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PROJECT ASSISTANCE CLOSE OUT REPORT

Grant No. 522-ESF-0318
Agricultural Policy Support to the
Ministry of Natural Resources

Grantee: Ateneo de la Agroindustria (ADAI)

February 21, 1989

The purpose of the grant was to provide the Ateneo de la Agroindustria (ADAI) support to select, organize and fund a technical advisory group, the Unidad de Desarrollo de Política Agrícola (UDEPA), to provide high level support to the Minister of Natural Resources to promote agricultural development of the country through agricultural policy studies and recommendations. The technical advisory group was to pay special attention to formulating strategies and policies in relation to the recommendations of the Presidential Agricultural Task Force of the United States.

Project outputs were to include the formulation of a series of studies in the seven following areas related to agricultural policies: organizational structure and operation of the agricultural sector; agricultural credit; regional planning and agrarian reform; investment incentives; commercial agriculture; agricultural education; and private sector participation in the forestry sector. Based on these studies ADAI was to propose agricultural policy initiatives and promote the acceptance, and ultimately, the implementation of policies.

Initially an eighteen month L667,000 grant was approved. The grant was subsequently amended to extend the Grant Expiration Date four months to March 21, 1988 and to increase total funding to One Million Lempiras (L1,000,000).

In accordance with USAID Mission Order No. 580, Project Close Out, a Close Out Report is required for all projects. However, this requirement can be waived if a project has been financed with only local currency and has had a final impact evaluation. The Final Project Evaluation Report, entitled Building Agricultural Policy Analysis Capability in Honduras Through A.I.D. Support to ADAI: The Past and the Future, is attached as an integral part of this report. This report discusses the effectiveness of support to agricultural policy, the design and structure of the ADAI/UDEPA arrangement, the analytical capacity of UDEPA, lessons learned, and suggests key elements for future Mission support of agricultural policy work in Honduras.

Specifically, the evaluation states that there is no doubt that UDEPA, through its agreement with ADAI, has worked hard and has performed services that have been useful to the Ministry of Natural Resources (MNR). More than that, it is fair to say that AID support of the ADAI/UDEPA arrangement has accomplished a good portion of what it was intended to accomplish and can thus be termed a success. Although it is difficult to attribute univocal causality in most cases, it is nevertheless true that UDEPA has played a significant role in activities such as: the elaboration

of a ministerial agenda for the sector from 1987 to 1990; preparation of bills for agricultural promotion and investment, an Agricultural Science and Technology Directoral (DICTA), and national agricultural education; the privatization of the public agricultural machinery and seed operations; procedural reforms in BANADESA (Banco Nacional de Desarrollo Agrícola); preparing policy positions and documents for the Ministry of Natural Resources; and others related to recommendations of the Presidential Agricultural Task Force of the U.S.

Nevertheless, while the project's arrangement had an impact on the policy decisions within the Ministry and its decentralized institutions, outside the sector it had limited effectiveness. This was more a reflection of limited technical capacity and caliber of its analyses than of any fault in the design or structure itself. Potentially the unit could exert more of an influence on macroeconomic policy if the Ministry were represented formally in the government's economic cabinet and on the Board of Directors of the Central Bank. Ultimately, its impact would rest heavily on the caliber and presentation of its economic analysis.

In order to redress the principle lessons learned from the ADAI/UDEPA experience, the evaluation recommends: that the Ministry's capacity in analysis be strengthened through training and technical assistance; that other sectors and institutions, as well as sectoral participants, be brought together more frequently under seminars, workshops, and short-courses to raise public awareness and debate on agricultural policy issues; that support be given to a sectoral planning system that differentiates between planning/budgeting and policy analysis and formulation; and greater coverage, frequency and consistency of agricultural data collection efforts.

Financial Status: The USAID/Controller's Local Currency Report of September 30, 1988, shows that the One Million Lempiras programmed with ADAI has been fully disbursed. The FARS Unit of the USAID/Honduras Controller's Office carried out two financial reviews of this project, one in 1986 and the other in 1987. Recommendations from these two reviews are closed and the Controller's Office has prepared the final financial review of this project. The final financial review of this project (attached) indicates that ADAI complied with the project's counterpart requirement. However, it indicates ADAI's records on the counterpart contribution from the GOH were skimpy and that ADAI should, in the future, exercise greater control over such counterpart contributions. The report also states that as of January 31, 1989 the ADAI/UDEPA continued to operate with funds from the Ministry of Natural Resources.