.00	0.0
Total Gross Costs	248.1		181.6	389.3		326.5
Net Benefits	51.9		143.4	135.7		161.0
Incremental Benefits With Project				83.9		17.6

Crop 3: Rice

	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits						
Yield (per Manzana)	60.0		60.0	70.0		70.0
Price per qq	18.0	1.11	20.0	22.0	0.91	20.0 #/2
Total Gross Benefit	1080.0		1200.0	1540.0		1400.0
Gross Costs						
Seeds	0.0	1.17	0.0	84.0	1.17	98.3
Fertilizer	64.0	1.17	74.9	94.0	1.17	110.0
Herbicides	116.0	1.17	135.7	116.0	1.17	135.7
Insecticides	0.0	1.17	0.0	12.0	1.17	14.0
Labor	370.0	0.70	259.0	380.0	0.70	266.0
Other Operating Services (Includes Contingencies)	170.0	1.00	170.0	170.0	1.00	170.0
Other Investment	0.0	1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	720.0		639.6	856.0		794.0
Interest	57.6	0.00	0.0	68.5	0.00	0.0
Total Gross Costs	777.6		639.6	924.5		794.0
Net Benefits	302.4		560.4	615.5		606.0
Incremental Benefits With Project				313.1		45.6

99

Part Two: Cash Flow Per Manzana (Concluded)

(All figures in 1985 Lempiras
unless otherwise indiciated)

Crop 4: Chile Cayenne

	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits						
Yield (per Manzana) in qq	0.0		0.0	200.0		200.0
Price per qq	0.0	1.30	0.0	19.0	1.30	24.7
Total Gross Benefit	0.0		0.0	3800.0		4940.0
Gross Costs						
Seeds	0.0	1.17	0.0	37.0	1.17	43.3
Fertilizer	0.0	1.17	0.0	427.0	1.17	499.6
Herbicides	0.0	1.17	0.0	142.0	1.17	166.1
Insecticides	0.0	1.17	0.0	344.0	1.17	402.5
Labor	0.0	0.70	0.0	685.0	0.70	479.5
Other Operating Services (Includes Contingencies)	0.0	1.00	0.0	165.0	1.00	165.0
Other Investment	0.0	1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	0.0		0.0	1800.0		1756.0
Interest	0.0	0.00	0.0	168.0	0.00	0.0
Total Gross Costs	0.0		0.0	1968.0		1756.0
Net Benefits	0.0		0.0	1832.0		3184.0
Incremental Benefits With Project				1832.0		3184.0

NOTES: 1. In the "with project" scenario the prototypical farmer will plant 6 manzanas of corn and .25 manzanas of green peppers. Without the project, farmers will not plant green peppers and put the extra .25 manzanas (times 2 cycles per year for an additional .50 mz.) into corn production.
2. In the "with project" scenario for the three basic grains, UNIOCOOP representatives expect that participating farm units will receive a higher price per unit of production due to increased prospects of selling their output to IHMA (Honduran Agricultural Marketing Institute) instead of to "coyotes" at prevailing market rates. Financial Prices therefore are adjusted by conversion factors which equate the "with project" economic prices to the midpoint between the "with" and "without project" financial price paid to the coyote.

100

.ABLE 6: FARM UNIT PROTOTYPES -- FINANCIAL AND ECONOMIC RESOURCE FLOWS (Continued)

6.b. Farm Prototype "B": (Maya Occidental Model)

Part One: Farm Unit Cash Flo (All figures in 1985 Lempira: unless indicated otherwise)	WITHOUT PROJECT SCENARIO Financial Prices	Economic Prices	WITH PROJECT SCENARIO Financial Prices	Economic Prices
Crop 1: Corn				
Manzanas Cultivated */1	5.00	5.00	2.50	2.50
Yield (per Manzana) in qq	30.00	30.00	42.00	42.00
Price per qq	12.50	12.50	12.50	12.50
Total Crop 1	1875.00	1875.00	1312.50	1312.50
Crop 2: Beans				
Manzanas Cultivated	1.50	1.50	1.50	1.50
Yield (per Manzana) in qq	15.00	15.00	18.00	18.00
Price per qq	30.00	32.50	35.00	32.50
Total Crop 2	675.00	731.25	945.00	877.50
Crop 3: Coffee				
Manzanas Cultivated	1.00	1.00	1.00	1.00
Yield (per Manzana) in qq	10.00	10.00	14.00	14.00
Price per qq	160.00	104.00	160.00	104.00
Total Crop 3	1600.00	1040.00	2240.00	1456.00
Crop 4: Chile Cayenne				
Manzanas Cultivated */1	0.00	0.00	0.25	0.25
Yield (per Manzana) in qq	0.00	0.00	300.00	300.00
Price per qq	0.00	0.00	19.00	24.70
Total Crop 4	0.00	0.00	1425.00	1852.50
Crop 5: Onions				
Manzanas Cultivated */1	0.00	0.00	1.00	1.00
Yield (per Manzana) in qq	0.00	0.00	90.00	90.00
Price per qq	0.00	0.00	40.00	40.00
Total Crop 5	0.00	0.00	3600.00	3600.00
Crop 6: Cabbage				
Manzanas Cultivated */1	0.00	0.00	0.50	0.50
Yield (per Manzana) in qq	0.00	0.00	400.00	400.00
Price per qq	0.00	0.00	5.00	5.00
Total Crop 6	0.00	0.00	1000.00	1000.00
Total Gross Revenue	4150.00	3646.25	10522.50	10098.50

TABLE 6: FARM UNIT PROTOTYPES -- FINANCIAL AND ECONOMIC RESOURCE FLOWS (Continued)

6.b. Farm Prototype "B": (Hava Occidental Model) (Continued)

Part One: Farm Unit Cash Flow (Concluded)	WITHOUT PROJECT SCENARIO		WITH PROJECT SCENARIO	
(All figures in 1985 Lempiras unless indicated otherwise	Financial Prices	Economic Prices	Financial Prices	Economic Prices
Gross Costs				
Seeds #/5	139.50	163.21	1134.25	1327.07
Fertilizer	586.00	685.62	727.00	850.59
Herbicides	0.00	0.00	186.00	217.62
Insecticides	0.00	0.00	397.75	465.37
Labor	1215.00	850.50	1864.50	1305.15
Other Operating Services (Includes Contingencies)	350.00	350.00	715.00	715.00
Other Investment	0.00	0.00	0.00	0.00
[illegible] Costs Before Financing	2290.50	2049.34	5024.50	4880.80
[illegible]	183.24	0.00	403.00	0.00
Total Gross Costs	2473.74	2049.34	5427.50	4880.80
Net Benefits	1676.3	1596.9	5095.00	5217.70
Incremental Benefits With Project			3418.74	3620.79

102

TABLE 6: FARM UNIT PROTOTYPES -- FINANCIAL AND ECONOMIC RESOURCE FLOWS (Continued)

6.b. Farm Prototype "B": (Maya Occidental Model) (Continued)

Part Two: Cash Flow Per Manzana

(All figures in 1985 Lempiras unless indicated otherwise)

	Crop 1: Corn						Crop 2: Beans						Crop 3: Coffee					
	WITHOUT Project			WITH Project			WITHOUT Project			WITH Project			WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits																		
Yield (per Manzana)	30.0		30.0	42.0		42.0	15.0		15.0	18.0		18.0	10.0		10.0	14.0		14.0
Price per qq	12.5	1.00	12.5	12.5	1.00	12.5	30.0	1.08	32.5 a/2	35.0	0.93	32.5 a/2	160.0	0.65	104.0 a/3	160.0	0.65	104.0 a/
Total Gross Benefit	375.0		375.0	525.0		525.0	450.0		487.5	630.0		585.0	1600.0		1040.0	2240.0		1456.0
Gross Costs																		
Seeds a/5	0.0	1.17	0.0	0.0	1.17	0.0	93.0	1.17	108.8	45.0	1.17	52.7	0.0	1.17	0.0	0.0	1.17	0.0
Fertilizer	56.0	1.17	65.5	90.0	1.17	105.3		1.17	0.0	42.0	1.17	49.1	306.0	1.17	358.0	306.0	1.17	358.0
Herbicides	0.0	1.17	0.0	28.0	1.17	32.8		1.17	0.0	48.0	1.17	56.2	0.0	1.17	0.0	30.0	1.17	35.1
Insecticides	0.0	1.17	0.0	0.0	1.17	0.0		1.17	0.0	15.0	1.17	17.6	0.0	1.17	0.0	34.0	1.17	39.8
Labor	90.0	0.70	63.0	110.0	0.70	77.0	150.0	0.70	105.0	170.0	0.70	119.0	540.0	0.70	378.0	630.0	0.70	441.0
Other Operating Services (Includes Contingencies)	70.0	1.00	70.0	70.0	1.00	70.0	0.0	1.00	0.0	0.0	1.00	0.0	0.0	1.00	0.0	0.0	1.00	0.0
Other Investment	0.0	1.00	0.0	0.0	1.00	0.0	0.0	1.00	0.0	0.0	1.00	0.0	0.0	1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	216.0		198.5	298.0		285.1	243.0		213.8	320.0		294.5	846.0		736.0	1000.0		873.9
Interest	17.3	0.00	0.0	24.0	0.00	0.0	19.4	0.00	0.0	26.0	0.00	0.0	67.7	0.00	0.0	80.0	0.00	0.0
Total Gross Costs	233.3		198.5	322.0		285.1	262.4		213.8	346.0		294.5	913.7		736.0	1080.0		873.9
Net Benefits	141.7		176.5	203.0		239.9	187.6		273.7	284.0		290.5	686.3		304.0	1160.0		582.1
				61.3		63.5				96.4		16.8				473.7		278.1

TABLE 6: FARM UNIT PROTOTYPES - - FINANCIAL AND ECONOMIC RESOURCE FLOWS (Continued)

6.b. Farm Prototype "B": (Nava Occidental Model) (Concluded)

Part Two: Cash Flow Per Manzana (Concluded)

(All figures in 1985 Lempiras unless indicated otherwise)

Crop 4: Chile Cayenne	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits						
Yield (per Manzana)			0.0	300.0		300.0
Price per qq		1.30	0.0 #/4	19.0	1.30	24.7 #/4
Total Gross Benefit	0.0		0.0	5700.0		7410.0
Gross Costs						
Seeds #/5		1.17	0.0	35.0	1.17	41.0
Fertilizer		1.17	0.0	184.0	1.17	215.3
Herbicides		1.17	0.0	56.0	1.17	65.5
Insecticides		1.17	0.0	225.0	1.17	263.3
Labor		0.70	0.0	898.0	0.70	628.6
Other Operating Services (Includes Contingencies)		1.00	0.0	200.0	1.00	200.0
Other Investment		1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	0.0		0.0	1598.0		1413.6
Interest	0.0	0.00	0.0	128.0	0.00	0.0
Total Gross Costs	0.0		0.0	1726.0		1413.6
Net Benefits	0.0		0.0	3974.0		5996.4
				3974.0		5996.4

Crop 5: Onions	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits						
Yield (per Manzana)			0.0	90.0		90.0
Price per qq		1.00	0.0	40.0	1.00	40.0
Total Gross Benefit	0.0		0.0	3600.0		3600.0
Gross Costs						
Seeds #/5		1.17	0.0	960.0	1.17	1123.2
Fertilizer		1.17	0.0	56.0	1.17	65.5
Herbicides		1.17	0.0	0.0	1.17	0.0
Insecticides		1.17	0.0	224.0	1.17	262.1
Labor		0.70	0.0	260.0	0.70	182.0
Other Operating Services (Includes Contingencies)		1.00	0.0	300.0	1.00	300.0
Other Investment		1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	0.0		0.0	1800.0		1932.8
Interest	0.0	0.00	0.0	144.0	0.00	0.0
Total Gross Costs	0.0		0.0	1944.0		1932.8
Net Benefits	0.0		0.0	1656.0		1667.2
				1656.0		1667.2

Crop 6: Cabbage	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits						
Yield (per Manzana)			0.0	400.0		400.0
Price per qq		1.00	0.0	5.0	1.00	5.0
Total Gross Benefit	0.0		0.0	2000.0		2000.0
Gross Costs						
Seeds #/5		1.17	0.0	196.0	1.17	229.3
Fertilizer		1.17	0.0	62.0	1.17	72.5
Herbicides		1.17	0.0	0.0	1.17	0.0
Insecticides		1.17	0.0	122.0	1.17	142.7
Labor		0.70	0.0	440.0	0.70	308.0
Other Operating Services (Includes Contingencies)		1.00	0.0	380.0	1.00	380.0
Other Investment		1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	0.0		0.0	1200.0		1132.6
Interest	0.0	0.00	0.0	96.0	0.00	0.0
Total Gross Costs	0.0		0.0	1296.0		1132.6
Net Benefits	0.0		0.0	704.0		867.4
				704.0		867.4

NOTES:
1. In the "with project" scenario the prototypical farmer will plant 2.5 manzanas of corn, .25 manzanas of green peppers, 1 manzana of onions, and .5 manzanas of cabbage, along with that indicated for beans and coffee. Without the project, farmers will not plant green peppers, onions or cabbage. They will put the extra 2.5 manzanas into corn production.
2. In the "with project" scenario for beans, UNICOOP representatives expect that participating farm units will receive a higher price per unit of production due to increased prospects of selling their output to IHMA (Honduran Agricultural Marketing Institute) instead of to "coyotes" at prevailing market rates. Financial prices therefore are adjusted by conversion factors which equate the "with project" economic prices to the midpoint between the "with" and "without project" financial price paid to the coyote.
3. The .65 conversion factor for coffee was obtained as follows:
   Financial Prices x (a x b) = Economic Prices where:
   a = 1.30. Foreign exchange rate adjustment. According to coop officials, almost 100% of the coffee will be exported.
   b = .50. The volume of Honduran ("quota") coffee exported to countries subscribing to the International Coffee Agreement is fixed. Therefore, additional coffee produced as a result of the project will not increase Honduran exports of quota coffee, but will be exported as non quota coffee for which prices are approximately 50% of quota coffee prices.
4. 100% exported.
5. Includes total input costs for those crops for which data broken down by input type were not available.

TABLE 6: FARMER UNIT PROTOTYPES -- FINANCIAL AND ECONOMIC RESOURCE FLOWS (Continued)

6.c. Farm Prototype "C" (CREHSUL Model)

Part One: Farm Unit Cash Flow (All figures in 1995 Lempiras unless indicated otherwise)	WITHOUT PROJECT SCENARIO Financial Prices	WITHOUT PROJECT SCENARIO Economic Prices	WITH PROJECT SCENARIO Financial Prices	WITH PROJECT SCENARIO Economic Prices
Crop 1: Cantelope				
Export				
Hectares Cultivated #/4	0.00	0.00	5.60	5.60
Yield (per Hectare) Boxes	0.00	0.00	160.00	160.00
Price per Box	0.00	0.00	18.00	23.40
Total Export Benefits	0.00	0.00	16128.00	20966.40
Domestic				
Hectares Cultivated #/4	5.60	5.60	5.60	5.60
Yield (per Hectare) Units	8000.00	8000.00	4000.00	4000.00
Price per Unit	0.05	0.05	0.07	0.07
Total Domestic Benefits	2240.00	2240.00	1568.00	1568.00
Total Crop 1	2240.00	2240.00	17696.00	22534.40
Crop 2: Chile Peppers (Tobasco) #/5				
Manzanas Cultivated	0.00	0.00	2.00	2.00
Yield (per Manzana) in qq	0.00	0.00	70.00	70.00
Price per qq	0.00	0.00	67.00	87.10
Total Crop 2	0.00	0.00	9380.00	12194.00
Total Gross Revenue	2240.00	2240.00	25508.00	33160.40
Gross Costs				
Seeds/or Total Input Costs	2654.40	3105.65	6754.40	7902.65
Fertilizer	0.00	0.00	292.00	341.64
Herbicides	0.00	0.00	287.20	336.02
Insecticides	0.00	0.00	676.00	790.92
Labor	1400.00	980.00	4946.80	3462.76
Other Operating Services (Includes Contingencies)	756.00	756.00	1842.00	1842.00
Other Investment	0.00	0.00	0.00	0.00
Total Costs Before Financing	4810.40	4841.65	14798.40	14675.99
Interest	448.97	0.00	1381.18	0.00
Total Gross Costs	5259.37	4841.65	16179.58	14675.99
Net Benefits	-3019.4	-2601.6	9328.42	18484.41
Incremental Benefits With Project			12347.79	21086.06

TABLE 6: FARMER UNIT PROTOTYPES - - FINANCIAL AND ECONOMIC RESOURCE FLOWS (Continued)

Part Two: Cash Flow Per Manzana (Hectares for Canteloupe) #/2

(All figures in 1985 Lempiras unless indicated otherwise)

	Crop 1: Cantelope						Crop 2: Chile Peppers					
	WITHOUT Project			WITH Project			WITHOUT Project			WITH Project		
	Financial Prices	Conver-sion Factor	Economic Prices	Financial Prices	Conver-sion Factor	Economic Prices	Financial Prices	Conver-sion Factor	Economic Prices	Financial Prices	Conver-sion Factor	Economic Prices
Gross Benefits												
Export												
Yield #/1	0.00		0.00	160.00		160.00 #/3	0.00		0.00	70.00		70.00
Price #/1	0.00	1.30	0.00	18.00	1.30	23.40 #/3	0.00	1.30	0.00	67.00	1.30	87.10
Total Export Benefits	0.00		0.00	2880.00		3744.00	0.00		0.00	4690.00		6097.00
Domestic												
Yield #/1	8000.00		8000.00	4000.00		4000.00	0.00		0.00	0.00		0.00
Price #/1	0.05	1.00	0.05 #/6	0.07	1.00	0.07	0.00	1.00	0.00	0.00	1.00	0.00
Total Domestic Benefits	400.00		400.00	280.00		280.00	0.00		0.00	0.00		0.00
Total Gross Benefits	400.00		400.00	3160.00		4024.00	0.00		0.00	4690.00		6097.00
Gross Costs												
Seeds/or Total Inputs	474.00	1.17	554.58	1185.00	1.17	1386.45	0.00	1.17	0.00	59.20	1.17	69.26
Fertilizer		1.17	0.00		1.17			1.17		146.00	1.17	170.82
Herbicides		1.17	0.00		1.17			1.17		143.60	1.17	168.01
Insecticides		1.17	0.00		1.17			1.17		338.00	1.17	395.46
Labor	250.00	0.70	175.00	545.00	0.70	381.50	0.00	0.70	0.00	947.40	0.70	663.18
Other Operating Services (Includes Contingencies)	135.00	1.00	135.00	270.00	1.00	270.00	0.00	1.00	0.00	165.00	1.00	165.00
Other Investment	0.00	1.00	0.00	0.00	1.00	0.00	0.00	1.00	0.00	0.00	1.00	0.00
Total Costs Before Financing	859.00		864.58	2000.00		2037.95	0.00		0.00	1799.20		1631.74
Interest	80.17	0.00	0.00	186.67	0.00	0.00	0.00	0.00	0.00	167.93	0.00	0.00
Total Gross Costs	939.17		864.58	2186.67		2037.95	0.00		0.00	1967.13		1631.74
Net Benefits	-539.17		-464.58	973.33		1986.05	0.00		0.00	2722.87		4465.26
Incremental Benefits With Project				1512.51		2450.63				2722.87		4465.26

NOTES:
1. Units of Measurement are indicated in Part One for each crop; prices are per unit of measurement indicated.
2. One Manzana = .7 Hectares
3. Based on a weighted average of: Export Grade One. 128 boxes (per hectare) @ L19 per box; and. Export Grade Two. 32 boxes (per hectare) @ L14 per box.
4. The 4000 units sold domestically are grown on the same 5.6 hectares used for export production and represent those canteloupes which do not meet export quality standards.
5. 100% Exported.
6. The average quality of domestically sold canteloupes will decline in the without project scenario resulting in a lower average price per unit.

106

6.d. Farm Prototype "D" (Fruta del Sol Model)

Part One: Farm Unit Cash Flow (All figures in 1985 Lempiras unless indicated otherwise)	WITHOUT PROJECT SCENARIO Financial Prices	Economic Prices	WITH PROJECT SCENARIO Financial Prices	Economic Prices
Crop 1: Cucumber (Corn Without Project)				
Domestic				
Manzanas Cultivated	7.00 */1	7.00 */1	2.50 */2	2.50 */2
Yield (per Manzana) in Boxes (qq for corn)	30.00	30.00	520.00	520.00
Price per box (qq for corn)	12.00	12.00	2.16	2.16
Total Domestic	2520.00	2520.00	2808.00	2808.00
Export				
Manzanas Cultivated	0.00	0.00	2.50 */2	2.50 */2
Yield (per Manzana) in Boxes	0.00	0.00	780.00	780.00
Price per box	0.00	0.00	8.00	10.40
Total Export	0.00	0.00	15600.00	20280.00
Total Crop 1	2520.00	2520.00	18408.00	23088.00
Crop 2: Tomato				
Manzanas Cultivated	1.00	1.00	1.00	1.00
Yield (per Manzana) in Tons	12.00	12.00	25.00	25.00
Price per ton	152.00	171.00 */6	190.00	171.00 */6
Total Crop 2	1824.00	2052.00	4750.00	4275.00
Crop 3: Watermelon				
Manzanas Cultivated	1.00	1.00	1.00	1.00
Yield (per Manzana) in units	1500.00	1500.00	2000.00	2000.00
Price per unit	1.00	1.00	1.00	1.00
Total Crop 3	1500.00	1500.00	2000.00	2000.00
Crop 4: Chile Cavenne				
Manzanas Cultivated */3	0.00	0.00	1.00 */4	1.00 */4
Yield (per Manzana) in qq	0.00	0.00	300.00	300.00
Price per qq	0.00	0.00	19.00	24.70
Total Crop 4	0.00	0.00	5700.00	7410.00
Crop 5: Onions				
Manzanas Cultivated */3	0.00	0.00	1.00 */4	1.00 */4
Yield (per Manzana) in qq	0.00	0.00	90.00	90.00
Price per qq	0.00	0.00	40.00	40.00
Total Crop 5	0.00	0.00	3600.00	3600.00
Total Gross Revenue	5844.00	6072.00	34458.00	40373.00

6.3. Farm Prototype "D" (Fruta del Sol Model) (Continued)

Part One: Farm Unit Cash Flow (Concluded)

(All figures in 1985 Lempiras unless indicated otherwise)

	WITHOUT PROJECT SCENARIO		WITH PROJECT SCENARIO	
	Financial Prices	Economic Prices	Financial Prices	Economic Prices
Gross Costs				
Seeds 4/5				
Fertilizer	1564.00	1829.88	7900.65	9243.76
Herbicides	0.00	0.00	240.00	280.80
Insecticides	0.00	0.00	56.00	65.52
Labor	0.00	0.00	449.00	525.33
Other Operating Services	1574.00	1101.80	11150.50	7805.35
(Includes Contingencies)	1101.20	1101.20	6395.25	6395.25
Other Investment	204.00	204.00	255.00	255.00
Total Costs Before Financing	4443.20	4236.88	26446.40	24571.01
Interest	355.46	0.00	2115.71	0.00
Total Gross Costs	4798.66	4236.88	28562.11	24571.01
Net Benefits	1045.3	1835.1	5895.89	15801.99
Incremental Benefits With Project			4850.54	13966.87

NOTES: 1. 3.5 Manzanas cultivated for two cycles per year.
2. Total cucumber area cultivated is 2.5 manzanas. 60% of the production on those 2.5 manzanas is of export quality and is exported. The remaining 40% is sold in domestic markets.
3. In the "with project" scenario the prototypical farmer will plant 2.5 manzanas of cucumbers, 1 manzana of green peppers, and 1 manzana of onions, along with that indicated for tomatoes and watermelons. Without the project, farmers will not plant cucumbers, green peppers or onions. They will put the extra 3.5 manzanas(times 2 cycles per year = 7 mz.) into corn production.
4. .5 manzanas cultivated for two cycles per year.
5. Includes total input costs for those crops for which data broken down by input type was not available.
6. In the "with project" scenario for tomatoes, UNIOCOOP representatives expect that participating farm units will receive a higher price per unit of production due to increased prospects of selling their output at preferencial prices instead of to "coyotes" at prevailing market rates. Financial prices therefore are adjusted by conversion factors which equate the "with project" economic prices to the midpoint between the "with" and "without project" financial price paid to the coyote.

TABLE 6: FARMER UNIT PROTOTYPES - - FINANCIAL AND ECONOMIC RESOURCE FLOWS (Continued)

6.d. Farm Prototype "D" (Fruta del Sol Model) (Continued)

Part Two: Cash Flow Per Manzana

(All figures in 1985 Lempiras
unless indicated otherwise)

Crop 1: Corn Without Project/Cucumber With Project

	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits		Corn			Cucumbers	
Domestic						
Yield (per Manzana) #/7	30.0		30.0	520.0		520.0
Price #/7	12.0	1.00	12.0	2.2	1.00	2.2
Total Domestic	360.0		360.0	1123.2		1123.2
Export						
Yield (per Manzana) #/7	0.0		0.0	780.0		780.0
Price #/7	0.0		0.0	8.0	1.30	10.4
Total Export	0.0		0.0	6240.0		8112.0
Total Gross Benefit	360.0		360.0	7363.2		9235.2
Gross Costs						
Seeds #/5	56.0	1.17	65.5	2176.3	1.17	2546.2
Fertilizer		1.17	0.0		1.17	0.0
Herbicides		1.17	0.0		1.17	0.0
Insecticides		1.17	0.0		1.17	0.0
Labor	90.0	0.70	63.0	3525.0	0.70	2467.5
Other Operating Services	70.0	1.00	70.0	2052.5	1.00	2052.5
(Includes Contingencies)						
Other Investment	0.0	1.00	0.0		1.00	0.0
Total Costs Before Financing	216.0		198.5	7753.8		7066.2
Interest	17.3	0.00	0.0	620.3	0.00	0.0
Total Gross Costs	233.3		198.5	8374.1		7066.2
Net Benefits	126.7		161.5	-1010.9		2169.0
Incremental Benefits With Project				-1010.9		2007.5

Crop 2: Tomato

	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits						
Domestic						
Yield (per Manzana) #/7	12.0		12.0	25.0		25.0
Price #/7	152.0	1.13	171.0 #/6	190.0	0.90	171.0 #/6
Total Domestic	1824.0		2052.0	4750.0		4275.0
Export						
Yield (per Manzana) #/7						
Price #/7						
Total Export	0.0		0.0	0.0		0.0
Total Gross Benefit	1824.0		2052.0	4750.0		4275.0
Gross Costs						
Seeds #/5	888.0	1.17	1039.0	1110.0	1.17	1298.7
Fertilizer		1.17	0.0		1.17	0.0
Herbicides		1.17	0.0		1.17	0.0
Insecticides		1.17	0.0		1.17	0.0
Labor		1.17	0.0		1.17	0.0
Other Operating Services	740.0	0.70	518.0	925.0	0.70	647.5
(Includes Contingencies)	408.0	1.00	408.0	510.0	1.00	510.0
Other Investment	204.0	1.00	204.0	255.0	1.00	255.0
Total Costs Before Financing	2240.0		2169.0	2800.0		2711.2
Interest	179.2	0.00	0.0	224.0	0.00	0.0
Total Gross Costs	2419.2		2169.0	3024.0		2711.2
Net Benefits	-595.2		-117.0	1726.0		1563.8
Incremental Benefits With Project				2321.2		1680.8

Crop 3: Watermelon

	WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits						
Domestic						
Yield (per Manzana) #/7	1500.0		1500.0	2000.0		2000.0
Price #/7	1.0	1.00	1.0	1.0	1.00	1.0
Total Domestic	1500.0		1500.0	2000.0		2000.0
Export						
Yield (per Manzana) #/7						
Price #/7						
Total Export	0.0		0.0	0.0		0.0
Total Gross Benefit	1500.0		1500.0	2000.0		2000.0
Gross Costs						
Seeds #/5	284.0	1.17	332.3	355.0	1.17	415.4
Fertilizer		1.17	0.0		1.17	0.0
Herbicides		1.17	0.0		1.17	0.0
Insecticides		1.17	0.0		1.17	0.0
Labor	204.0	0.70	142.8	255.0	0.70	178.5
Other Operating Services	203.2	1.00	203.2	254.0	1.00	254.0
(Includes Contingencies)						
Other Investment	0.0	1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	691.2		678.3	864.0		847.9
Interest	55.3	0.00	0.0	69.1	0.00	0.0
Total Gross Costs	746.5		678.3	933.1		847.9
Net Benefits	753.5		821.7	1066.9		1152.2
Incremental Benefits With Project				313.4		330.4

39

6.d. Farm Prototype "D" (Fruta del Sol Model) (Concluded)

Part Two: Cash Flow Per Manzana (Concluded)

(All figures in 1985 Lempiras unless indicated otherwise)

	Crop 4: Chile Cayenne						Crop 5: Onions					
	WITHOUT Project			WITH Project			WITHOUT Project			WITH Project		
	Financial Prices	Conver-sion Factor	Economic Prices	Financial Prices	Conver-sion Factor	Economic Prices	Financial Prices	Conver-sion Factor	Economic Prices	Financial Prices	Conver-sion Factor	Economic Prices
Gross Benefits												
Domestic												
Yield (per Manzana) #/7			0.0	0.0		0.0			0.0	90.0		90.0
Price #/7		1.00	0.0	0.0	1.00	0.0		1.00	0.0	40.0	1.00	40.0
Total Domestic	0.0		0.0	0.0		0.0	0.0		0.0	3600.0		3600.0
Export												
Yield (per Manzana) #/7			0.0	300		300.0						
Price #/7		1.30	0.0	19	1.30	24.7						
Total Export	0.0		0.0	5700.0		7410.0	0.0		0.0	0.0		0.0
Total Gross Benefit	0.0		0.0	5700.0		7410.0	0.0		0.0	3600.0		3600.0
Gross Costs												
Seeds #/5		1.17	0.0	35.0	1.17	41.0		1.17	0.0	960.0	1.17	1123.2
Fertilizer		1.17	0.0	184.0	1.17	215.3		1.17	0.0	56.0	1.17	65.5
Herbicides		1.17	0.0	56.0	1.17	65.5		1.17	0.0	0.0	1.17	0.0
Insecticides		1.17	0.0	225.0	1.17	263.3		1.17	0.0	224.0	1.17	262.1
Labor		0.70	0.0	898.0	0.70	628.6		0.70	0.0	260.0	0.70	182.0
Other Operating Services (Includes Contingencies)		1.00	0.0	200.0	1.00	200.0		1.00	0.0	300.0	1.00	300.0
Other Investment		1.00	0.0	0.0	1.00	0.0		1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	0.0		0.0	1598.0		1413.6	0.0		0.0	1800.0		1932.8
Interest	0.0	0.00	0.0	127.8	0.00	0.0	0.0	0.00	0.0	144.0	0.00	0.0
Total Gross Costs	0.0		0.0	1725.8		1413.6	0.0		0.0	1944.0		1932.6
Net Benefits	0.0		0.0	3974.2		5996.4	0.0		0.0	1656.0		1667.2
				3974.2		5996.4				1656.0		1667.2

NOTES: 7. Units of measurement are indicated in Part One for each crop; prices are per unit of measurement indicated.

TABLE 6: FARMER UNIT PROTOTYPES - - FINANCIAL AND ECONOMIC RESOURCE FLOWS (Continued)

6.e. Farm Prototype "E" (FECOCAL Model)

Part One: Farm Unit Cash Flow (All figures in 1985 Lempiras unless otherwise indicated)	WITHOUT PROJECT SCENARIO		WITH PROJECT SCENARIO	
	Financial Prices	Economic Prices	Financial Prices	Economic Prices
Crop 1: Corn				
Manzanas Cultivated	1.00	1.00	1.00	1.00
Yield (per Manzana) in qq	33.00	33.00	42.00	42.00
Price per qq */1	10.00	11.00	12.00	11.00
Total Crop 1	330.00	363.00	504.00	462.00
Crop 2: Coffee				
Manzanas Cultivated	10.00	10.00	10.00	10.00
Yield (per Manzana) in qq	10.00	10.00	14.00	14.00
Price per qq */2	160.00	104.00	160.00	104.00
Total Crop 2	16000.00	10400.00	22400.00	14560.00
Total Gross Revenue	16330.00	10763.00	22904.00	15022.00
Gross Costs				
Seeds	0.00	0.00	0.00	0.00
Fertilizer	3122.00	3652.74	3150.00	3685.50
Herbicides	25.60	29.95	328.00	383.76
Insecticides	0.00	0.00	340.00	397.80
Labor	5510.00	3857.00	6410.00	4487.00
Other Operating Services (Includes Contingencies)	70.00	70.00	70.00	70.00
Other Investment	0.00	0.00	0.00	0.00
Total Costs Before Financing	8727.60	7609.69	.0298.00	9024.06
Interest	698.21	0.00	824.00	0.00
Total Gross Costs	9425.81	7609.69	11122.00	9024.06
Net Benefits	6904.19	3153.31	11782.00	5997.94
	Incremental Benefits With Project		4877.81	2844.63

6.e. Farm Prototype "E" (FECOCAL Model) (Concluded)

Part Two: Cash Flow Per Manzana

(All figures in 1985 Lempiras unless otherwise indicated)

	Crop 1: Corn						Crop 2: Coffee					
	WITHOUT Project			WITH Project			WITHOUT Project			WITH Project		
	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices	Financial Prices	Conversion Factor	Economic Prices
Gross Benefits												
Yield (per Manzana)	33.0		33.0	42.0		42.0	10.0		10.0	14.0		14.0
Price per qq	10.0	1.10	11.0 */1	12.0	0.92	11.0 */1	160.0	0.65	104.0 */2	160.0	0.65	104.0 */2
Total Gross Benefit	330.0		363.0	504.0		462.0	1600.0		1040.0	2240.0		1456.0
Gross Costs												
Seeds	0.0	1.17	0.0	0.0	1.17	0.0	0.0	1.17	0.0	0.0	1.17	0.0
Fertilizer	62.0	1.17	72.5	90.0	1.17	105.3	306.0	1.17	358.0	306.0	1.17	358.0
Herbicides	25.6	1.17	30.0	28.0	1.17	32.8	0.0	1.17	0.0	30.0	1.17	35.1
Insecticides	0.0	1.17	0.0	0.0	1.17	0.0	0.0	1.17	0.0	34.0	1.17	39.8
Labor	110.0	0.70	77.0	110.0	0.70	77.0	540.0	0.70	378.0	630.0	0.70	441.0
Other Operating Services	70.0	1.00	70.0	70.0	1.00	70.0	0.0	1.00	0.0	0.0	1.00	0.0
(Includes Contingencies)			0.0			0.0						
Other Investment	0.0	1.00	0.0	0.0	1.00	0.0	0.0	1.00	0.0	0.0	1.00	0.0
Total Costs Before Financing	267.6		249.5	298.0		285.1	846.0		736.0	1000.0		873.9
Interest	21.4	0.00	0.0	24.0	0.00	0.0	67.7	0.00	0.0	80.0	0.00	0.0
Total Gross Costs	289.0		249.5	322.0		285.1	913.7		736.0	1080.0		873.9
Net Benefits	41.0		113.5	182.0		176.9	686.3		304.0	1160.0		582.1
Incremental Benefits With Project				141.0		63.4				473.7		278.1

NOTES: 1. In the "with project" scenario for corn, UNIOCOOP representatives expect that participating farm units will receive a higher price per unit of production due to increased prospects of selling their output to IHMA (Honduran Agricultural Marketing Institute) instead of to "coyotes" at prevailing market rates. Financial prices therefore are adjusted by conversion factors which equate the "with project" economic prices to the midpoint between the "with" and "without project" financial price paid to the coyote.

2. The .65 conversion factor for coffee was obtained as follows:

Financial Prices x (a x b) = Economic Prices where:

a = 1.30. Foreign exchange rate adjustment. According to GOH officials, almost 100% of the coffee will be exported.

b = .50. The volume of Honduran ("quota") coffee exported to countries subscribing to the International Coffee Agreement is fixed. Therefore, additional coffee produced as a result of the project will not increase Honduran exports of quota coffee, but will be exported as non quota coffee for which prices are approximately 50% of quota coffee prices.