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RESOURCE CENTER

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO HONDURAS
RURAL DEVELOPMENT STRATEGY STATEMENT

MAY 1985

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USAID/H RURAL DEVELOPMENT STRATEGY

I. INTRODUCTION

Since the publication of the Agricultural Sector Assessment for Honduras in 1978, which served as the base document for our program then, many of the basic economic, social and political conditions of the country have changed, as have the relationships between the USG and the GOB. The current government was democratically elected in 1981 and approaching its second free election this year; regional political and military uncertainties have retarded investment and led to significant capital flight; the favorable external prices for Honduran exports in the late 1970's have dropped significantly. As the real economic growth rates of an average of 7% in the late 1970's have steadily declined to a negative 1% over the last three years, real per capita income of Latin America's poorest country has dropped by 38% in five years. While no current measurements are available, the economic decline obviously has had a devastating effect on those 77% of rural residents and 34% of urban residents who had per capita earnings below the poverty line in 1978 (\$230 annual/capita).

The country is 60 to 65% rural and agriculture supplies over half of employment. While the primary sector has constituted a declining share of GDP during the 1970's, it has recently grown in importance (28.9% in 1978; 31.2% in 1984), and still remains the predominant influence in the economy with its linkages to the industrial and service sectors. Changes in growth rates in the agricultural sector, especially those due to changes in agricultural exports, have led the changes in overall GDP over the past twenty five years, with the nascent industrial and service sectors gaining more importance in the late 1970's.

In order to provide a current status of the agricultural sector and its interrelationships, as well as a context in which to measure the changes in our policies, programs and projects, we have used a simple model (Figure 1). This provides an idea, based upon the best information available, of the current use of natural resources; infrastructural investments; production, processing and marketing activities; human and social capital; foreign trade; and outside donor assistance. This simple model has been used to demonstrate the change in our program portfolio, current and proposed projects, policy dialogue efforts and expected impacts to the AID Administrator McPherson and LAC/AA Rivera.

II. RECENT HISTORY OF SECTOR GROWTH

A. Historical Perspective of Agricultural Sector

1. Organized efforts to foster an accelerated growth of the Honduran rural sector have been carried out intensively for about thirty years. Efforts over much of this period concentrated on improving provision of public services. During the early stages, (approx. 1950-1970) the USAID concentrated on development and dissemination of technology via GOH agencies, through its agricultural Servicio (STICA), and provision of agricultural credit and development project coordination through the National Development Bank. The Mission also made significant investments in construction of primary road networks. The USAID sector development strategy focused on incorporating independent, subsistence farmers into the money economy, either through improved technology or colonization. Agricultural sector growth rates during the 1950's averaged only a disappointing 0.5% per year, in large part due to a devastating strike of banana workers, while the total economy averaged 3.0% annually. During the 1960's under the Alliance for Progress, average annual agricultural growth rates of 5.6% led an overall economic growth rate of 5.0% annually. (See Graphs 2 and 3).

2. During the 1970's, a number of significant shifts occurred in the GOH rural development strategy. The Agrarian Reform Law radically changed perceptions of land ownership security, resettled approximately twenty per cent of the farmers, outlawed land rental and minifundia, and directed all GOH rural agencies to focus programs on reform recipients. Secondly, the GOH involved itself directly in many activities previously dominated by the private sector (i.e. nationalization of basic grain and lumber import/export operations, GOH ownership of all timber, direct GOH ownership of productive enterprises, etc). Third, the GOH sponsored or supported numerous, large scale diversified export development efforts (African palm, citrus, sugar, beef, cocoa, cashew, etc). Performance of the agricultural sector during this period was highly influenced by the devastating Hurricane Fifi in 1974 and the coffee and sugar boom of 1977, which generated unprecedented (and at the time apparently unending) foreign currency inflows. Growth rates for the sector over this period averaged only 2.8% per annum (6.3% discounting the Fifi years), while the total economy grew at a respectable 4.9% annually.

3. Beginning in the late 1970's, the emergence of regional political instability, worldwide recession and over-extension of U.S. banks led to a severe down-turn in the Honduran economy. The agricultural sector was severely affected by stagnant commodity markets and lack of capital. The resulting drop in foreign exchange earnings and GOH revenues, combined with poor GOH performance in implementing many initiatives of the 1970's, led to a retrenchment of public allocations to the sector. The key elements of the GOH rural development strategy during this period has been (A) to stimulate basic grain production to assure supply and minimize domestically induced inflation; (B) to consolidate the agrarian

reform process emphasizing service provision to new land holders over new settlements; (C) to strengthen existing GOH institutions and undertake integrated rural development efforts in marginal departments; (D) to undertake smaller scale export diversification efforts. Generally, however, during this period the GOH has focused more on reacting to externally induced problems and programs rather than on undertaking domestically inspired initiatives. Growth rate for this period dropped to an average annual rate of 1.9%, while the total economy suffered under an average of only 0.3% annual growth.

B. PRIOR USAID/H ASSISTANCE

USAID/H assistance was a dominant element in GOH development efforts during the first stage described above (1950's and 60's), was relatively less important during the 1970's, and is now again assuming a key role. Total USAID/H assistance levels in real 1980 Dols for all sectors, averaged \$1.3 million annually (1953-61), \$5.9/year (1962-79), and \$68.1 millions (1980-83) for these three periods. USAID/H during the 1950's and 1960's sponsored the creation of and for a while managed the GOH Extension Service and Research Program, STICA. We created the basic grain marketing agency, IHMA, and strongly influenced the early technical development of the MNR Seed Program, Water Resources Directorate and Forestry Service. During the 1970's, other donors took a predominant role in land reform, export diversification and forestry, and USAID/H focused more on public sector institutional development. Since 1980, as will be described in greater detail later, USAID/H has focused more on export commodity systems, technology development, private sector provision of productive inputs and market linkages, and construction of access roads.

III. STATUS OF THE RURAL SECTOR AND REASONS FOR STAGNATION

A. CURRENT PICTURE OF SECTOR

Despite more than three decades of intensive development efforts, most indicators show Honduras' rural development lagging behind other Central American countries. The following indicators summarize the current status:

1. Honduras is overwhelmingly an agricultural country. It employs over one half of Honduras' work force, produces two-thirds of its exports and a third of GDP. (See Graph 4A). The primary sector provided the major impetus for GDP growth or decline over the past 25 years, except for a period in the late 1970's; it appears to be returning as the major engine of economic growth. (Graph 4B).

2. Less than twenty per cent of potentially cultivable land is actually used for agriculture, based on 1974 figures. Compared with area cultivated, twice as much land is unused/fallow and nearly twice as much is classified as eroded. Over half the cultivated land is planted with basic grains. Two thirds of Honduran farmers farm land units averaging less than two hectares. (See Tables 1-2, Graphs 5-8).

3. Agricultural exports represent roughly one-half of total value of crop, livestock and forestry products and their growth (and decline) is highly correlated with overall sector growth. Export values have been declining with depressed prices and lower volume. Since the boom years of the late 1970's, average prices received have dropped to half (Graph 9) and volume by 28% (Graph 10), with a loss of approximately \$100 million in expected export revenues (Graph 11). In the same time, non-traditional agricultural exports have doubled their real value from Lps.74 to 148 million (Graph 12A), and their share of agricultural exports from 8.6 to 17.0%.

4. Rainfall patterns are erratic, with southern Honduras characterized by a short rainy season and periodic droughts and northern Honduras by extended rainy seasons with periodic excess rain, damaging harvests and causing flooding (See Graphs 13-14). Yet only fourteen per cent of the potentially irrigable land is actually irrigated. Three fourths of irrigated land is planted with bananas and sugar cane, using systems established with private investment funds. (See Table 3, Graph 15).

5. The ratio of kilometers of roads to square kilometers of territory in Honduras is less than one fourth the average for Central America. This has limited agricultural colonization and hampered marketing and provision of services (See Graph 16).

6. A composite index for the 1979-81 period of both selected basic grain (corn, beans, rice) and selected export crops (coffee, sugar cane, cotton) show average yields for Honduras significantly lower than all other Central American countries. (See Graphs 17-18). Per capita food production in Honduras in 1983 was eighty five per cent the average 1969-71 level, with a steadily declining trend, as population has expanded and yields and production have not kept pace. (See Graph 19).

7. Approximately three per cent of Honduran farmers consistently use formal agricultural credit, and real agricultural credit flows today are at the same level as fifteen years ago. The relation of new loans granted to the sector in relation to its contribution to GDP has dropped from roughly 50 to 25% since the years of export expansion in the late 1970's. There is an apparent net flow of capital from rural to urban areas. (See Graphs 20-21).

8. While the sector provides over 30 per cent of GDP, only seven per cent of the GOH 1983-84 budget was spent on the agricultural sector. (See Table 4). A composite index relating expenditures on research and extension activities and staff in these areas to land mass and agricultural workers ranks Honduras last in Central America, about one fourth the regional average. (See Graph 22).

9. Agro-industrial activities in Honduras remain limited in scale and importance. New jobs per year created in the agricultural sector have remained virtually constant for over twenty years, averaging 6-8,000 per year. The rural, non-agricultural subsector has provided accelerating job creation opportunities. (See Grph 23).

*Net Employment
New jobs
?*

10. Forest resources are registering a consistent net loss due to exploitation and lack of replanting; during the last decade over one-fifth of the total remaining forests were lost. Land erosion and degradation now affects a quantity of land greater than that currently being cultivated, calculated at between 8-10% of total land area.

B CAUSES OF STAGNANCY

How can one explain the stagnancy of the Honduran Agricultural sector, as described above, given the past efforts at development? The following are considered principal contributing factors:

1. Honduras began the development era far behind its neighbors. Honduras was not consolidated into a unified political unit until the 1930's, before which regional "caciques" reigned locally and fought among themselves. Honduras lagged far behind its neighbors in infrastructure construction, partly due to repercussions of a failed effort to build a railroad in the early 1900's, which destroyed Honduras' international credit rating. Honduras' broken geography, unstable rain patterns, and poorer soils relative to its neighbors make development difficult and attracted fewer large investors, even in colonial times. Honduras lacked and still lacks the relative accumulation of savings which characterized at least certain social segments in its neighboring countries, and its entrepreneurial class appears to be less aggressive and/or modern than those found in countries such as Costa Rica and Guatemala.

2. Honduras has emphasized social equity programs over the last two decades, while some of its neighbors have emphasized growth. Honduras has one of the strongest labor union movements and the earliest major land reform in the region. Honduras remains poor but peaceful, while most of its neighbors are more wealthy but convulsed by violence. (i.e. El Salvador, Guatemala) or facing major socio-economic adjustments (Costa Rica, Dominican Republic). While social equity programs may provide the basis for long-term sustainable growth, the short-term impact can be negative on productivity (i.e. the Honduran land reform effort during the mid 1970's)

3. Honduras invested less resources in agriculture than its neighbors. When significant resources became available with large rises in export earnings, much was invested in non-viable projects. There have been frequent signs of misuse of funds by GOH officials over the last thirty years.

4. The population growth rate in Honduras is the highest in Latin America. This has resulted in the gains from agricultural production being negated out on a per capita basis.

5. There is limited growth potential for Honduras' traditional crops, due to market constraints. Average traditional export prices have dropped dramatically and offer limited prospects for improvement. In particular sugar, which ranks fifth among exports with an average export value of \$20 million and a total production value of approximately \$50-60 million, is expected to decline rapidly. Non-traditional exports with promising futures represent a small proportion of the current total export earnings and will require time to become established foreign exchange earners.

6. The GOH public agricultural sector lacks coherency. There are many duplicative institutions and no clear, central, policy making authority. A number of GOH policies, as will be described later, discourage development.

7. Currently, Honduras suffers a critical lack of private financial resources due to capital flight and withdrawal of external lines of credit caused by regional instability and over exposure of U.S. banks, public sector absorption of Central Bank resources, and historically inadequate savings mobilization. Over-valuation of Honduran currency makes Honduran produce less competitive.

IV. USAID/H LONG-TERM RURAL DEVELOPMENT GOAL, TARGETED OBJECTIVES AND STRATEGY

A. RURAL DEVELOPMENT GOALS AND TARGETS

The overall goal of USAID/H assistance to the Honduran rural sector is to accelerate the growth of income among the limited resource rural population. We will be concerned with both achieving an immediate, short term impact on these incomes and with achieving a sustainable basis for long-term growth.

The National Bilateral Commission on Central America (NBCCA) and the resulting Dam Commission and Jackson Plan propose major U.S. resource flows towards Central America, focusing on economic stabilization, economic transformation, spreading the benefits of economic growth and strengthening democratic institutions and processes. The sector objectives, targets, and strategies described below, which have been the focus of the USAID/H rural development program for several years, demonstrate how we will address the Jackson Plan objectives. The confluence of the remarkably fertile environment and the potentially large resource flows, based on U.S. government geopolitical concerns, provide a unique opportunity for USAID/H to undertake an ambitious effort to transform the Honduran agricultural sector at the same time that other efforts concentrate on creating active agro-industrial and light

manufacturing sectors. The following statement of USAID/H goals and strategies for the sector is presented to guide our assistance.

Despite the current disappointing status of the agricultural sector, USAID/H is optimistic that with fundamental economic changes, continued social and political stability, and sufficient human and financial resources, a major transformation of the Honduran agricultural sector and the entire economy can occur that will enable us to achieve this overall goal. We believe that our program will have a significant impact on incomes, employment, nutritional standards, and foreign exchange earnings within five years, and have a large impact within ten years. This projection is based on the fact that agriculture is the main engine of total Honduran economic growth and that this growth is based upon the country's ability to export. Graphs 24 and 25 demonstrate how agricultural growth has led total GDP growth and the importance of changes in agricultural exports in determining this growth (or decline).

Past USAID financing of major scholarship programs has created a critical mass of trained manpower never before existent. An institutional base has been created which, with a few glaring exceptions, creates effective channels for resources. The CBI opens significant market opportunities for Honduras to create entirely new, large scale, agricultural industries if exchange rates fall in line and competitiveness with their regional neighbors is restored. Finally, GOH agricultural sector officials continue to be open to USAID/H technical assistance on a wide range of issues, both at the policy and technical levels.

Based on this analysis of Honduras' rural development status, our congressional mandate and regional U.S. goals, the following are considered the objectives and targets for U.S. assistance to the Honduran agricultural sector.

1. Economic Stabilization

The Jackson Plan emphasizes the importance to the USG of stopping the rapid decline of the Central American economies and stabilizing their situation so they can then undertake transformation and growth. Considerable USG balance of payments assistance will be programed for Honduras for this purpose, within the context of viable GOH macro-economic policies.

In support of these efforts, USAID/H will conduct an active dialogue with the GOH to reduce policy constraints to rural growth, particularly those with expected rapid payoffs. (See Section V). The Mission will actively support GOH and Honduran efforts to attract private investors to Honduras. These include adaptation of exchange rate and taxation policies to increase Honduran export competitiveness; reduction in GOH inefficiencies in attracting investment; reduction of production risks through research results and infrastructure investments; divestiture of non-productive parastatal operations which deter private investment;

increase in the amount of resources dedicated to the sector and improvement in the efficiency of GOH and private services; and channeling of greater amounts of financial resources through financially responsible institutions to provide necessary investments. Our expectations for growth in the sector are predicated upon major macro-economic structural changes that, together with an improved investor climate for joint ventures and streamlined, more effective GOH operations in the sector, will stop the deterioration of the Honduran rural economy.

In addition to promoting a favorable policy environment for the sector and attracting external investment, USAID/H will also undertake activities with potential immediate impact on stabilizing the Honduran economy, such as efforts to maintain current high levels of basic grain production and to improve the productivity of principal export crops. Our efforts to improve the productivity of the vast number of marginal, hillside basic grain producers, providing them with improved incomes until they can participate in the transformation of the agricultural economy described below, is an example of an effort to stabilize the economic decline of a politically important, segment of the Honduran population.

2. Economic Transformation

USAID/H efforts related to this and the next Jackson Plan goals will be our major focus in the rural sector, while the efforts related to the final goal will be integral to achieve these two. In pursuing the economic transformation of the Honduran rural sector, USAID/H will pursue two objectives. First, if Honduras is to achieve a significant long range, growth of rural incomes, given the stagnant market conditions for traditional export crops, it must diversify its primary production and agro-industrial economic base. Since the domestic market is limited, the agricultural export market must be broadened. This will require more favorable terms of trade, improved productivity and aggressive export sales ability in order to enhance Honduran export competitiveness. This effort will not only dramatically increase rural incomes and employment, but will provide the foreign currency required for other development efforts.

At the same time that we invest in diversifying agricultural exports we will invest in preserving and improving the natural resource base through conservation techniques and increased infrastructure investments especially in irrigation, transportation, rural electrification, and marketing facilities, in order to increase productivity and assure the long term viability of the agricultural enterprises.

will have increased from its current estimated 448,000 jobs to 547,000 at a rate equal to new job applicants entering the rural labor force. Unemployment among the Honduran rural population will have dropped from 39% to 34%. Real per capita incomes will reverse the last five year trend of a net 7% annual loss, and register significant positive gains by 1990. As a consequence of increased employment and incomes in the rural sector, the percent of the rural populace living below the poverty line will have decreased from 80% to 69%.

--Improve national per capita nutrition levels without increased food imports. Goal measurement: The percent of Hondurans consuming below the minimally acceptable caloric and protein intake levels will decline from 65% to 62% by 1990.

--By 1990 an expected 70,000 legal land titles will be awarded, affecting the lives of over 350,000 rural inhabitants on approximately 300,000 hectares of land.

--Restore and enhance the natural resource base. Goal measurement: increase the number of farmers using soil and water conservation methods from 1,500 to 13,000 by 1990, affecting over 18,000 hectares; increase by 25% the irrigated farm land from 50-62,000 hectares by 1990.

--Strengthen rural democratic institutions, particularly cooperatives and private voluntary organizations. Goal measurement: 50,000 farmers will be served by viable agricultural cooperatives by 1990, and twenty PVO's are self-financing and providing important services to the rural sector.

--Invest heavily in agricultural education and training. Goal measurement: double the 1984 number of 185 Honduran graduates from national and international higher to 370 by 1990; continue to increase the number of farmers and public and private sector technicians from 5,000 to 7,000 per year by 1990.

B. Rural Development Strategy and Elements

In order to pursue the major goal and objectives outlined above, USAID/H has adopted an operating strategy that includes elements of an active policy dialogue, programmed uses of local currency generations for economic support, and specific development assistance project interventions primarily to impact on technical and institutional areas. To achieve the goal/objectives, our strategic concerns will be the following areas:

Export and domestic market development will lead the demand pull for increased production and the transformation of traditional subsistence farmers into productive, market oriented agricultural producers responsive to market signals.

Infrastructural development will increase access to productive lands, facilitate marketing of production and enhance the productive capability of arable lands, forests and pastures.

Local and foreign investment will be attracted in the establishment of competitive agricultural and agribusiness enterprises, responsive to market opportunities.

Appropriate technological development and transfer will increase yields of land, labor and capital resources and reduce the risk of losses.

Access to and use of productive inputs, including improved seed and stock, agrochemicals, mechanization, and credit resources will be increased through improved delivery channels.

Secure land ownership and improve access to land resources through commercial land markets and small scale colonization will increase rural investment and production.

The enhancement and preservation of the natural resource base--land, water and forest--with better management, will assure long-term development potential of the Honduran rural sector.

Business and farmer organizations will be strengthened by applying strict administrative disciplines and this will improve the efficiency of service delivery to the target population.

Heavy investment in training, from farmer to university level both abroad and nationally will provide the human resources required by the transformation effort.

C. SPECIFIC STRATEGY ELEMENTS

USAID/H will concentrate its activities on assisting the private sector to develop access to resources, technologies, markets and management skills necessary to develop viable enterprises. We will also work with the public sector to create the required policy framework and to provide those specific essential support services which the private sector cannot or will not provide. We will attempt to maximize, however, use of private sector channels for public sector services. In order to implement our operational objectives outlined above, USAID/H will concentrate on the following discrete elements, which may be considered outputs of the programmatic inputs described in section VII:

1. Create and develop more efficient domestic and export market linkages by increasing access to market information, improving port facilities, and increasing incentives for private sector involvement in storage and processing; and by transforming traditional farmers into productive, market oriented agricultural producers responsive to market signals. These activities will assist the country to preserve current levels of

traditional exports, including forestry products, to diversify its agricultural export base with opportunities for non-traditional exports, and supply an increased quantity and broader array of reasonably priced products for an expanding domestic market. There are a few import substitution activities which may also achieve this end, but given Honduras' relatively small domestic market, sector development must be export led. It should be noted clearly that while our primary emphasis is on diversification of exports, our concern for the foreign exchange earning capability of the sector and economic stabilization implies a concern for at least maintaining traditional export earnings (bananas, coffee, meat, wood, sugar), which have not been an area of activity for AID for many years. Our activities related to traditional exports will focus primarily on policy dialogue.

2. Invest heavily in the expansion and improvement of rural infrastructure, emphasizing rural roads, irrigation and drainage, electrification and storage and processing facilities. Given the relatively large amount of unused land in Honduras, USAID/H believes that infrastructure construction is a primary vehicle for relieving land pressures by making additional land accessible for increased production. Augmented access and increased land and water capabilities will lead to the cultivation of higher valued cash crops that can be made available to markets at higher farm gate prices and at lower prices to consumers. Due to the marked rain/dry season cycle in Honduras, irrigation offers tremendous opportunities to increase land and labor utilization in high value crops. Rural electrification will also permit the development of small rural enterprises, which are key sources of employment. Achievement of this strategy element would involve construction of approximately 1000 kilometers of all weather roads and 400 meters of bridges in 4 years and irrigation of an additional 12,000 hectares of land by 1991.

3. Local and foreign investment will be encouraged to foster the establishment of competitive agricultural and agribusiness enterprises, responsive to market opportunities. Particular emphasis will be given to promoting joint ventures, combining the external partner's capital and technical and market knowledge with domestic capital and productive capability. Divestiture of public sector owned processing facilities will assist this effort. A large portion of Honduran farmers produce basic grains on small hillside plots. Even an aggressive export diversification effort will not absorb all of these farmers and their long range prospects in farming are limited. Off farm employment must gradually absorb large numbers of them. To the extent these jobs are created in rural areas, urban congestion will be slowed. Agro-processing and agribusiness concerns can offer significant employment opportunities. By 1990, a total of approximately 100,000 new jobs in rural areas will be created.

4. Emphasize development and dissemination of appropriate technologies. The previous three strategic interventions can be considered preconditions for long-term development. Technology is the active vehicle that can make development happen. As noted earlier, Honduras lags behind all Central American countries in average yields. In many

crops, unless productivity increases, resulting in decreasing unit production costs, Honduras will neither export competitively or expand domestic consumption. Technologies exist to improve productivity of most traditional crops but have not been adopted. The effort to diversify exports, however, requires investment both in technology development, adaptation and dissemination. We will also assist the GOH and private entities to improve the productivity and incomes of predominantly hillside and primarily basic grain producing small farmers who make up the majority of the rural population. By disseminating low capital, appropriate technologies to these farmers we can create significant short term increases in nutrition and incomes, reduce rural/urban migration, preserve and enhance the natural resource base, introduce marginal farmers to technified agriculture as a first stage toward diversification, and preserve political stability. Basic grain production will not make these farmers wealthy, but they also will not starve while we work at transforming the export base of the sector. Improved productivity of domestically consumed products by small farmers will both increase on-farm food consumption and assure domestic food security. We must recognize that long-term significant income increase for these farmers must come from export activities, or off-farm employment. The implementation of this strategy will be achieved by 1990 by improving the nation wide productivity levels for basic grains by 12%, raising the current estimated level from 1.25 to 1.40 metric tons/hectare by introducing five economically viable export crops and improving productivity levels of traditional activities.

5. Improve the access of agricultural producers, particularly small producers, to productive inputs. Credit, as noted earlier, is severely lacking now and efforts to diversify the export base will require significant increases in credit flows. USAID/H supports positive real interest rates to provide incentives for savings mobilization, but considers use of special incentives to favor long-term investments a possibly acceptable variation from this policy. In addition, USAID/H is analyzing the feasibility of various schemes for increasing the availability of equity financing to overcome the historic lack of risk capital in Honduras. Agrochemicals are relatively expensive with minimal rural distribution and improved seed production is limited and unreliable, as is access to farm mechanization. This strategy element will have been implemented if real agricultural credit flows increase by 25% by 1990, and if by that date private sector entities take over production of improved seed and provision of farm mechanization.

6. Increase the access to and security of land ownership, both for small producers and for larger producers within the limits set by the Agrarian Reform Law. Insecure land tenancy contributes to natural resource degradation and discourages investment. Lack of adequate land severely limits incomes of marginal farmers. The range of possible responses to the land access problem include opening access to unused national land (infrastructure), recuperating productivity of fragile lands (technology), and transfer of unused developed land to small producers through creation of a commercial land market or enforcement of the land

limits of the Agrarian Reform Law. The present method of enforcing the Agrarian Reform Law, however, is considered a prime cause of rural land insecurity and considerable GOH effort is needed to consolidate this process. Concern for settling farmers on unused land should be phased with development of the capability to provide them with minimum production services. Under this strategy, we expect by 1990 the GOH will have titled 120,000 farms and settled a significant number of families on agricultural land not presently in production.

7. Assist the GOH to improve its natural resource management efforts, particularly in the forestry sector. U.S. Government objectives in Honduras contemplate long term economic transformation. Unless significant efforts are made to stop the rapid degradation of the productive base of the agricultural and forestry sectors, by the year 2000 Honduras will encounter severe problems in feeding its population, not to mention meeting income enhancement targets. While the natural resource management goals tend to be long-term in nature, significant short-term economic impact can be achieved from improved forest and soil management. By 1995, annual net loss of forest resources will be decreased from -820,000 Has. to 500,000 and 400,000 has. will be under sustained yield forest management. Loss of top soil in cultivable land and river and reservoir sedimentation will be reduced by 20 per cent in the Choluteca watershed, and 30,000 has. of hillside farmland will be under improved soil and water management by 1990.

8. Actively support creation of viable self-managing farmer organizations. To the maximum extent feasible, we will involve democratic institutions such as cooperatives and PVO's in our efforts to implement the operational strategies described above, both to improve the efficiency of service delivery and to optimize local initiative. Creation of viable farmer organizations is one way to increase access to inputs. If the proper operating disciplines are institutionalized in these organizations, they serve as an invaluable social infrastructure for involving small producers in development, and they can generate the innovative responses to localized rural problems typical of private sector led efforts. Finally, as democratic institutions, in keeping with a primary Jackson Plan tenant, these organizations will promote the long-term stability of the region. As noted earlier, by 1990, over 50,000 farmers will be served by viable cooperatives.

9. Invest heavily in human resource development, including scholarships to U.S. institutions, improvement of domestic higher agricultural and forestry education, and short courses for public and private employees and farmers in key subject areas. While a minimal critical mass of trained manpower to initiate the renovation effort has been formed by past efforts, considerable more support is required to assure sufficient technical capability to support the transformation of Honduras' agricultural base. We will concentrate these efforts on private agricultural training and seek policy reforms in public institutions which will guarantee excellence in education. Short term training for

farmer entrepreneurs, both within Honduras and the U.S., is critical to overcoming the lack of these skills. A target for trained personnel for the rural sector over the next five years would be 10 Ph.D., 200 Masters, 550 Ingenieros Agrónomos, 200 Bachelor of Science, 575 Agrónomos, 10 Ingenieros Forestales and 75 technical foresters.

To carry out these operational strategies requires a broad AID rural development program, in coordination with other donors. Sector development is not limited by just one predominant constraint. Both increased exports and marginal farmer incomes are constrained by inadequate infrastructure, insecure access to land, poor technology development and dissemination, insufficient capital, lack of entrepreneurial talent and inefficient market linkages. AID interventions will have to be sequenced, given our own management constraints, but we will be forced to deal, in conjunction with other donors, with an integrated effort involving all elements.

V. GOH POLICY CONSTRAINTS

In order for AID to initiate project interventions pursuing the strategy elements described above, the GOH must establish an adequate policy framework. Generally, the GOH has historically promoted an open market. There are specific policy impediments, however, which must be modified to maximize the impact of AID resources. The Presidential Agricultural Task Force (PATF) identified most of the policy constraints faced by the sector in 1982, and significant progress has been made by the GOH since that time. USAID/H contemplates a return visit in 1986 by the PATF to review progress and establish a new policy agenda. The following are the primary GOH policies for the rural development sector of concern to the Mission:

- A. Creation of climate favorable to foreign investment and export development, including the adaptation of exchange rate policies which will permit Honduras to compete effectively, simplified import/export document processing, favorable tax provisions.
- B. Maintenance of free market pricing policies for principal agricultural produce.
- C. Maintenance of positive interest rates.
- D. Increase in the relative proportion of the resources (including the GOH budget) dedicated to support of the rural sector.
- E. Removal of inefficiencies resulting from the Agrarian Reform Law by legalizing titling of farms under five hectares, legalizing land rental, eliminating restrictions on ability of banks to foreclose on rural land mortgages, eliminate restrictions which make some crops more susceptible to land confiscation, and encouragement of individual rather than collective production units.
- F. Adoption of a systematic surface and ground water law which will provide a legal framework allowing greater investment in irrigation projects.

- G. Provision of administrative autonomy for GOH agricultural extension activities so as to eliminate major bureaucratic impediments to effective technology transfer and natural resource conservation as well as acceptance by GOH of greater private sector role in technology transfer.
- H. Application of strict lending criteria to agricultural cooperative and similar enterprises which require businesslike operations by these enterprises.
- I. Shift of the role of the GOH grain marketing institute from direct market involvement to fostering private sector trade, and rationalization of GOH grain price supports more in line with commercial conditions.
- J. Increased emphasis on excellence in higher agricultural education, by isolating it from student and partisan politics, and by providing key public sector agriculture education institutions with administrative autonomy.
- K. Transfer of lumber export marketing responsibility to the private sector; increase of stumpage fees to adequately reflect resource value; and focus GOH forestry activities on resource management.
- L. Development of a clear, workable policy regarding GOH divestiture of state run productive enterprises.
- M. Focus of GOH policy determination authority on one defined official, such as the Minister of Natural Resources.

VI. OTHER DONOR ACTIVITIES

Presently, USAID/H and other donors communicate with each other concerning agricultural and rural development programs but there is little close coordination. This is partly due to the press of daily workload, partly to conflicting policy positions and partly due to different geographic or programmatic foci. The IBRD is heavily involved in providing medium to long term investment financing principally for larger producers, and in providing financing to a major integrated rural development project in the Olancho area. The IDB's principal activities include development of the large, Bajo Aguan colonization program, integrated rural development projects in the western region, construction of additional GOH grain storage facilities, working capital financing through the GOH agricultural bank, and major forest management and sawmill projects. Other donors are involved in integrated rural development (Swiss) and irrigation training (Japanese).

Given its expanded resources, USAID/H intends to work more closely with other donors to coordinate activities and even provide local currency counterpart for projects that are concurrent with USAID strategy. We will also explore joint project initiatives where we finance technical assistance and institution building and other donors finance major capital requirements.

VII. USAID/H CURRENT AND PROPOSED PROJECTS

Within the context of the goals and strategies described above, USAID/H has undertaken specific project interventions where GOH policy conditions are favorable and a viable institutional channel exists or can be developed. Project interventions are also influenced by USAID/H technical management personnel limitations, which influences the phasing of project design and implementation. Chart 1 on Page 18 describes the expected time phasing of project interventions and also reflects the Mission's priorities affecting those projects. The following describes the major on-going and planned projects, assuming successful negotiations of the foregoing policy agenda.

A. USAID/H provided major assistance in Human Resource Development under the Agriculture Sector Program II (522-0150), including scholarships, in-service training, and renovation of the Honduran Agricultural University (CURLA). Under the Jackson Plan, scholarship assistance will greatly expand. In addition, USAID/H is considering significant assistance to the Pan American Agricultural School (El Zamorano) in conjunction with ROCAP and other donors and might provide additional support to CURLA and the GOH operated technical agricultural school (ENA) if the policy concern noted earlier are met. USAID/H is also analyzing possible assistance to the National Forestry School (ESNACIFOR), although this assistance would be most appropriate, in conjunction with other donors, if ESNACIFOR were converted into a regional institution. Finally, USAID/H will evaluate during CY 1985 its assistance in farmer training and will evaluate feasibility of increased support for adult technical education, primarily with lempira generations. These efforts are essential to supply the manpower requirements of a renovated Honduran agriculture.

B. The Mission is continuing major assistance in rural trails and access roads construction under the Rural Roads II Project (522-0164). Major financing is also programmed for FY86 for an Irrigation Project (522-0268), which will build on recent experience gained with PL-480 Title III resources. Based on experience from this project, either USAID/H or other donors are expected to continue financing irrigation projects over the next several decades. Finally, resources will be programmed for a rural electrification project, which will be critical for rural enterprise development.

C. The Small Farmer Titling Project (522-0173) is the Mission's major initiative to improve land security. This project plus a planned second phase effort will effectively title all eligible GOH land by 1994. USAID/H also intends to conduct a major agrarian reform assessment during CY1985 to develop a better understanding of land pressures and alternative policies and programs available to the GOH. Future AID assistance projects may be designed based on the results of this assessment and GOH policy clarification.

D. Presently, by far the major focus of the USAID/H rural development program is technology development and dissemination. As noted earlier, the Mission considers improved technology as the motor of development. Without it, no amount of land, labor or/capital will be competitively productive. In addition, technology dissemination by improving

Chart 1

TIME PHASING OF USAID/H PROJECT INTERVENTIONS

<u>Recent Past</u>	<u>Present</u>	<u>Near Future</u>		<u>Future Efforts</u>	
		Earlier	Later		
Human resources Development	Emphasis on productivity	Create viable farmer	Improve domestic marketing efficiency	Develop irrigation capability	Agribusiness development
Rural roads	Improve export marketing efficiency	Organizations and cost effective credit channels	Increase effectiveness of technology transfer	Restructure forestry sector	Land access improvement
Institutional development	Hillside agri- culture consolidation	Divest parastatal operations			Nutrition improvement

productivity, provides the means to transfer small farmers into market oriented entrepreneurs. Projects related to this strategy element include Small Farmer Coffee Improvement (522-0176), which is disseminating technology necessary to preserve Honduras' coffee exports despite presence of coffee rust. (About 15 per cent of Honduran farmers produce coffee). The Small Farmer Livestock Improvement Project (522-0209) assists small livestock producers to increase production, again counteracting a major decline in a principal export activity. The Agricultural Research Foundation Project (522-0249) creates a private research center focusing on developing improved technologies both for non-traditional and traditional crops. This institution will be the primary source of technology for Honduras' agricultural sector transformation. The Natural Resource Management Project (522-0168) has developed and successfully disseminated low capital technologies to improve yields on marginal hillside farms. Adoption of these techniques is expected to rapidly accelerate over the next five years. The Rural Technologies Project (522-0157) has developed a number of appropriate technologies to improve irrigation, tillage, storage and processing of crops. Over 14,000 farm families have benefited to date. In addition, USAID/H has financed three OPG's supporting technology development and dissemination. The Mission is presently preparing the Technology Transfer Shelf Project, for future submission, which will support consolidation of improved public and private agricultural extension services and provide effective vehicles for nationwide dissemination of the technologies described above.

E. The question of small producer access to services and inputs is an integral part of the design of all technology transfer activities. In addition, under the Agriculture Sector Program II, the Mission has successfully promoted adaptation to Honduras of an economically viable agricultural cooperative model. The principles involved in this model will be incorporated into other existing cooperatives and similar organizations under the Farmer Organization Strengthening Project (522-0252). An estimated 35 per cent of Honduran farmers are presently members of cooperative organizations, but a majority of these entities are ineffective. The Export Development and Services Project (522-0207) also is designed to increase small farmer access to inputs and markets. The Mission is analyzing use of local currency proceeds to promote improved private sector provision of farm mechanization services and improved seeds. Finally, the Agricultural Credit Project (522-0178) has financed technical assistance to improve GOH agricultural credit policies and develop alternative credit channels. Major local currency generations have been (and will continue to be) programmed to meet credit short falls, and the IDB and IBRD are providing significant support in this area. Local currency may also be programmed to meet equity financing requirements.

F. The Export Development and Services Project (522-0207) is the principal Mission project designed to improve export market linkages. An estimated 50,000 farm families and agricultural laborers, or 10 percent of the target population, are expected to benefit from this effort within ten years. USAID/H has provided technical assistance under the Agriculture Sector Program II and PL-480 Title III to reorient the GOH Agricultural Marketing Institute so as to promote private sector grain trade. Based on recent GOH policy measures which move in this direction, USAID/H plans an Agricultural Marketing Project for FY86 which will consolidate this change, as well as possibly finance improvement of domestic marketing of other agricultural produce. In addition, USAID/H may finance as a part of this effort, improvement of major port grain storage and handling facilities, to allow basic grains to again become a major export commodity.

G. As noted earlier, USAID/H is designing the Farmer Organization Strengthening Project (522-0252) to build on successful cooperative development efforts under earlier projects. The Mission is also supporting development of democratic rural institutions through OPG's with the credit union federation and the leading national campesino representative association, as well as assisting a PVO to publish a campesino newspaper.

H. Present USAID/H assistance in development of off-farm employment is limited to development of small scale implement manufacturing under the Rural Technologies Project (522-0157). An immediate priority has been given to agro-industrial development due to the GOH commitment to privatize ownership of key parastatal industries. Agroprocessing will also be supported as an integral part of the Export Development and Services Project (522-0207) and divestiture assistance to the GOH. Based on this experience, USAID/H will prepare an agro-processing project for submission by FY 1987 or FY 1988.

I. Finally, USAID/H efforts to improve management of natural resources focus on the Natural Resource Management Project (522-0168) and an OPG with the Vermont Partners (522-0227). In addition, the Mission is supporting improved public awareness of environmental concerns through a small OPG with the Honduran Ecological Association. These projects concentrate on promoting dissemination of low capital appropriate technologies which both improve the incomes of marginal producers and promote improved land and water conservation. Based on the successful initial activities, major expansion of this effort is planned beginning in FY87. The Mission has invested heavily in preparation of a forestry project which will assist the GOH to improve management of this key resource once the necessary policy framework has been adopted.

FURTHER CONCERNS

Development of this Rural Development Strategy Statement has highlighted several areas where USAID/H needs to focus greater attention.

- A. Land Access: The statistical analysis reiterated the fact that many Hondurans lack land while considerable potentially productive land is follow. While there presently appears to be limited political pressure for agrarian reform, probably partly because prior vocal leaders have received land. This remains a potentially volatile issue and may be significantly limiting production and incomes. An effort is needed, through the planned assessment to be conducted later in 1985, to verify the validity of these statistics, to analyze the feasibility of removing policy constraints, and to identify various viable policy alternatives available to the GOH.
- B. Nutrition: Despite the large potential to produce food, nutrition levels remain dismally low. Even the income growth projected in this strategy will have only marginal impact on nutrition. This issue must be confronted on a multi-sectoral basis by agriculture, health and education.
- C. Population Growth and Employment: Similar to nutrition, significant increases in production and income will still have relatively small impact on employment, due primarily to the rapidly growing population. The 100,000 new jobs projected here will just absorb the population growth of the same period.
- D. Alternative Strategies in Absence of Policy Reforms: USAID/H can be flexible in shifting priorities among the project interventions listed depending on successful negotiation of the project-related GOH policy environment. This strategy assumes, however, an adequate macro economic policy environment, and specifically the loosening of exchange rate restrictions. If no significant action is taken on this issue by early 1986, the USAID/H rural development strategy would shift more heavily toward investments in physical infrastructure, human resource development, and natural resource conservation.

Conclusion

The above demonstrates that the large USAID/H rural development program is structured within coherent, long range policy objectives and an integrated strategy. These projects relate directly to the stated goals of the Jackson Plan and the strategy elements described earlier, and provide a credible basis for projecting a transformation of the Honduran agricultural sector. The Mission has demonstrated its ability to implement this broad program through rapid disbursement rates and significant progress at meeting output targets. Over 15,000 land titles have been distributed in less than 24 months to small farmers. Over 3,700 coffee producers have renovated coffee plantations, increasing productivity from an average 10 to 42 Cwt./Hectare in two years, with further increase to an average 70 CWT/Hec expected. 2,600 hillside farmers have adopted technologies which on the average double corn productivity while conserving the fragile, hillside resource base. Strong potential appears to exist for major new export industries in cacao, citrus, shrimp farming, cashew nuts, pineapple and winter fruits and vegetables. A viable model for organizing rural farmers has been created as have major new private sector institutional channels for agricultural technology generation, for export market linkages and technology dissemination, and for improved small farmer livestock management. Based on these initial examples, we are confident that this program will have a significant impact on the stagnant rural sector in Honduras.

USAID/HONDURAS AGRICULTURAL SECTOR STRATEGY

List of Tables, Figures and Graphs

Figure 1. Honduran Agricultural Sector

I. MACROECONOMIC VARIABLES

Graph 1. Total and Agricultural GDP, Honduras, 1950-83

Graph 2. Agricultural GDP Per Capita Rural Population, 1950-83

Graph 3. Agricultural GDP Growth Rates, 1950-84

Graph 4. Total and Agricultural Growth Rates, 1950-83

Graph 5. Agricultural Share of Total GDP, Employment and Exports, 1950-84

Graph 6. Total and Agricultural GDP Value Growth, Honduras, 1970-80

Graph 7. GDP Growth by Sectors, Honduras, 1950-84

II. MAN/LAND RELATIONSHIPS

Table 1. Agricultural Land Use, Actual and Potential

Table 2. Structure of Land Tenancy, Honduras, 1974

Graph 8. Actual Land Use, Honduras, 1980

Graph 9. Crop Land Distribution, Honduras, 1974

Graph 10. Farm Size Distribution, Honduras, 1974

Graph 11. Land Distribution By Size, Honduras, 1974

III. EXTERNAL TRADE AND MARKETS

Graph 12.A Growth Rates, Agricultural GDP and Exports, Honduras, 1950-83

Graph 12.B Annual Changes, Agricultural GDP and Exports, Honduras, 1950-83

Graph 13. Total and Agricultural Exports, Honduras, 1950-83

Graph 14. Volume, Traditional Exports, Honduras, 1960-83

Graph 15. Weighted Prices, Traditional Exports, Honduras, 1960-83

Graph 16. Average Prices, Traditional Exports, Honduras, 1960-83

Graph 17. Value of Total Exports, By Type, Honduras, 1960-83

Graph 18. Value, Non-traditional Exports, Honduras, 1960-83

IV. INFRASTRUCTURE

Graph 19. Rainfall Pattern, Honduras, Northern Region

Graph 20. Rainfall Pattern, Honduras, Southern Region

Table 3. Irrigated Land, Actual and Potential, Honduras

Graph 21. Crop Distribution, Irrigated Land, Honduras

Graph 22. Comparison of Road Infrastructure, Central America

V. PRODUCTION

Graph 23. Comparison of Basic Grain Yields, Central America

Graph 24. Comparison of Export Crop Yields, Central America

Graph 25. Relation of Food and Population, Honduras, 1971-83

VI. AGRICULTURAL SERVICES

Graph 26.A Agricultural Credit, New Loans, Honduras, 1970-83

Graph 26.B Relation of Agricultural Credit to GDP/AG, 1970-83

Graph 27. Relative Credit Allocations, By Agricultural Use, Honduras, 1970-80

Table 4. Relative Importance of Agricultural Sector to GDP and GOH Budget, 1983-84

Graph 28. Comparison of Agricultural Research and Extension Services, Central America

VII. POPULATION

Graph 29.A Annual New Workers, By Sector, Honduras, 1961-85

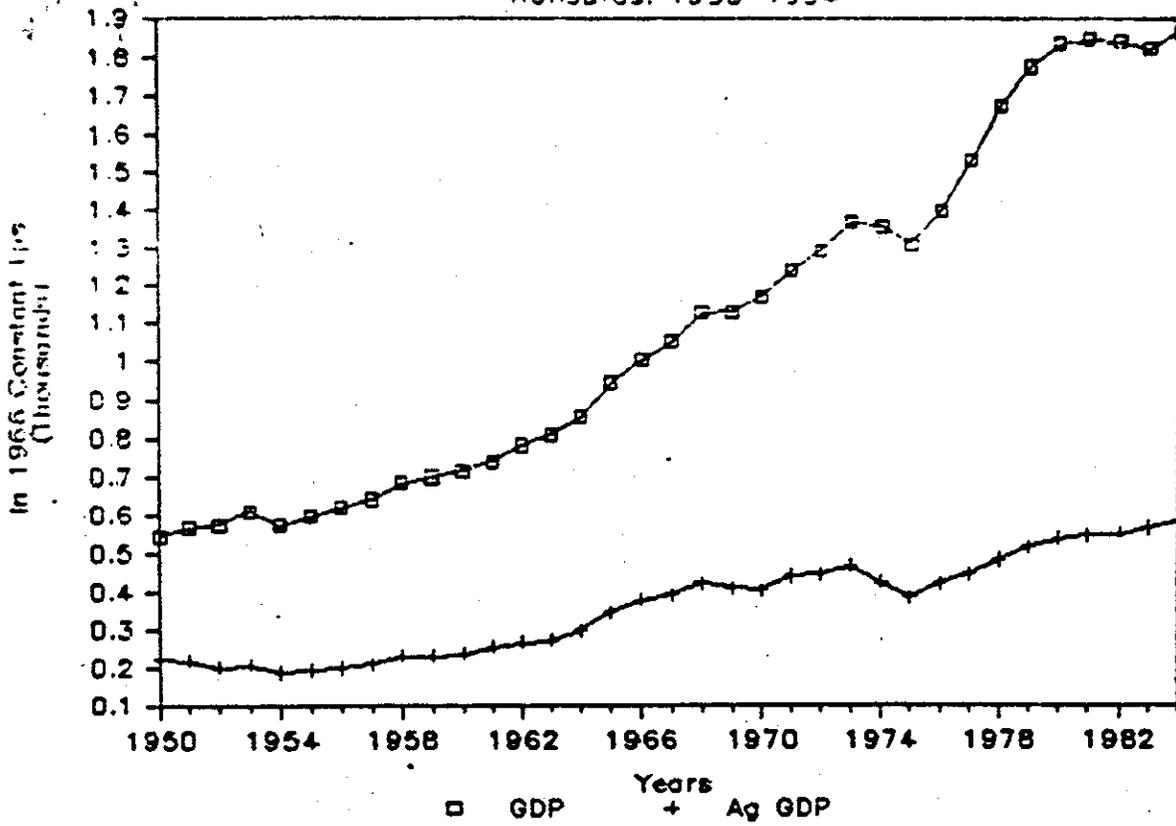
Graph 29.B Urban and Rural Population, Honduras, 1961-90

VIII. JACKSON PLAN IMPLICATIONS

- Table 5. Jackson Plan Goals and Targets, Rural Development, 1984-90
- Graph 30. Actual and Projected Agricultural GDP, Honduras, 1950-90
- Graph 31. Actual and Projected Agricultural GDP/Capita, Honduras, 1950-90
- Graph 32. Actual and Projected Value of Agricultural Exports, Honduras, 1950-90
- Graph 33. Actual and Projected Value of Non-traditional Exports, Honduras, 1950-90
- Graph 34. Actual and Projected Yields of Basic Grains, Honduras, 1974-90
- Graph 35. Actual and Projected Agricultural Credit, Honduras, 1970-90

TOTAL AND AGRICULTURAL GDP

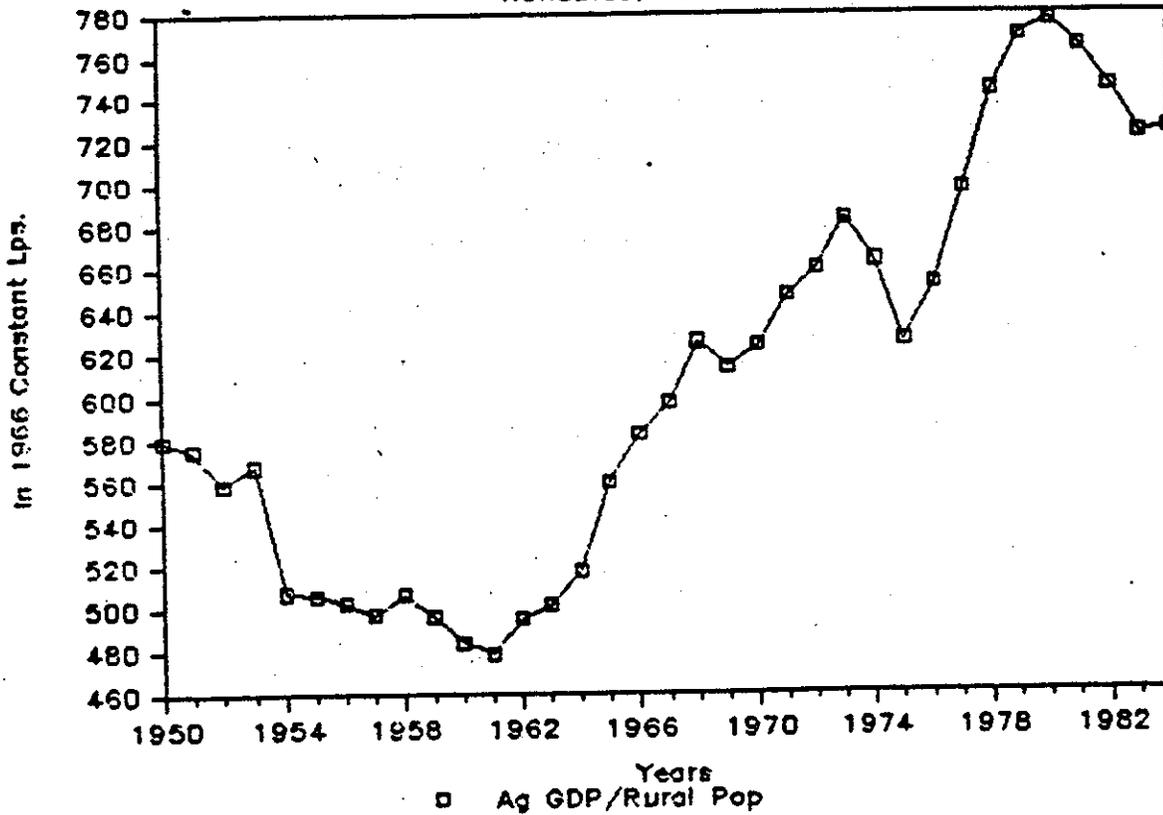
Honduras, 1950-1984



Graph 2

AGRICULTURAL GDP/RURAL POPULATION

Honduras, 1950-1984

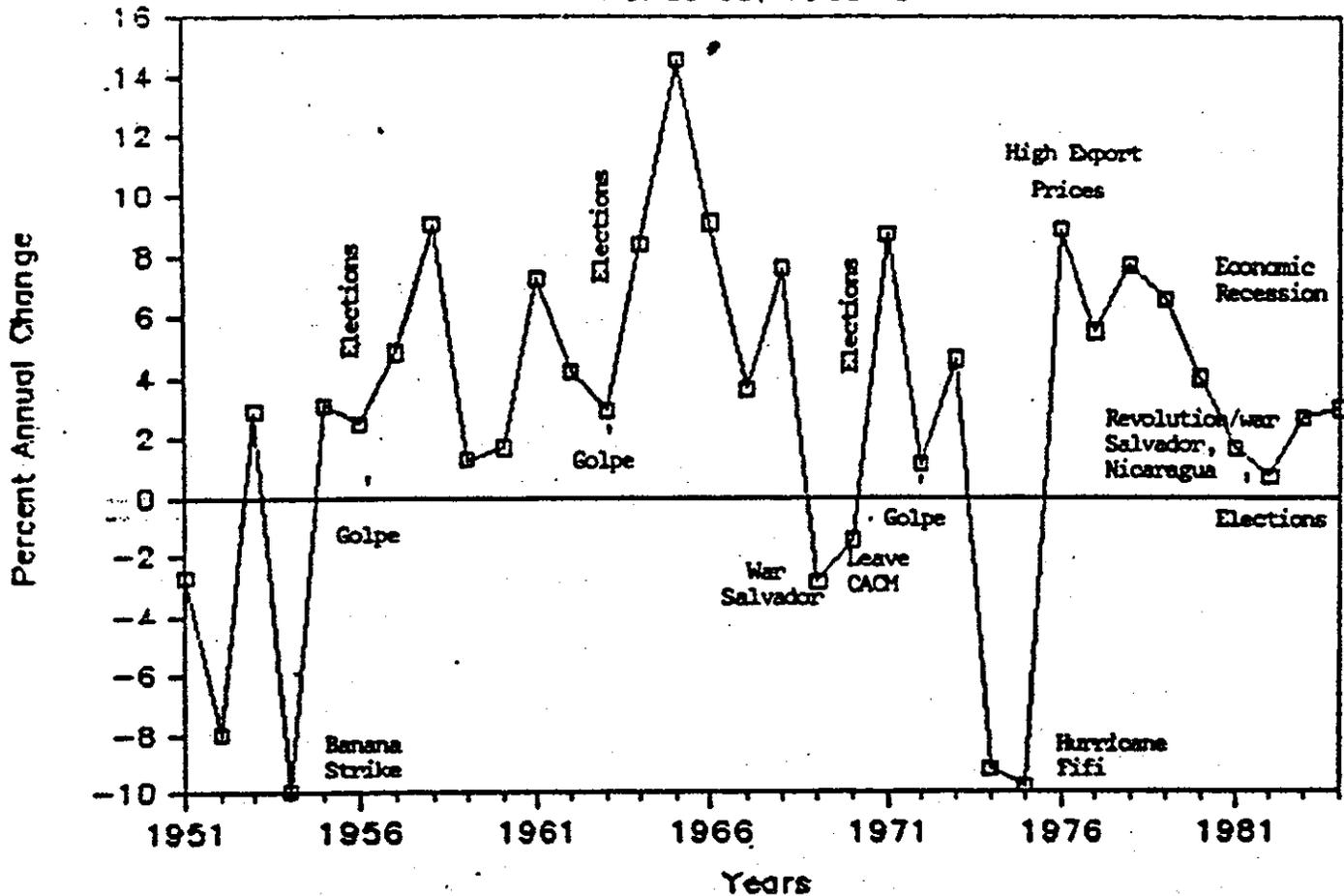


26

Graph 3

AGRICULTURAL GDP GROWTH RATES

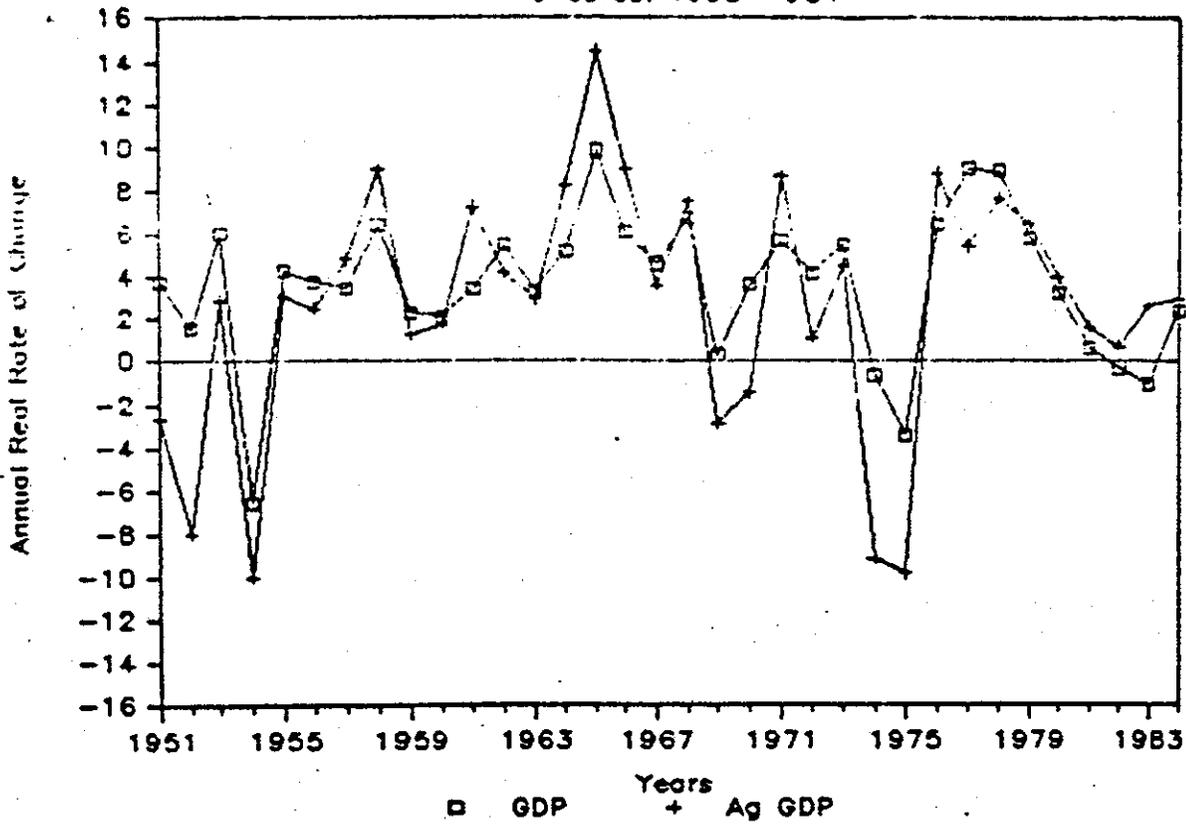
Honduras, 1950-84



US Programs	Point IV	Pol. Crisis	Tripartite	Alliance for Progress			Reconstruction		Jackson Plan
Honduran Politics	Galvez (Nac)			Villeda Morales (Lib)	Lopez Arellano (Nac)	Cruz (Nac)	Lopez Arellano (Popular)	Melgar C. Paz G. (Military)	Suazo Córdoba (Lib)

GROWTH RATES, TOTAL & AGRICULTURAL GDP

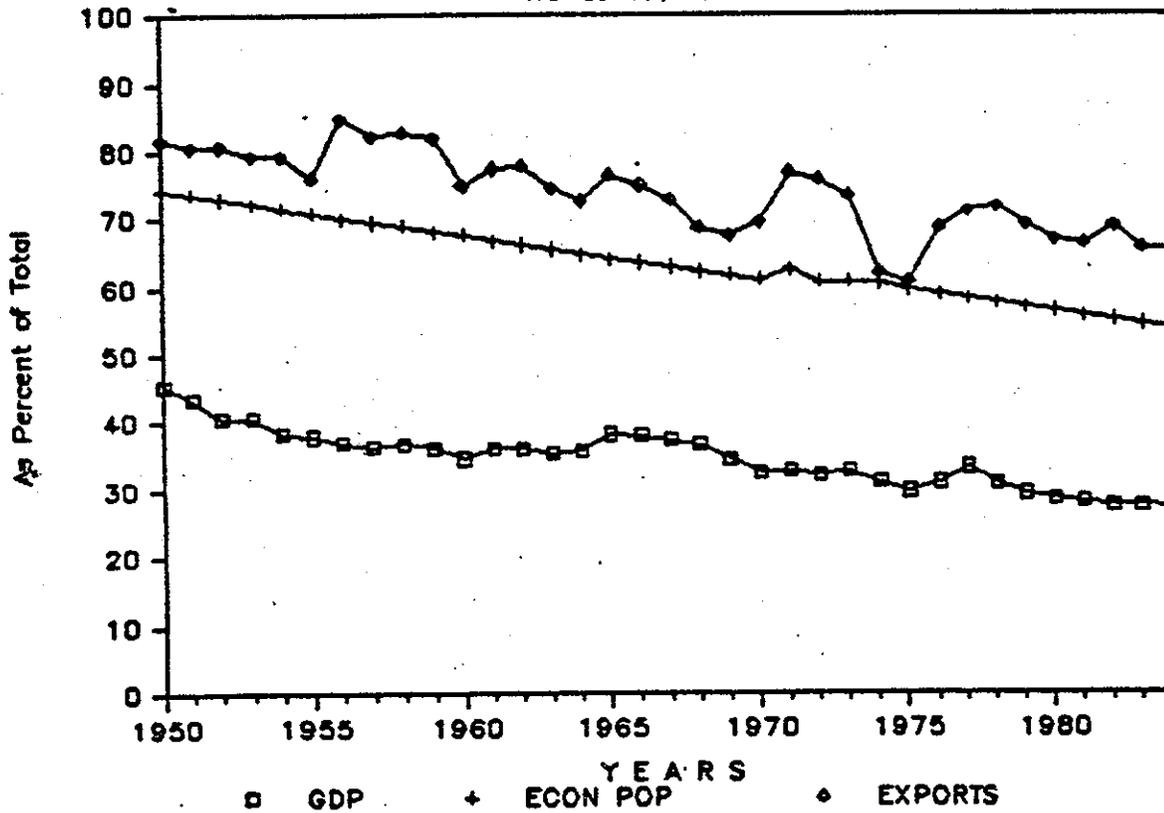
Honduras, 1950-1984



Graph 5

AGR SHARE OF GDP, JOBS & EXPORTS

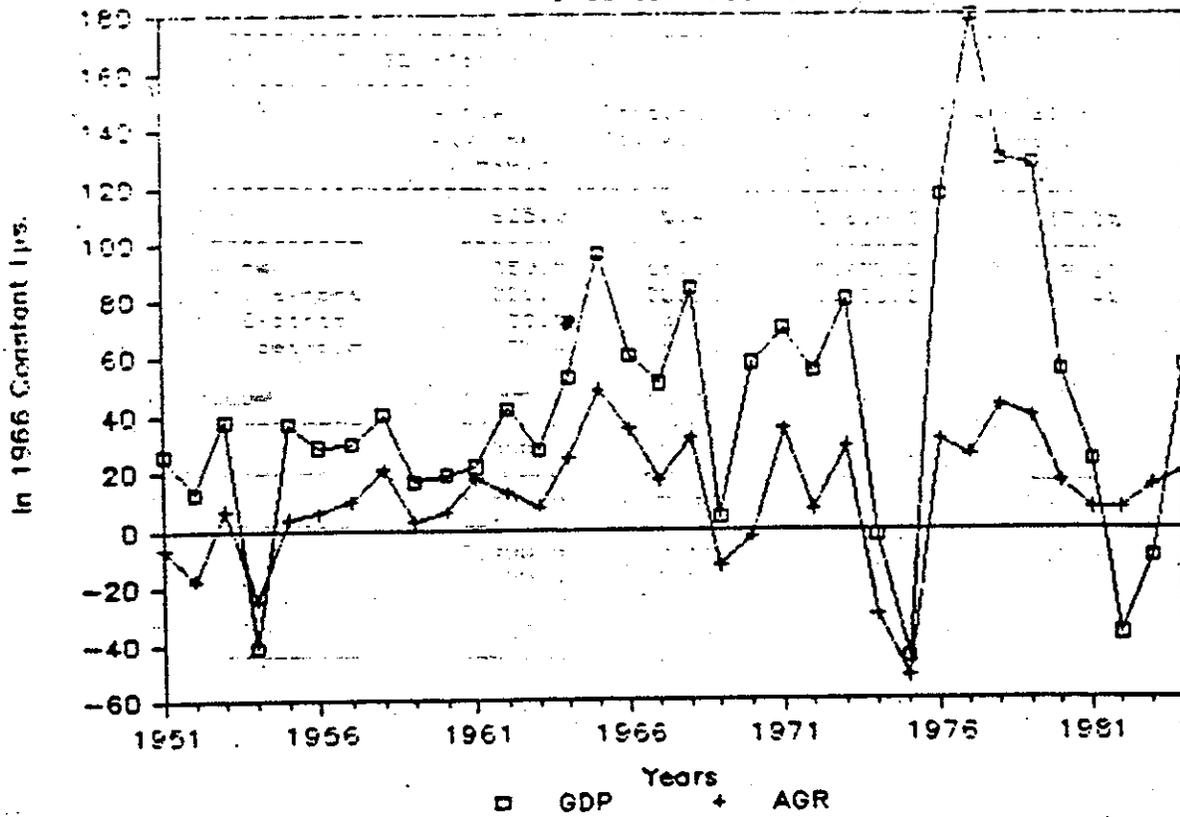
Honduras, 1950-84



Graph 6

TOTAL & AGRICULTURAL GDP GROWTH

Honduras, 1950-84



Graph 7

GDP GROWTH BY SECTORS

Honduras, 1950-84

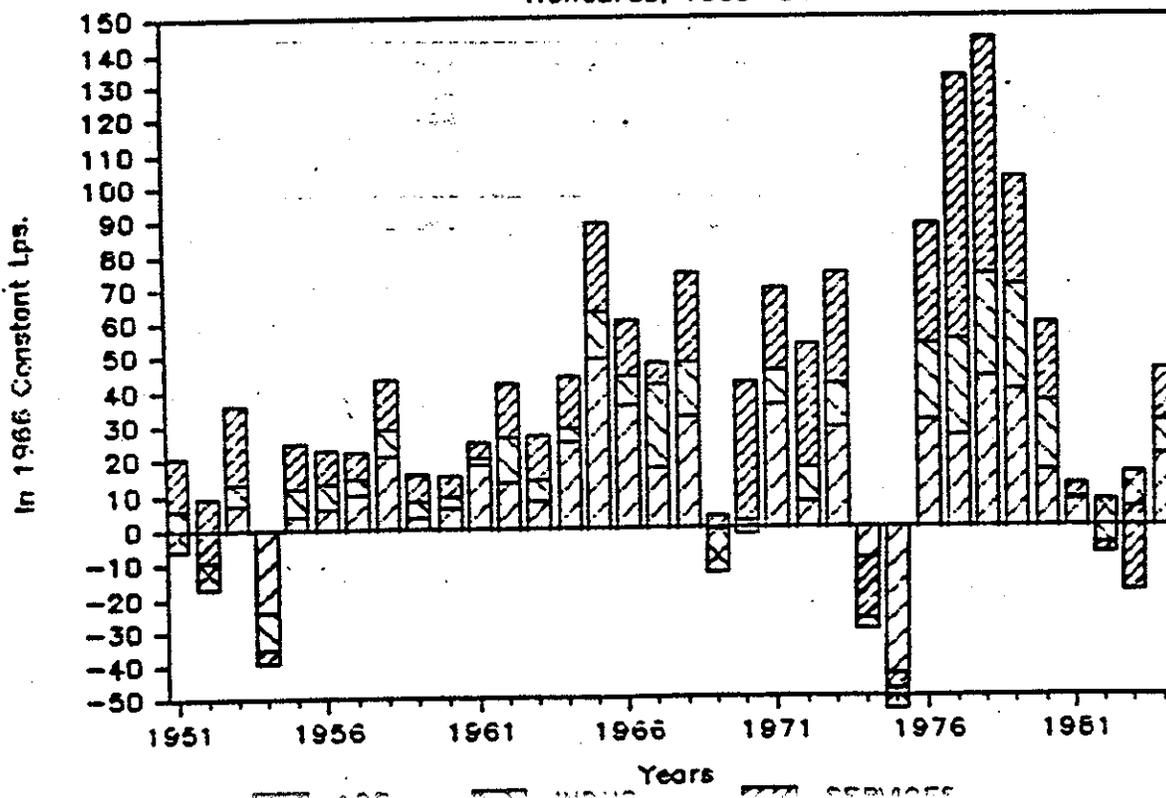


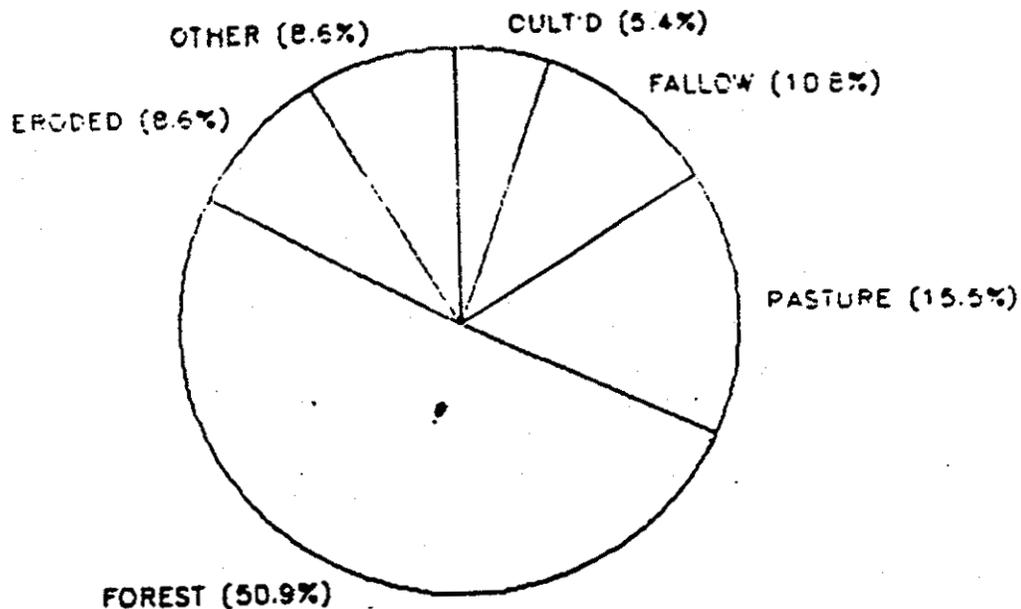
Table 1

AGRICULTURAL LAND USE--Actual and Potential, Honduras				
Type of Use	Actual Land Use (000 Has.)	Percent Actual	Potential Land Use (000 Has.)	% Actual of Potential
1. CULTIVATED	625.0	5.4%	3,610.0	17.3%
Basic Grains	350.0	56.0%	2,475.0	68.6%
Traditional Export	220.0	35.2%	1,135.0	31.4%
Non-Trad. Exports	30.0	4.8%		
Fruits & Vegetable	25.0	4.0%		
2. UNUSED, FALLOW	1,255.0	10.8%		
3. PASTURE	1,800.0	15.5%	735.0	244.9%
4. FOREST	5,900.0	50.9%	7,200.0	81.9%
Hardwood	2,800.0	47.5%	3,800.0	52.8%
Pine	3,100.0	52.5%	3,400.0	47.2%
5. ERODED, OTHER	1,000.0	8.6%		
6. URBAN, SWAMP, etc.	1,000.0	8.6%	35.0	
TOTAL	11,580.0	100.0%	11,580.0	

Table 2

STRUCTURE OF LAND TENANCY IN HONDURAS, 1974

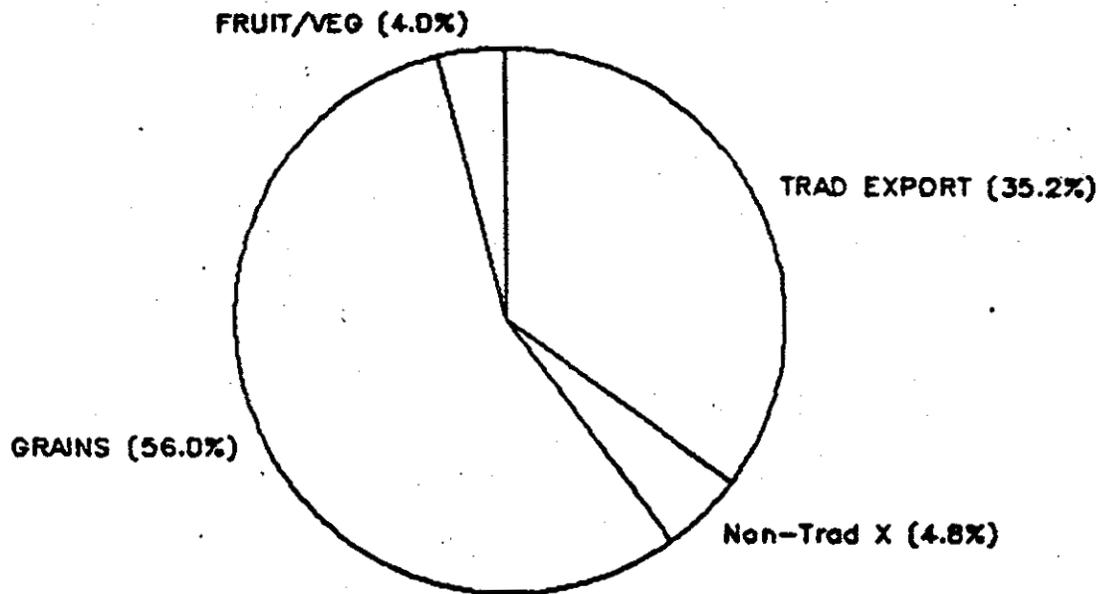
Type of Farms	Number of Farmers	% Farmers	Area in Farm (000 Has)	% Area in Farms	Average Farm Size
Minifundio	124,781	63.9	239.0	9.1	1.9
Small	62,654	32.1	930.6	35.3	14.9
Medium	6,404	3.3	567.9	21.6	88.7
Large	1,462	0.7	683.9	26.0	467.1
Very Large	40		209.4	8.0	5,233.8
TOTAL	195,341	100	2,630.8	100	13.5



Graph 9

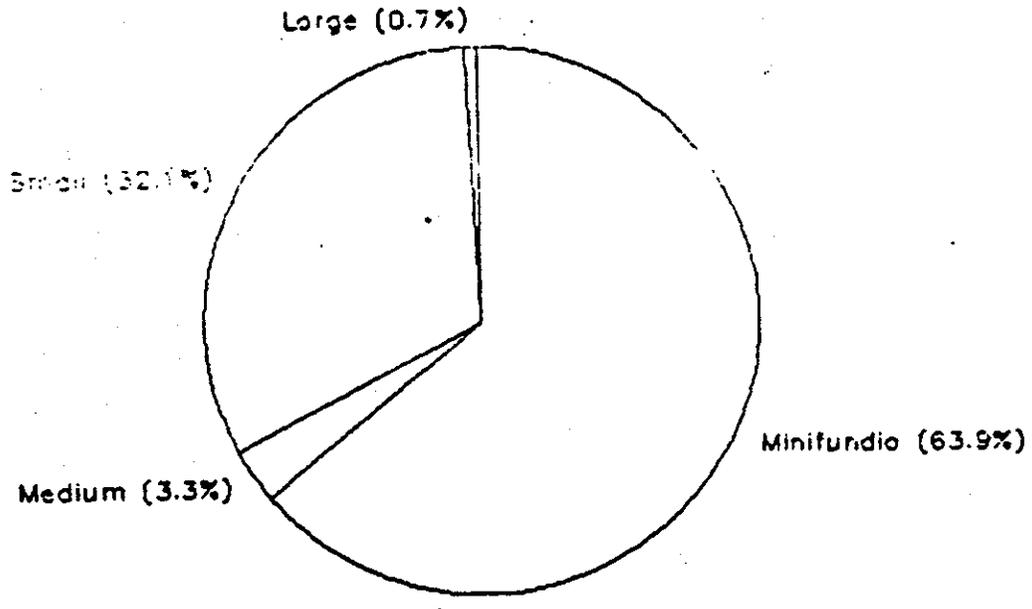
CROP LAND USE DISTRIBUTION

Honduras, 1982



FARM SIZE DISTRIBUTION, HONDURAS

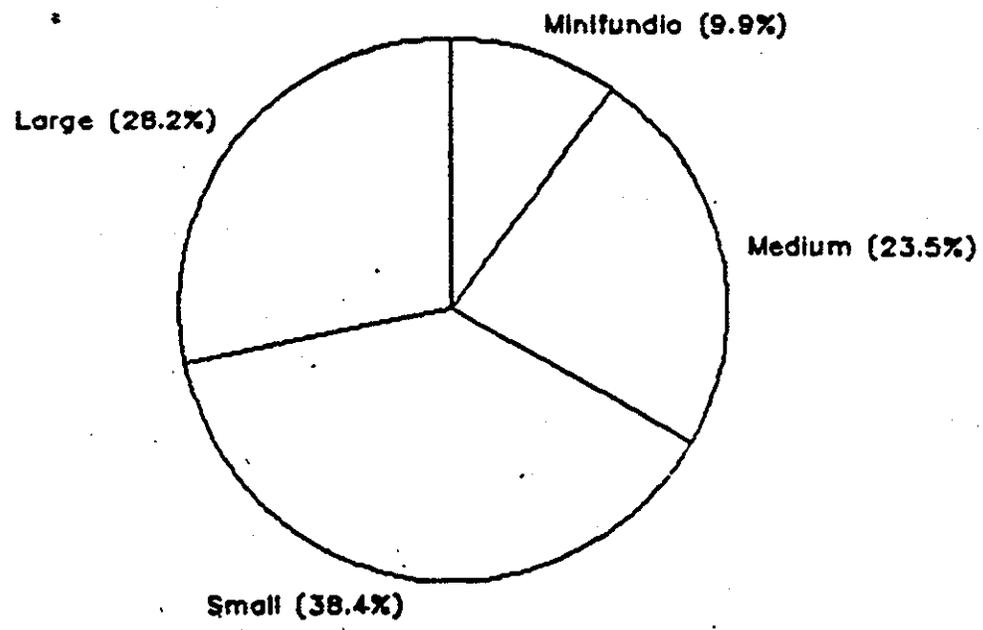
Number of Farms



Graph 11

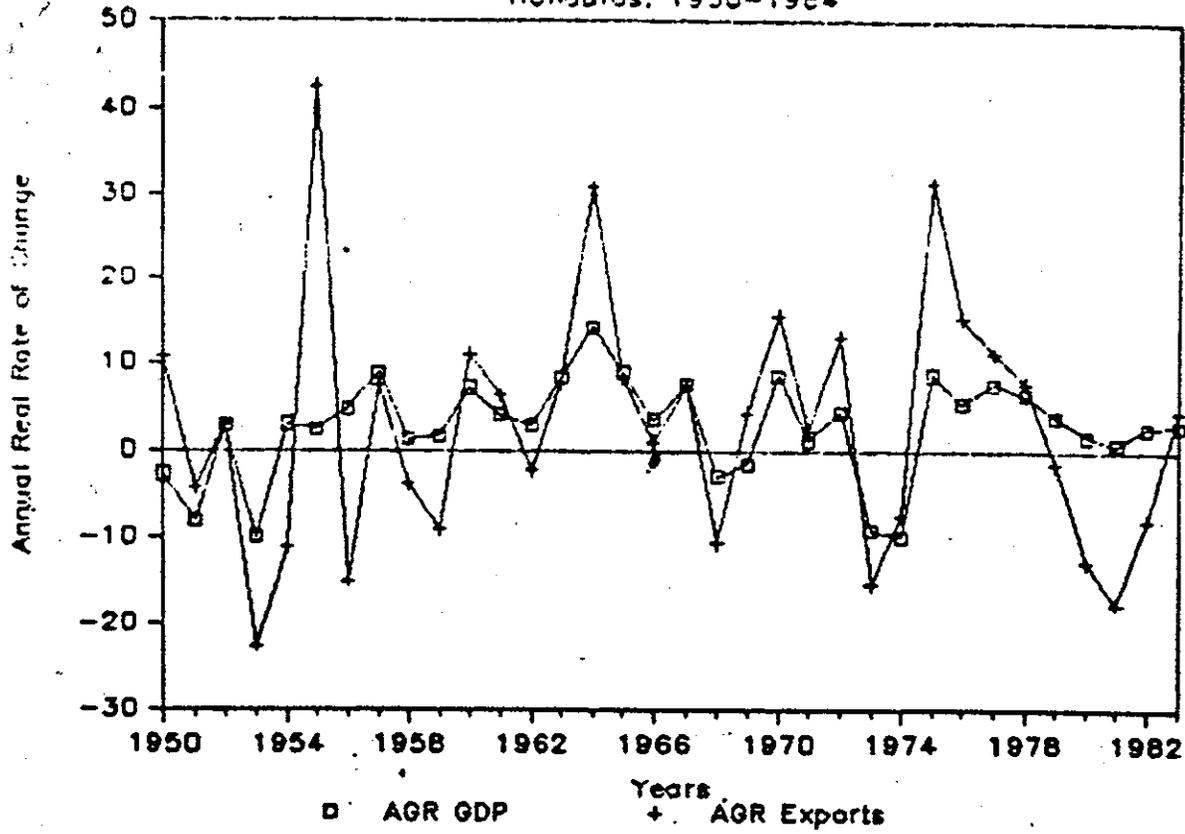
LAND DISTRIBUTION, HONDURAS

by Farm Size



GROWTH RATES, AGR GDP AND EXPORTS

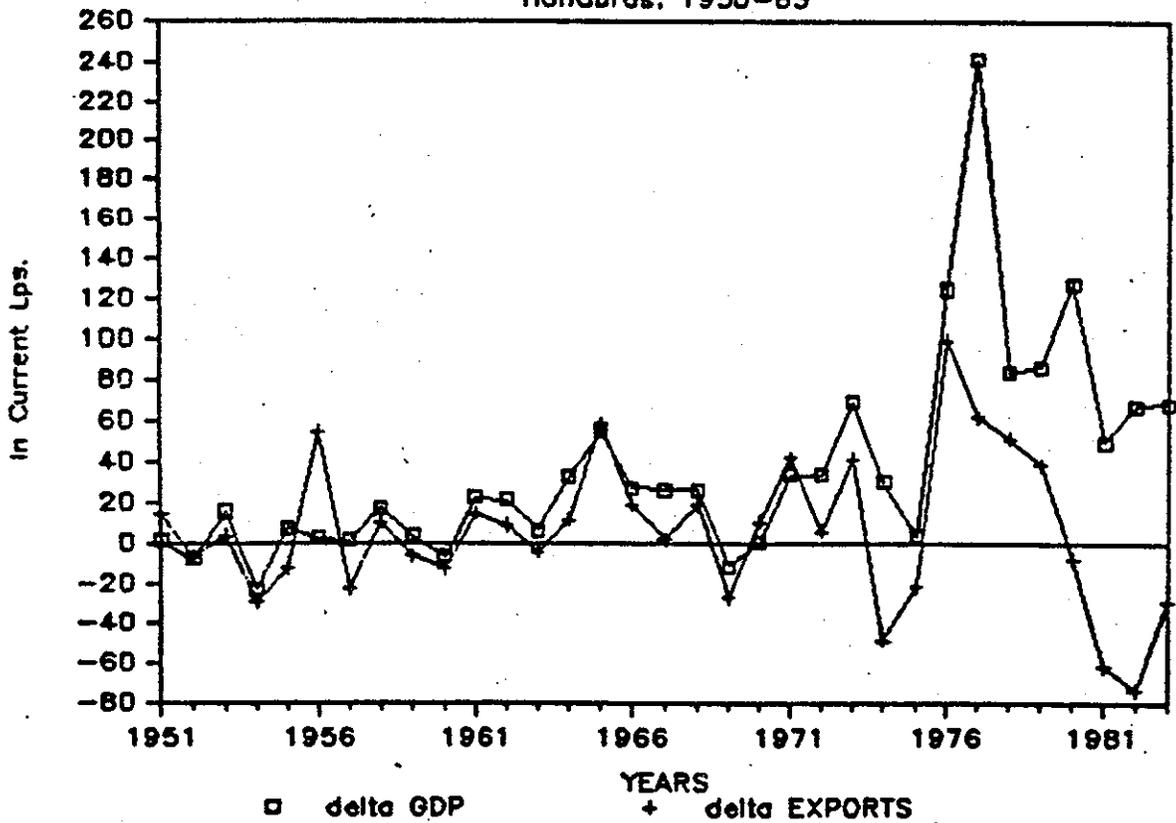
Honduras, 1950-1984



Graph 12B

CHANGES IN AGRICULTURAL GDP & EXPORTS

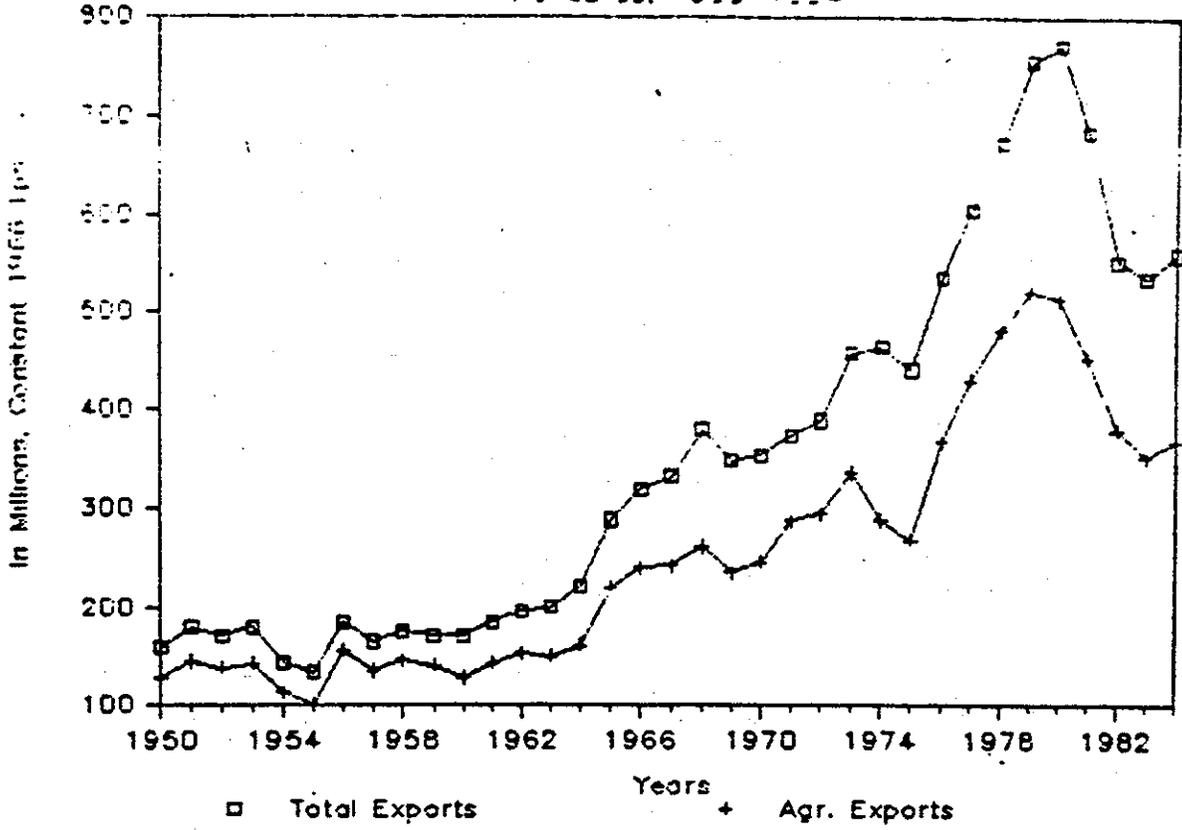
Honduras, 1950-83



Graph 13

TOTAL & AGRICULTURAL EXPORTS

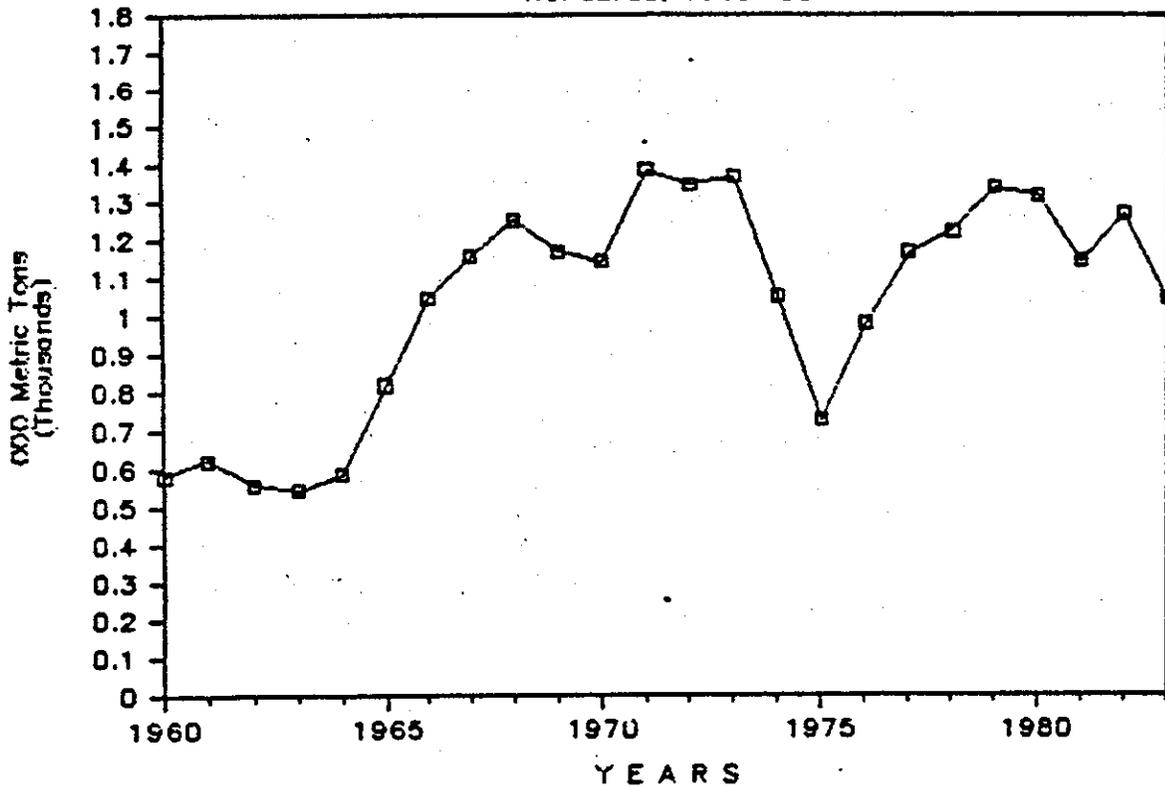
Honduras, 1950-1984



Graph 14

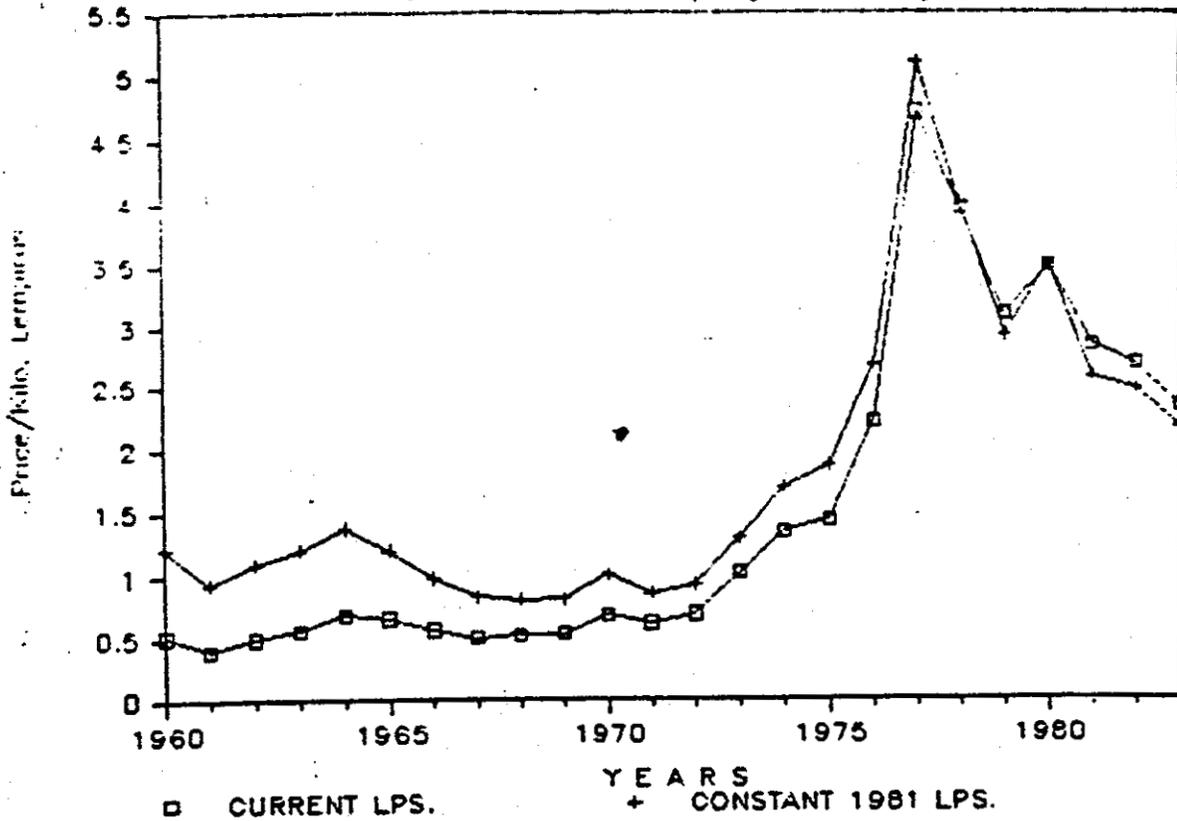
VOLUME OF TRADITIONAL AGR EXPORTS

Honduras, 1960-83



PRICES OF TRADITIONAL AGRIC. EXPORTS

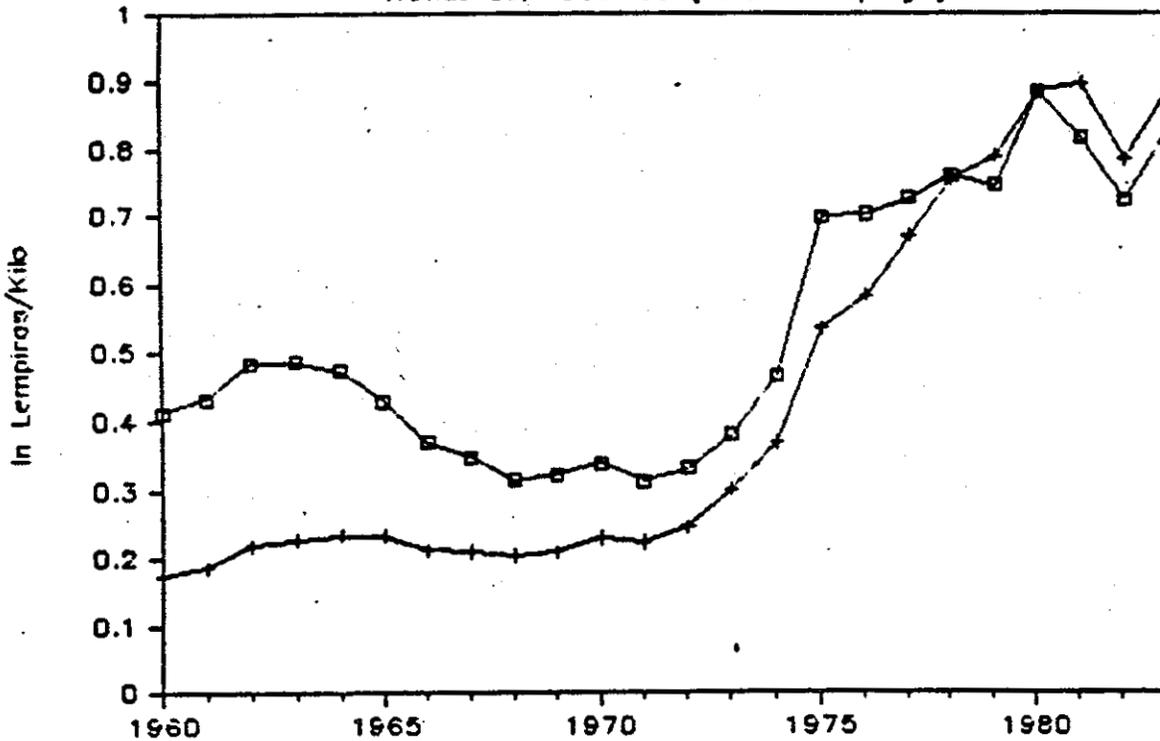
Honduras, 1960-83 (Weighted Average)

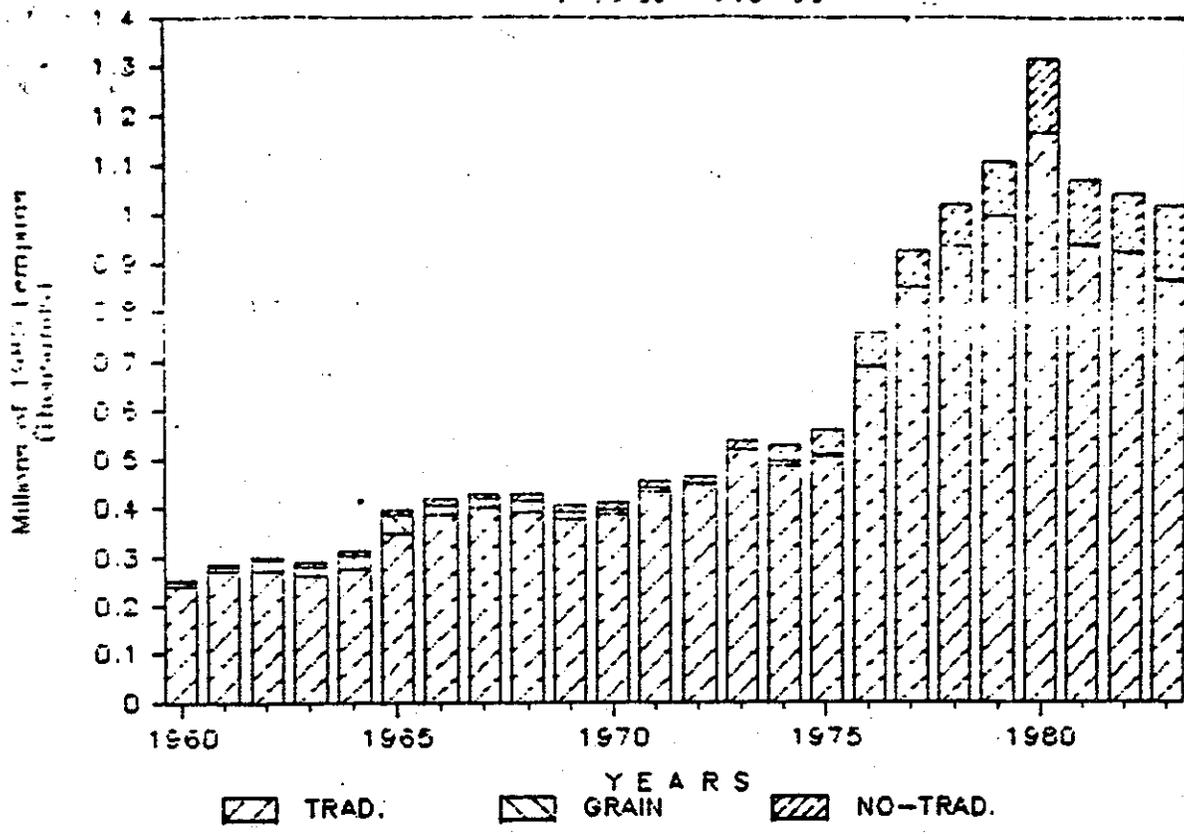


Graph 16

AVERAGE PRICE, TRADITIONAL AGR. EXPORTS

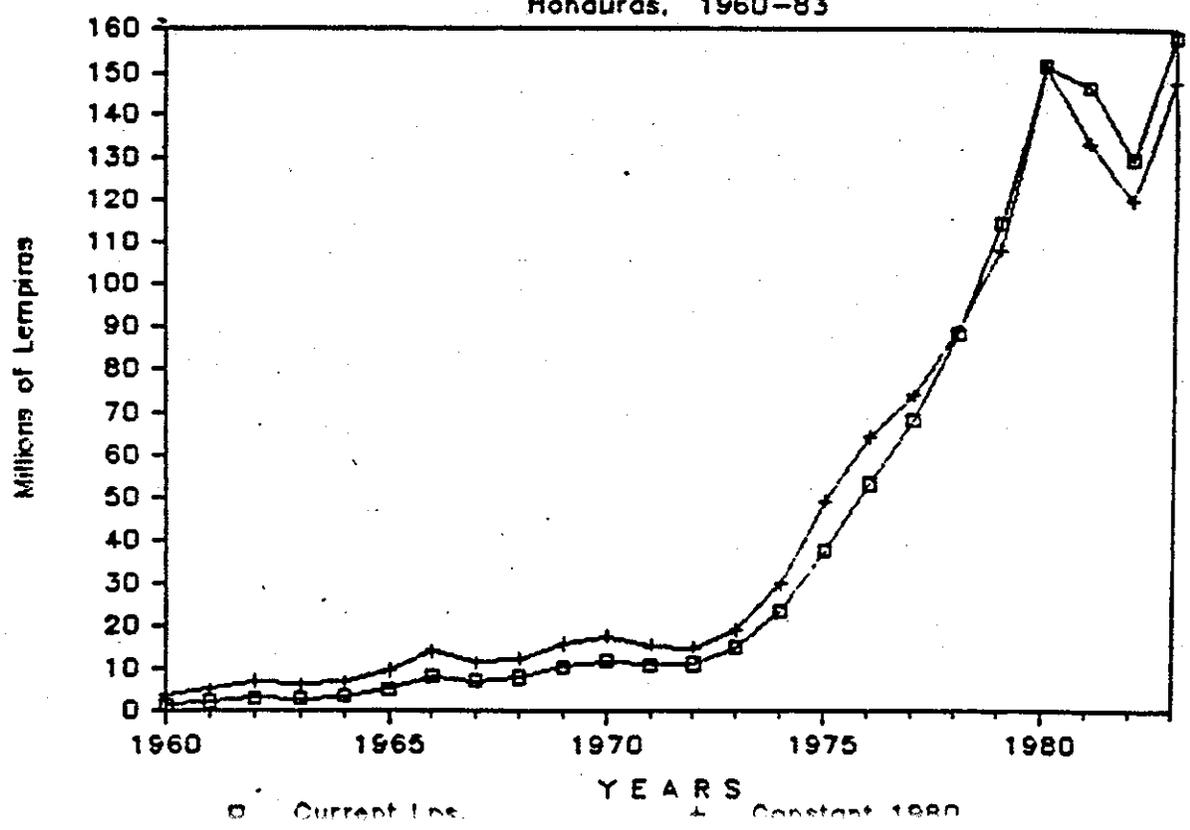
Honduras, 1960-83 (Total Value/Wgt.)





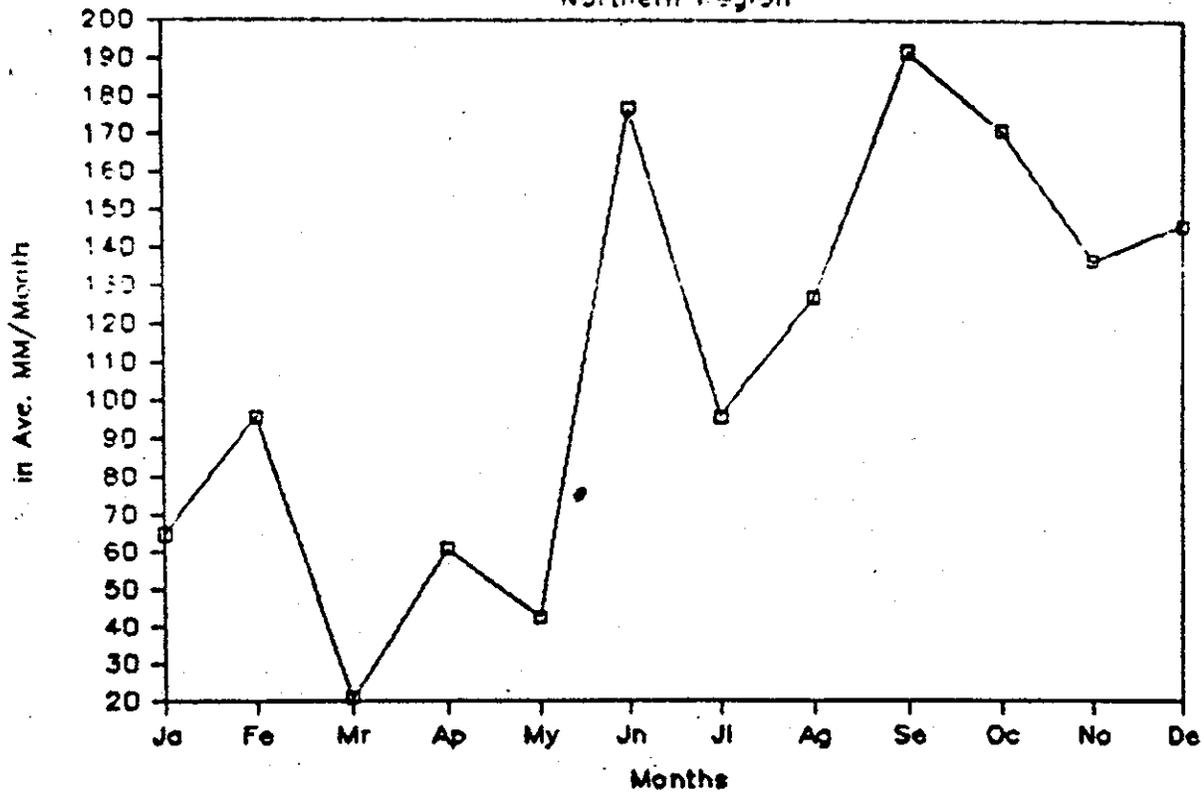
raph 18

VALUE OF NONTRADITIONAL AGR EXPORTS
Honduras, 1960-83



RAINFALL PATTERN, HONDURAS

Northern Region



Graph 20

RAINFALL PATTERN, HONDURAS

Southern Region

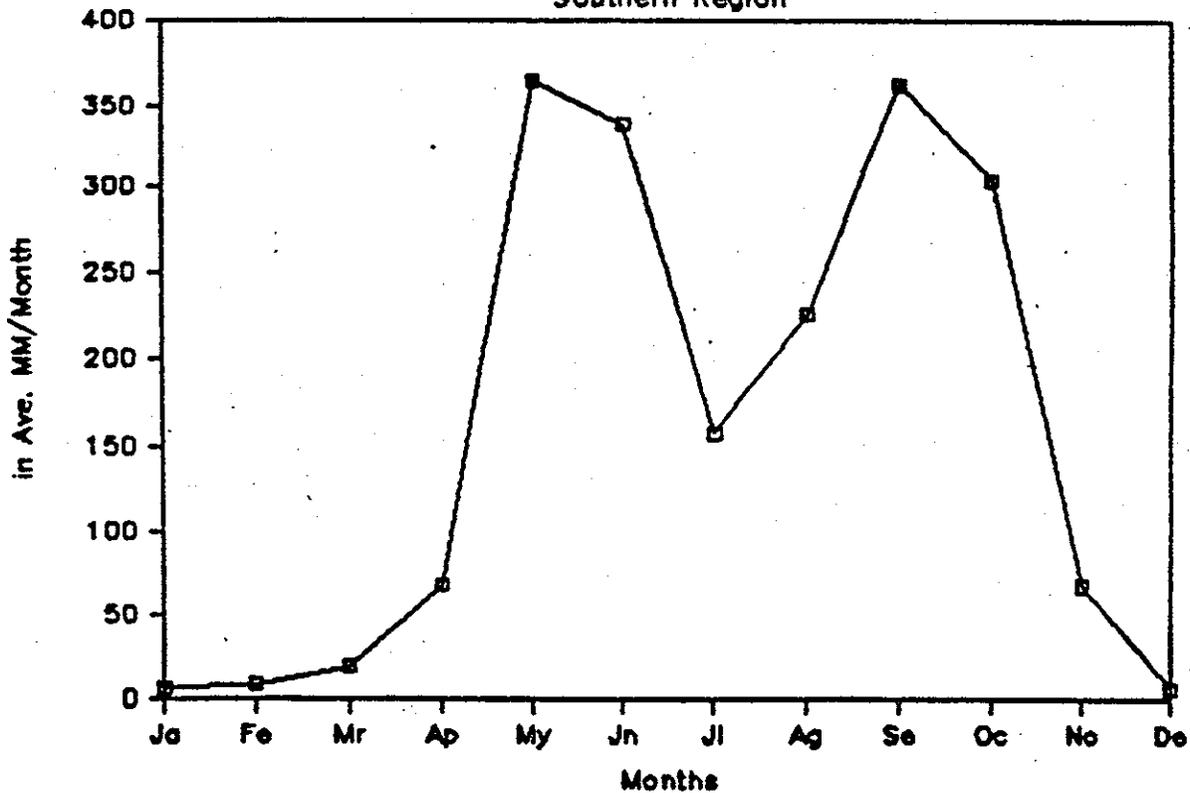
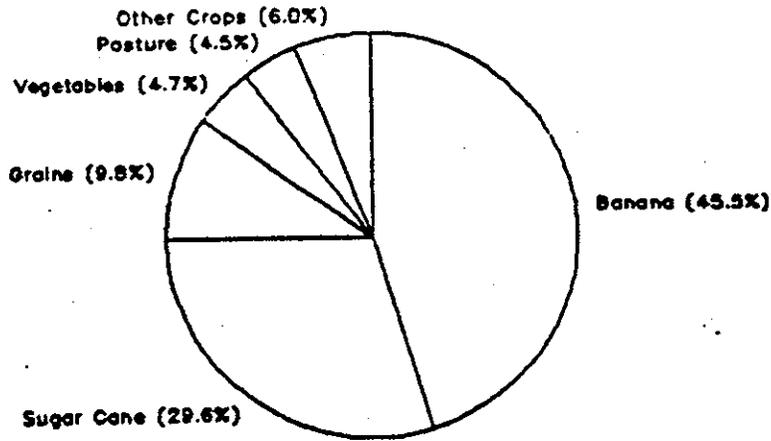


Table 3

Usage	Area	
	(1000 Hec.)	% Actual Potential
Valley Land	1,075.0	
Potentially Irrigable	400.0	36.3%
Actually Irrigated	25.0	100.0%
Sugarcane	10.0	40.0%
Sugar Cane	15.3	61.2%
Grains	5.4	21.6%
Vegetables	2.6	10.4%
Pasture	2.5	10.0%
Other Crops	3.3	13.2%

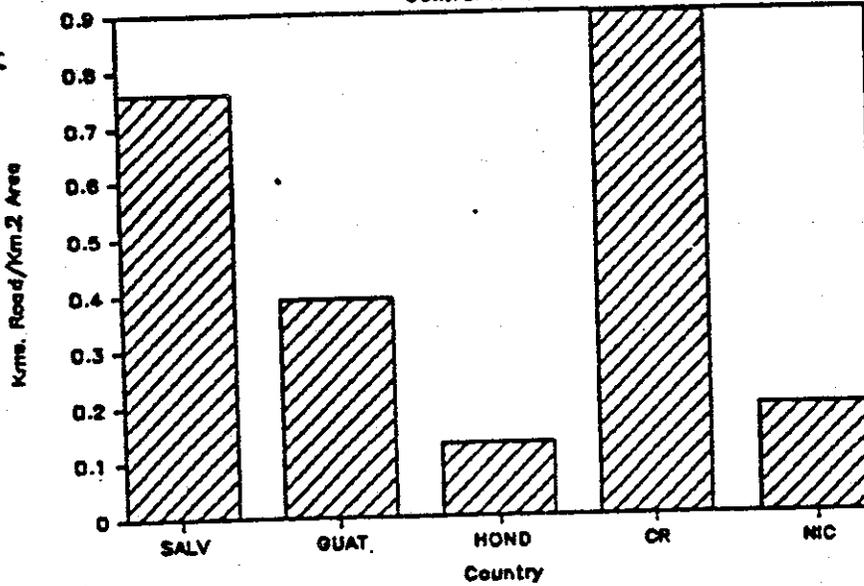
Graph 21

IRRIGATED AREA, HONDURAS
By Crop

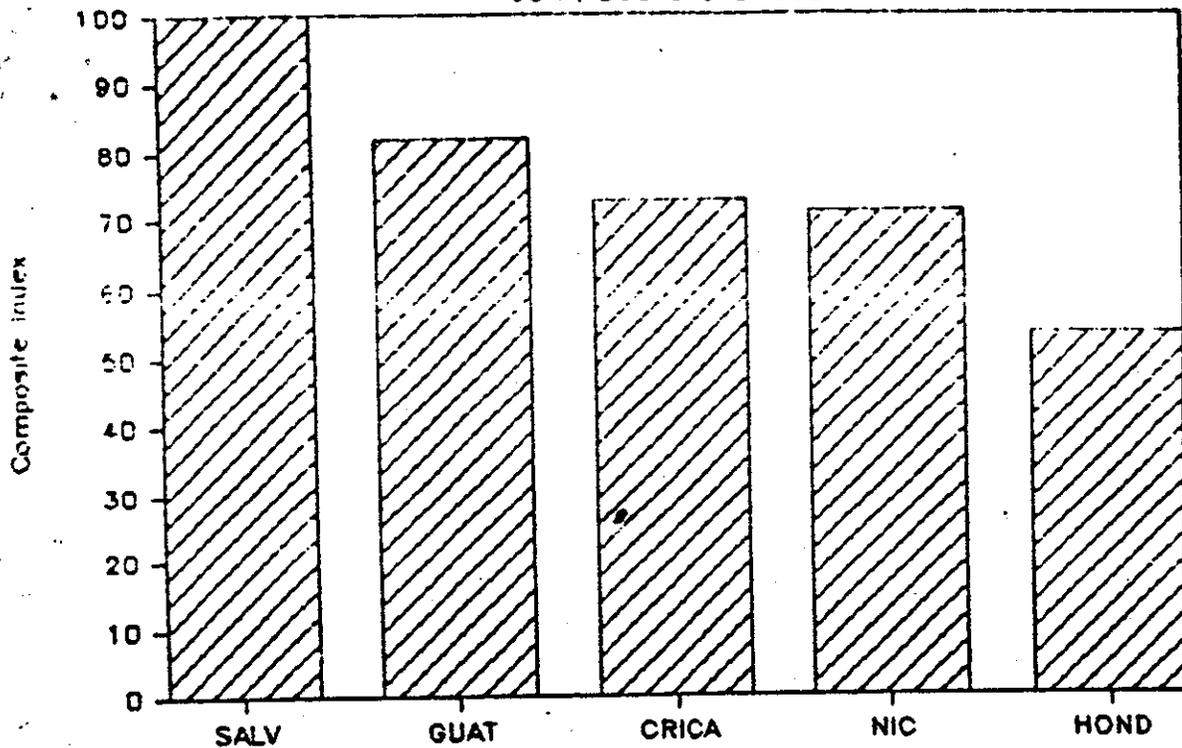


Graph 22

ROAD INFRASTRUCTURE / AREA
Central America



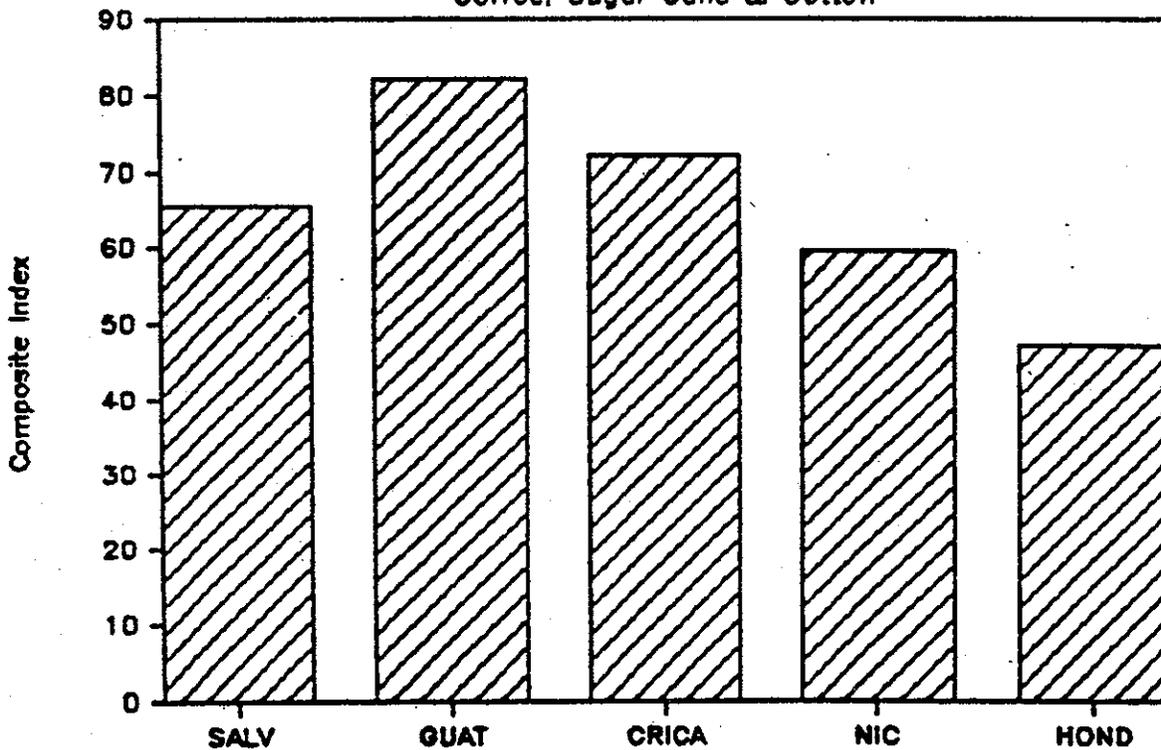
Corn, Beans and Rice



Graph 24

EXPORT CROP YIELD INDEX, 1979-81

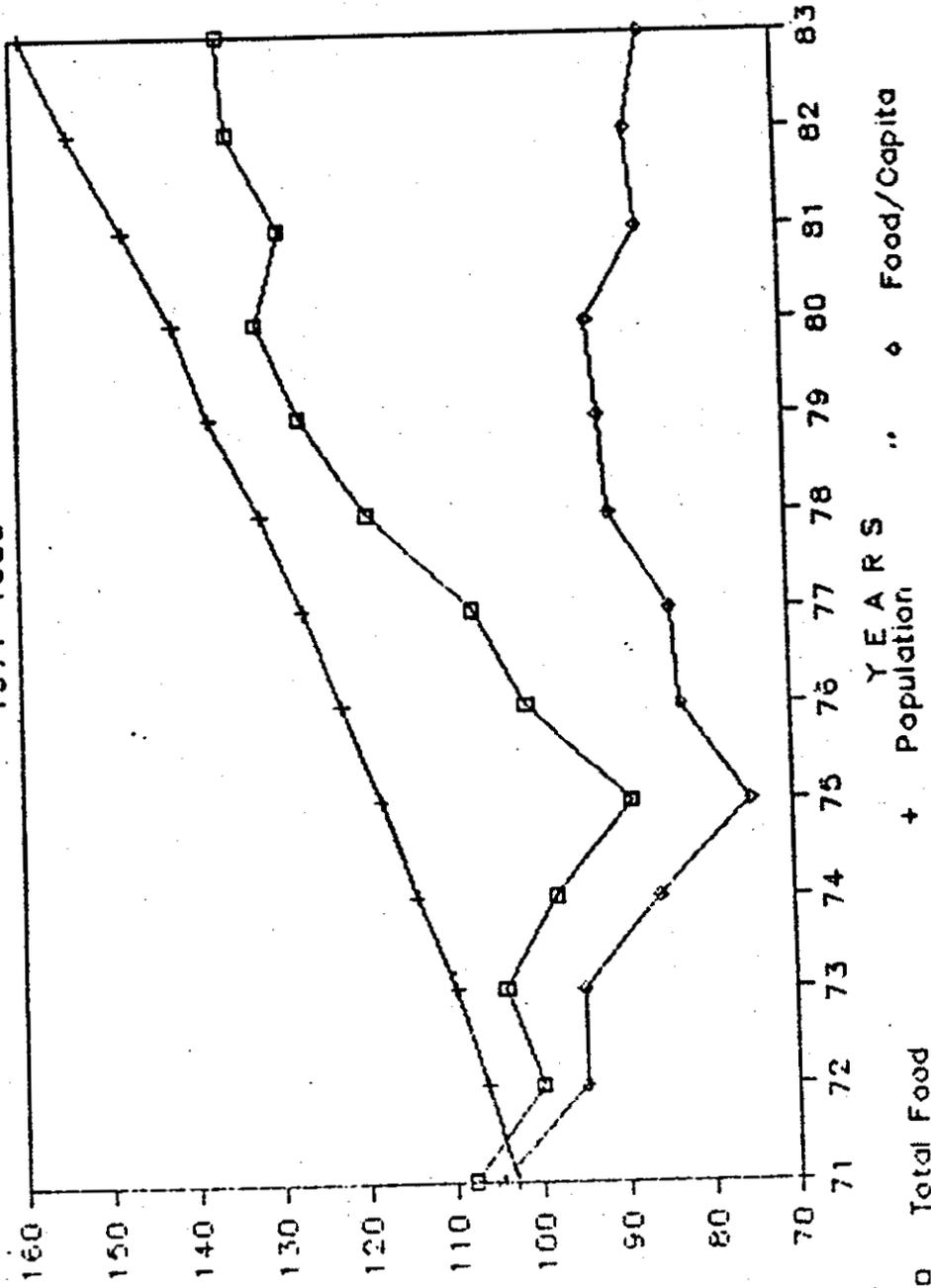
Coffee, Sugar Cane & Cotton

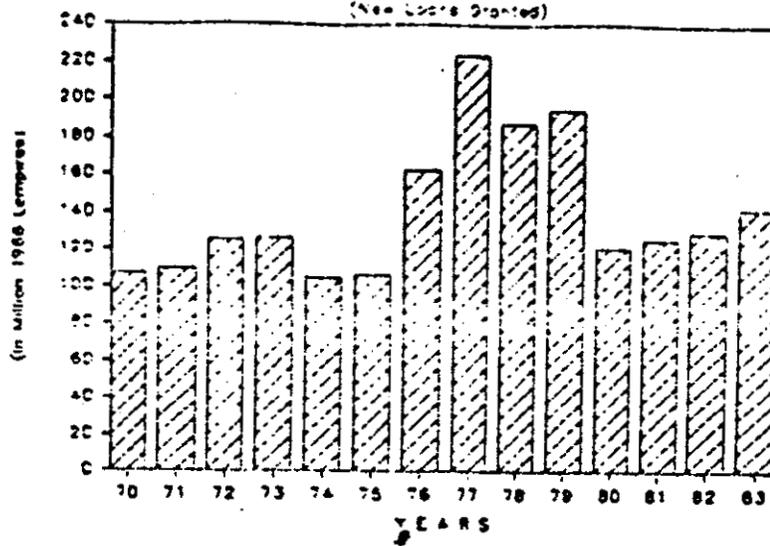


Graph 25

HONDURAS: RELATION FOOD AND POPULATION

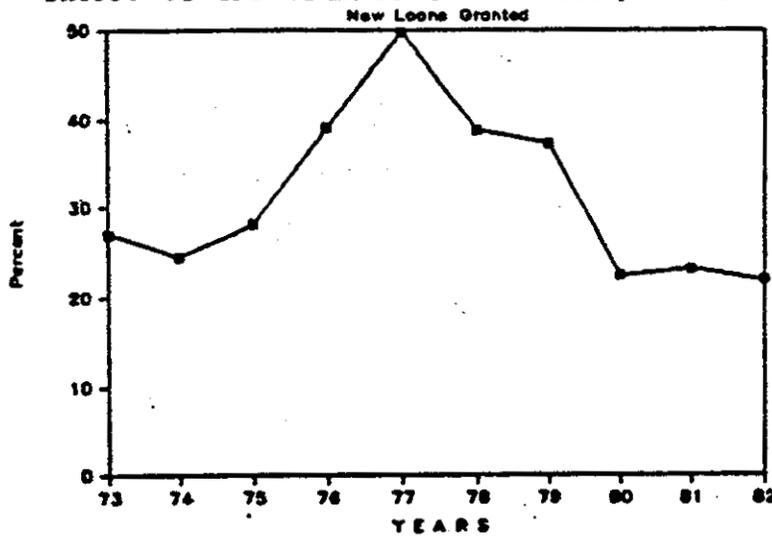
1971-1983





Graph 26B

RATIO OF AG CREDIT TO AG GDP, HONDURAS



Graph 27

RELATIVE CREDIT ALLOCATIONS, HONDURAS,
Average Loan Balances, 1970-80

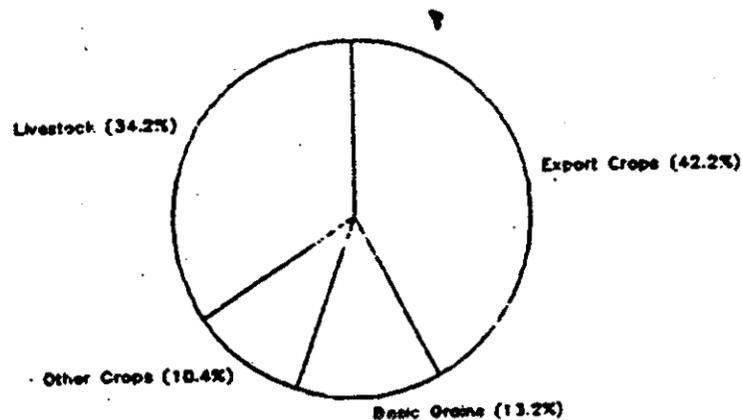


Table 4

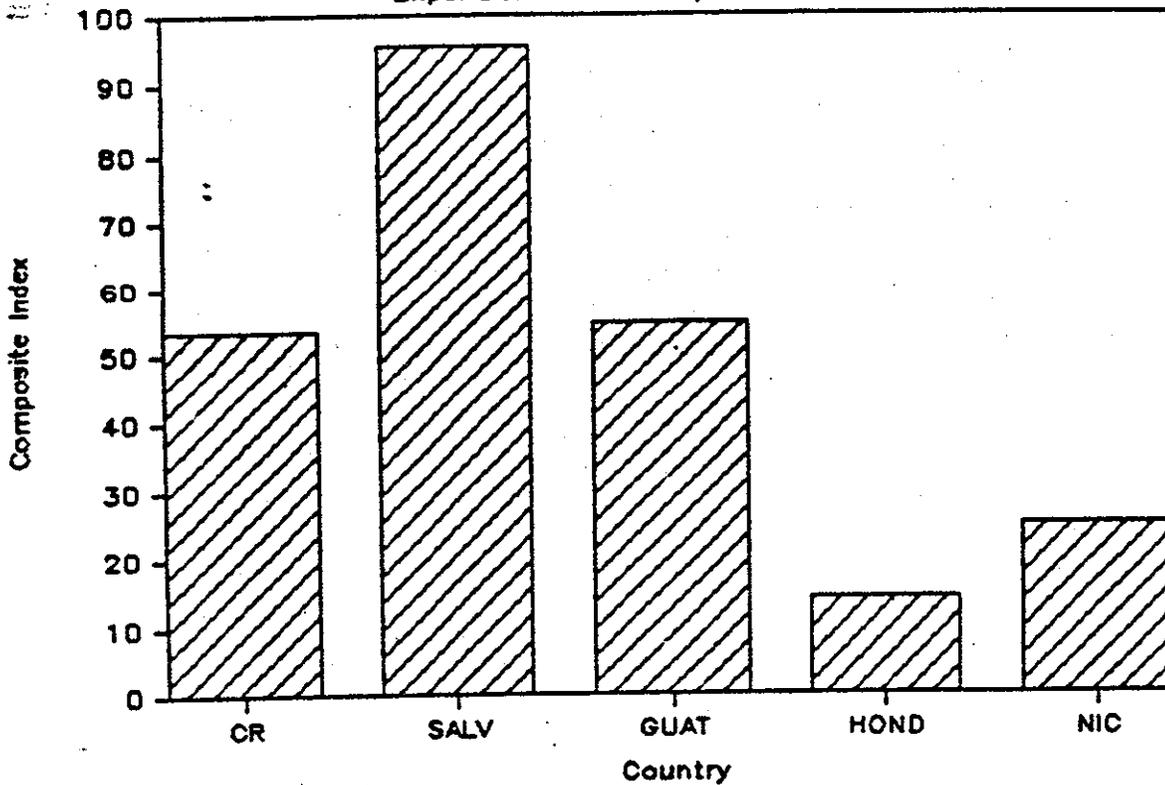
HONDURAS: Relative Importance of Sector
in GDP and GDH Budget, 1983-4
(Lps. Millions)

	Total	Agriculture	101/AGR
GDP	5,361	1,645	30.7%
Budget	1,524	108	7.1%
Budget/GDP	0.28	0.07	

Graph 28

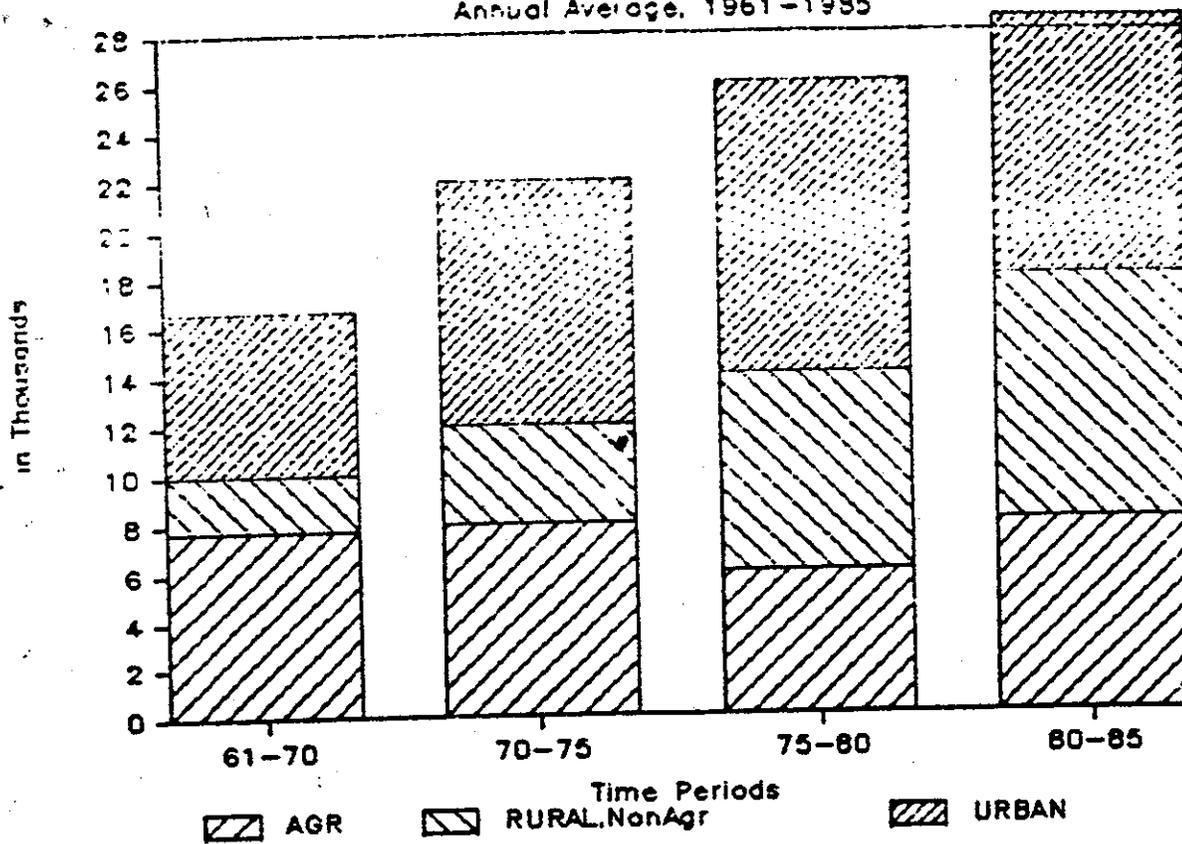
AGR. RESEARCH & EXTENSION SERVICES

Expenditures & Staff/Land & Workers



NEW JOBS/YEAR, by Sector

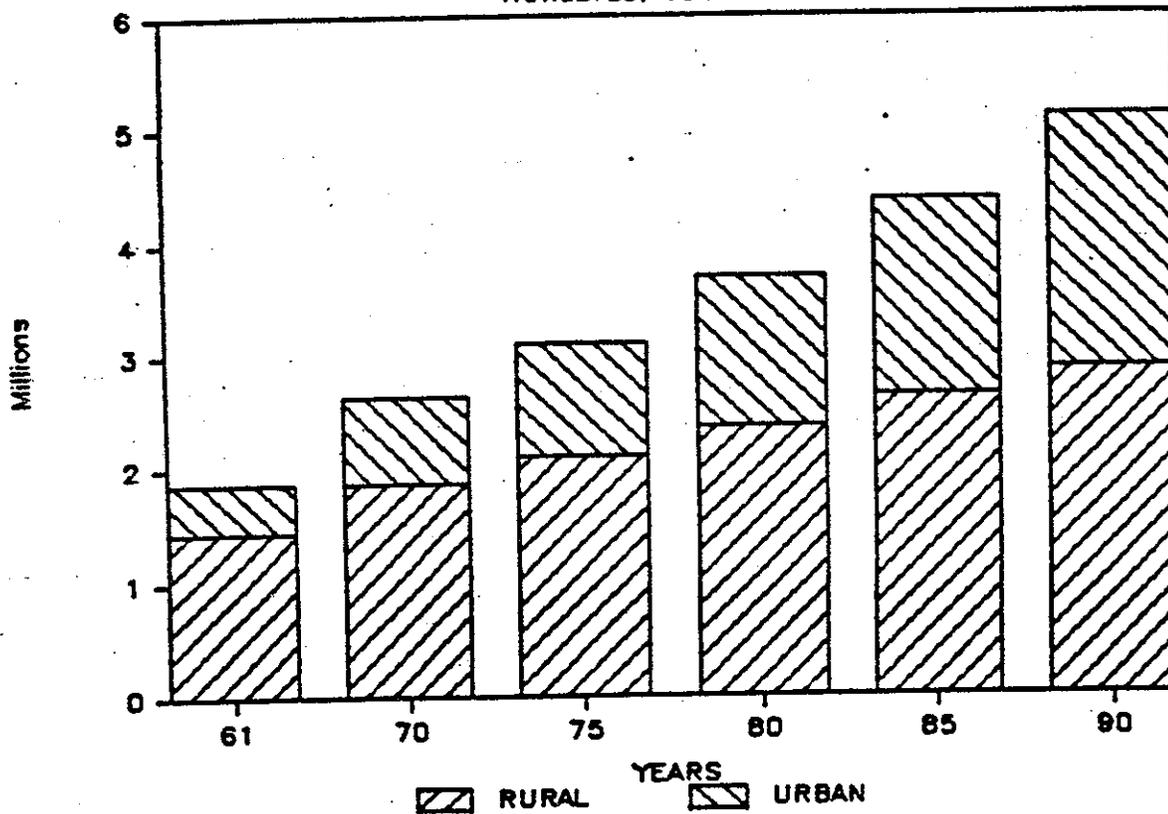
Annual Average, 1961-1985



Graph 29B

URBAN & RURAL POPULATION

Honduras, 1961-1990



43

Table 5

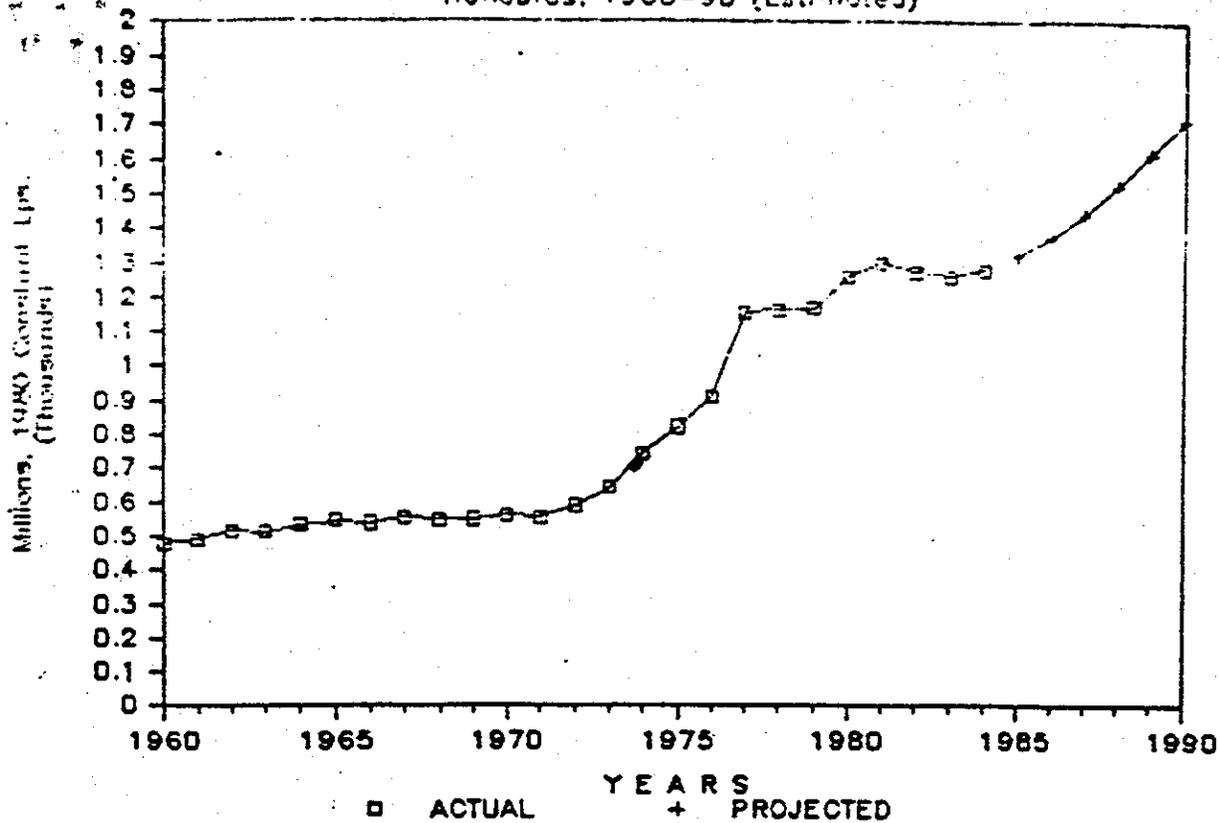
JACKSON PLAN TRADING SYSTEM: RURAL DEVELOPMENT GOALS AND TARGETS

ECONOMIC STABILIZATION AND TRANSFORMATION	1984	1985	1986	1987	1988	1989	1990
--Agricultural Gross Domestic Product (GDP/AG) (In Millions, 1984 Lempiras)	1533	1579	1642	1724	1828	1937	2054
--Agricultural GDP Growth Rate (Annual Percentage)	3%	4%	5%	5%	6%	6%	
--GDP/AG per Rural Population (In 1984 Lempiras)	593	599	611	631	658	686	716
--AG GDP/capita Growth Rates (Annual Percentage)	1%	2%	3%	4%	4%	4%	
--Agricultural Exports (in Millions 1984 Lps)	1080	1107	1140	1180	1227	1283	1347
--Growth Rates, Agr. Exports (Annual Percentage)	2.5%	3%	3.5%	4%	4.5	5%	
--Non-Tradition Ag. Exports (in Millions 1984 Lps)	164	176	190	207	228	256	287
--Non-Trad. Agr. Exports (Annual Percentage)	7%	8%	9%	10%	12%	12%	
BENEFITS OF ECONOMIC GROWTH AND DEMOCRATIC INSTITUTIONS	1984	1985	1986	1987	1988	1989	1990
--Rural Employment (000 Employed)	448	459	471	485	501	521	547
--Rural Unemployment (% of Econ. Active Pop)	38.8%	38.6%	38.4%	37.8%	37.2%	36.0%	34.2%
--Rural Poor, Percent (< \$230/year)	80	79	78	76	74	71	69
--Nutritional Status, Honduras (% Undernourished)	65	64	64	63	63	62	62
--Basic Grain Yields (Metric Tons/Hectare)	1.25	1.26	1.28	1.30	1.33	1.36	1.40
--Improved Rural Technologies (000 Farm Families)	14	15	16	18	20	23	26
--Irrigated Land (Total, 000 Hectares)	50	51	52	53	55	58	62
--Soil Conservation Farms (000 Farm Families)	1.5	3.0	4.8	5.8	7.3	9.8	13.0
--Land Tenure (000 legal titles)	14	25	36	50	70	95	125
--Viable Farmer Organizations (000 Members Served)	5	6	9	14	20	30	50
--Agric. Education & Training	5185	5395	5660	5985	6370	6815	7370
--Higher Education Graduates	185	195	210	235	270	315	370
--Farmer & Technical	5000	5200	5450	5750	6100	6500	7000
Based on the following:							
Rural Population (000)	2583	2635	2687	2734	2780	2824	2868
Economically Active Population							
Rural (000)	732	748	764	780	797	814	831
Agricultural (000)	675	692	709	727	746	764	784

44

AGRICULTURAL GROSS DOMESTIC PRODUCT

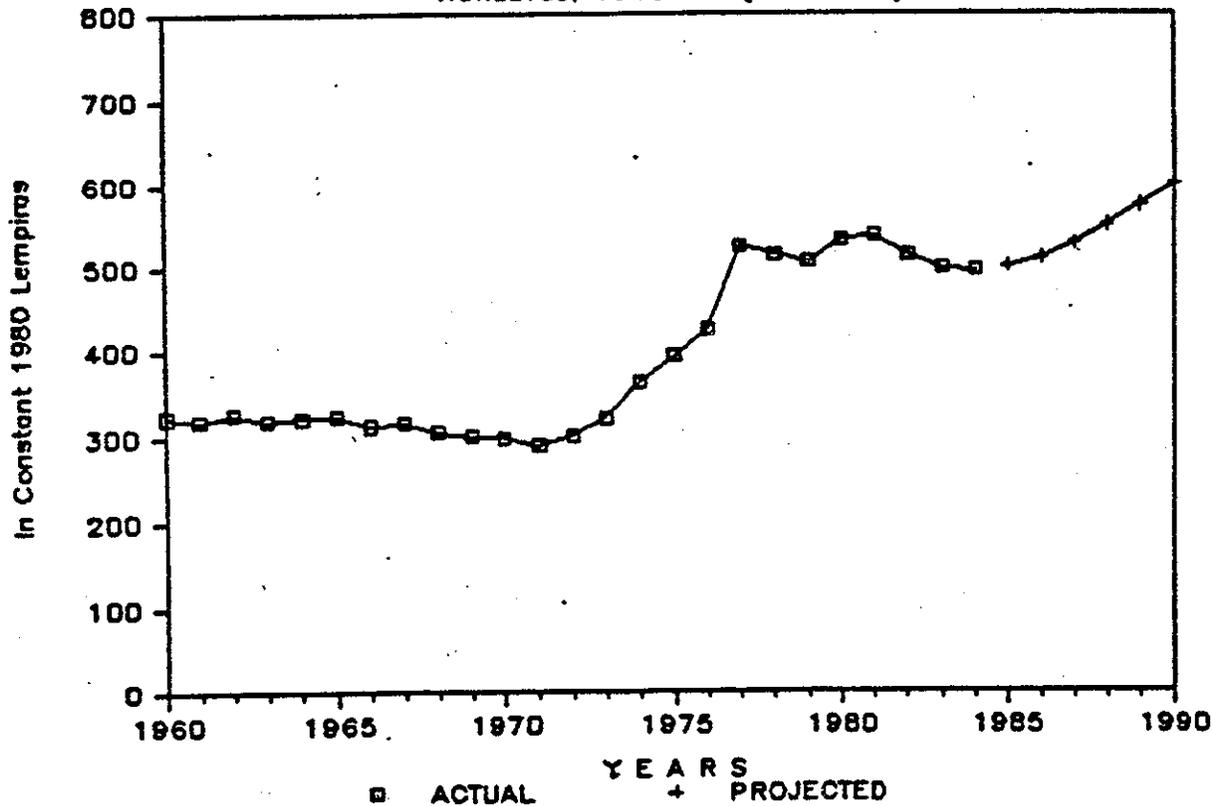
Honduras, 1960-90 (Estimated)



Graph 31

AGR GDP/RURAL POPULATION

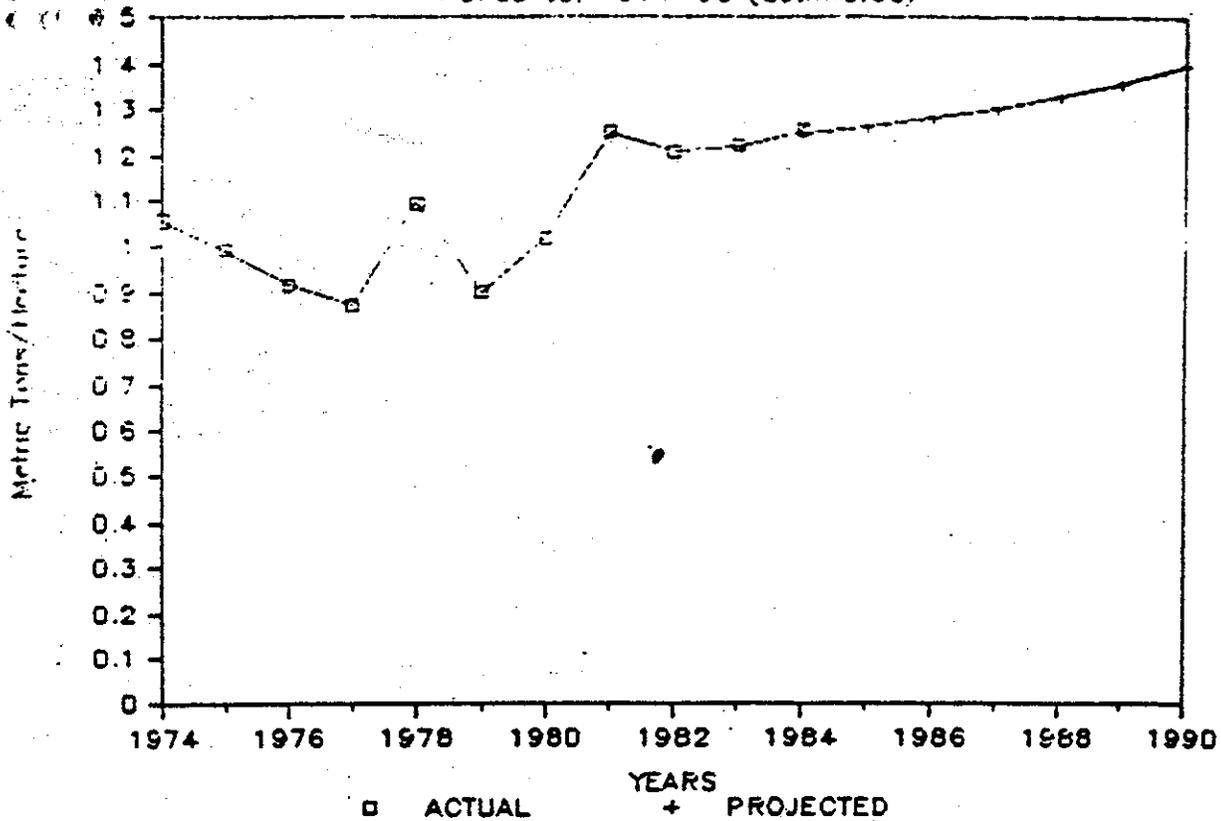
Honduras, 1960-90 (Estimated)



45

BASIC GRAINS YIELDS, ACTUAL & PROJECTED

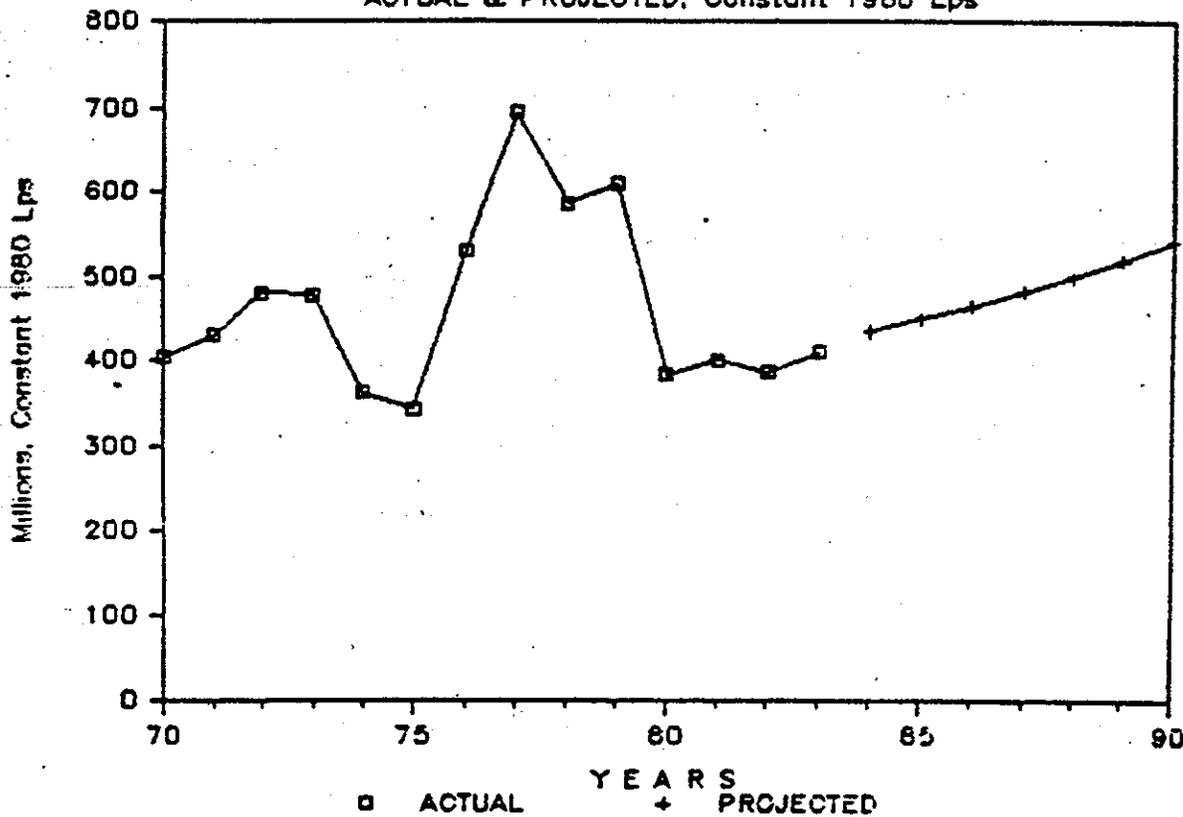
Honduras, 1974-90 (Estimated)



Graph 35

AGR CREDIT, HONDURAS, NEW LOANS

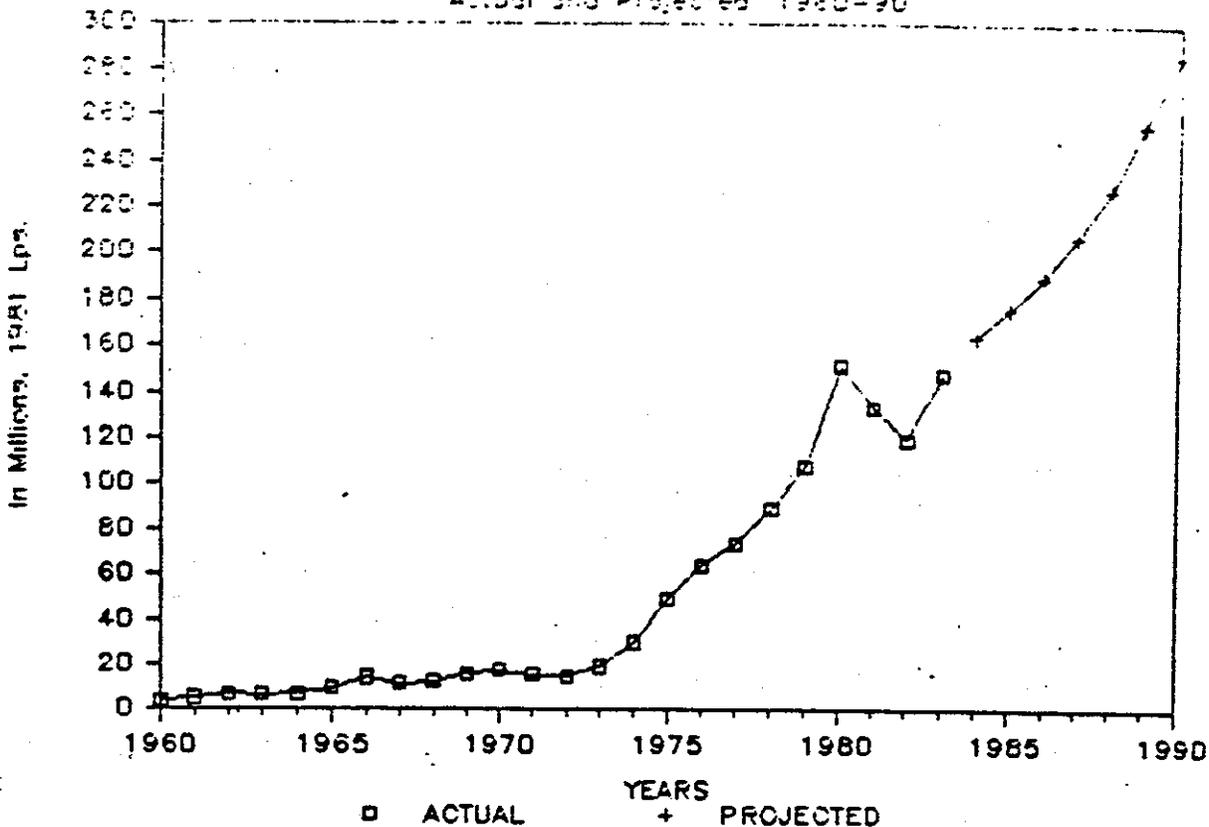
ACTUAL & PROJECTED, Constant 1980 Lps



Graph 32

NON-TRADITIONAL EXPORTS, HONDURAS

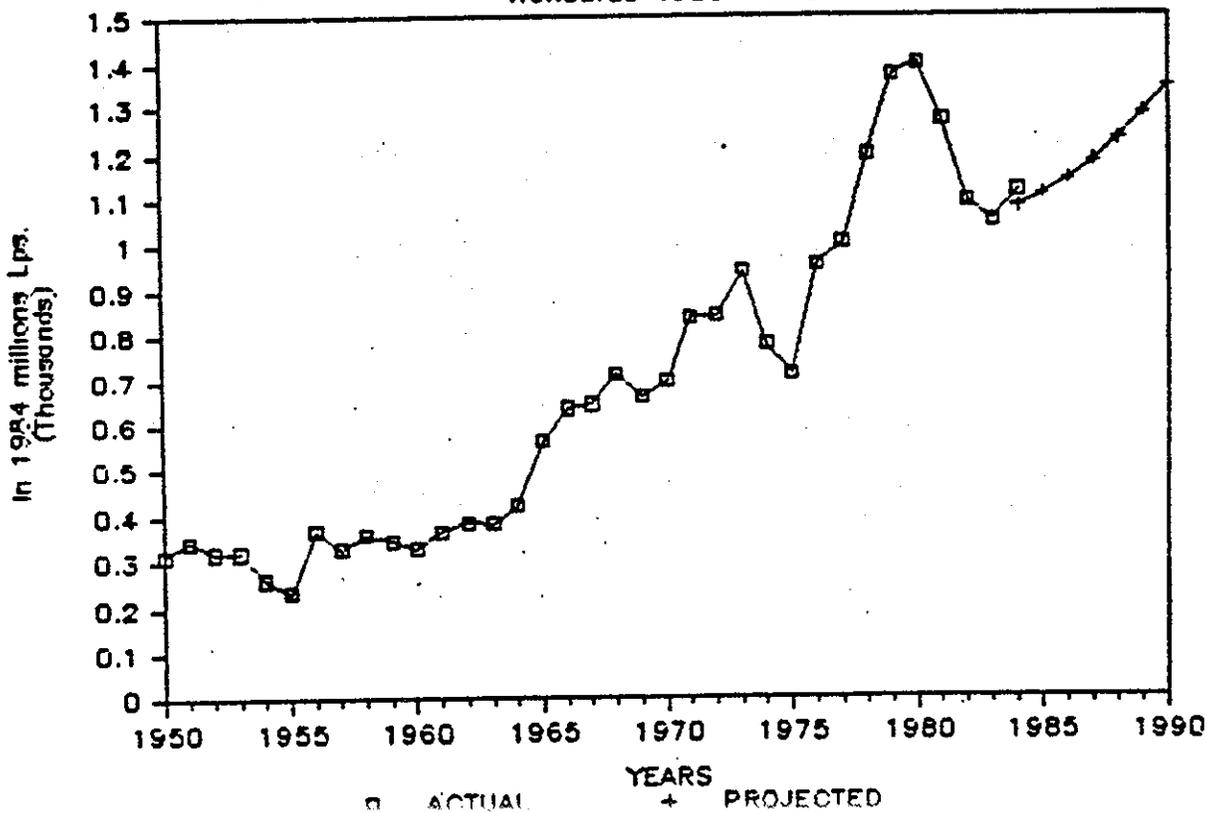
Actual and Projected 1960-90



Graph 33

ACTUAL AND PROJECTED AGRIC. EXPORTS

Honduras 1950-1990



47

TABLE 5

JACKSON PLAN TRACKING SYSTEM: RURAL DEVELOPMENT GOALS AND TARGETS

ECONOMIC STABILIZATION AND TRANSFORMATION	1984	1985	1986	1987	1988	1989	1990
--Agricultural Gross Domestic Product (GDP/AG) (In Millions, 1984 Lempiras)	1533	1579	1642	1724	1828	1937	2054
--Agricultural GDP Growth Rate (Annual Percentage)	3%	4%	5%	5%	6%	6%	
--GDP/AG per Rural Population (In 1984 Lempiras)	593	599	611	631	658	686	716
--AG GDP/capita Growth Rates (Annual Percentage)	1%	2%	3%	4%	4%	4%	
--Agricultural Exports (in Millions 1984 Lps)	1080	1107	1140	1180	1227	1283	1347
--Growth Rates, Agr. Exports (Annual Percentage)	2.5%	3%	3.5%	4%	4.5%	5%	
--Non-Tradition Ag. Exports (in Millions 1984 Lps)	164	176	190	207	228	256	287
--Non-Trad. Agr. Exports (Annual Percentage)	7%	8%	9%	10%	12%	12%	
BENEFITS OF ECONOMIC GROWTH AND DEMOCRATIC INSTITUTIONS	1984	1985	1986	1987	1988	1989	1990
--Rural Employment (000 Employed)	448	459	471	485	501	521	547
--Rural Unemployment (% of Econ. Active Pop)	38.8%	38.6%	38.4%	37.8%	37.2%	36.0%	34.2%
--Rural Poor, Percent (< \$230/year)	80	79	78	76	74	71	69
--Nutritional Status, Honduras (% Undernourished)	65	64	64	63	63	62	62
--Basic Grain Yields (Metric Tons/Hectare)	1.25	1.26	1.28	1.30	1.33	1.36	1.40
--Improved Rural Technologies (000 Farm Facilities)	14	15	16	18	20	23	26
--Irrigated Land (Total, 000 Hectares)	50	51	52	53	55	58	62
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